

William Duff
Ofgem
10 South Colonnade
Canary Wharf
London
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30 May 2025

RE: Notice of NTS Annual Quarterly (Entry and Exit) Interconnection Point (IP) Reserve Prices

Dear William

The Annual Quarterly Auctions for Entry and Exit Capacity for Interconnection Points (IPs) are due to be held during August 2025 for capacity from 1st October 2025 to 30th September 2026.

National Gas is publishing this Notice of NTS Transportation Charges providing at least one months' notice in advance of the Annual Quarterly Auctions, consistent with our Licence obligations.

Capacity reserve prices for the Annual Quarterly Auctions have been calculated in accordance with UNC TPD Section Y and using revenues in line with Part A of Special Condition [2.1](#)¹ (Transportation owner revenue restriction). The revenues used in the calculations are those from the Price Control Financial Model ([PCFM](#)²) published May 2025 and National Gas' published Business Plan Financial Model ([BPFM](#)³).

The essence of the methodology to calculate Transmission Services Entry and Exit target revenues is to take a proportion of the revenues from the PCFM across two Regulatory periods (April to March) to calculate a revenue target for the Gas or Tariff Year (October to September) that crosses them. This, implemented as part of [UNC0796](#), smooths some of the revenue volatility that would otherwise impact the Reserve Prices. This means that in some years tariffs may be set to over or under recover relative to the Regulatory Revenues from the PCFM in any given year.

Revenue determination and estimated recovery

As the methodology following the UNC to create the Gas Year target revenue to be recovered using the allowed revenue from the regulatory years it spans as inputs, this results in the

¹ In accordance with Special Condition 2.1.4 the Authority provides consent where an over recovery in setting NTS Transportation Owner charges occurs following the applicable charging methodology in the Uniform Network Code.

² National Gas Transmission's Price Control Financial Model (PCFM): RIIO-2.
<https://www.ofgem.gov.uk/publications/republishing-riio-gt2-price-control-financial-model-following-annual-iteration-process-2024>

³ National Gas Transmission's Business Plan Financial Model (BPFM): RIIO-3.
[https://www.nationalgas.com/sites/default/files/documents/NGT_Business_Plan_Financial_Model_\(BPFM\)_NGT_Alternative_Macro_Enabled_RIIO-GT3_EXT.xlsx](https://www.nationalgas.com/sites/default/files/documents/NGT_Business_Plan_Financial_Model_(BPFM)_NGT_Alternative_Macro_Enabled_RIIO-GT3_EXT.xlsx)

anticipated collection, all else being equal, being an under or over recovery compared to the Allowed Revenue for the Regulatory Year that ends in the Gas year for which prices are being set. Here the Licence required Ofgem to provide its [consent](#) for any over recovery that is anticipated and therefore part of the charge setting process.

To help illustrate this the table below provides some useful information on the anticipated revenue collection that underpins the charges being set.

Transportation Owner (TO) Revenues and recovery estimates

£m	Final	Indicative			
	Apr25- Mar26	Apr26- Mar27	Apr27- Mar28	Apr28- Mar29	Apr29- Mar30
TO FY Target Revenue	1,106.6	1,300.5	1,380.3	1,447.8	1,462.7
TO FY Forecast Recovery	1,167.1	1,257.0	1,378.2	1,445.5	1,452.2
TO Entry Recovery Forecast Variance	39.4	(25.0)	(6.1)	5.0	(12.9)
TO Exit Recovery Forecast Variance	21.1	(18.3)	4.0	(7.2)	2.4
Net Anticipated TO Recovery Variance	60.5	(43.3)	(2.1)	(2.2)	(10.6)

For the values in the table above:

- These are a combination of the relevant Entry and Exit Capacity Revenues and Meter Maintenance revenues attributable to TO revenue recovery per the Licence.
- Recovered revenue forecasts are estimates over time following the same methodology and shows an over collection in FY26.
- To provide Indicative values for years 26/27, 27/28, 28/29 and 29/30 we have used the Allowed Revenue from the National Gas Business Plan Financial Model (BPFM).

As can be seen, for the Regulatory Year ending March 2026, the tariffs calculated would result in a net TO over recovery (c.£60.5m) relative to the Allowed Revenues and following the methodology results in a mixture of over and under recovery across future years. This is the smoothing effect working through over time under the methodology that UNC0796⁴ introduced in 2022.

Allowed Revenues for RIIO-T3

Final determinations for RIIO-T3, that will inform the Allowed Revenues for the five-year period from April 2026, have not yet been issued and are not expected until later this year. To have revenues for this period to help inform the calculation of prices for October 2025 and indicatives for the four subsequent years, Revenues for the Regulatory years starting April 2026 are based on National Gas Business Plan Financial Model that has been published as part of our RIIO-T3 Business Plan submissions to Ofgem.

⁴ <https://www.gasgovernance.co.uk/0796>

Reserve Prices

The reserve prices for the Entry Annual Quarterly IP Auction are detailed in Table 1.

Final Exit prices for Capacity auctions applicable from 1st October 2025 are detailed in Table 2, and will apply to the following:

- Exit Annual Yearly IP Capacity Auctions,
- Exit Annual Quarterly IP Capacity Auctions,
- Exit Rolling Monthly IP Capacity Auctions,
- Exit Rolling Day Ahead IP Capacity Auctions,
- Within Day IP Capacity Auctions for Exit Capacity.

NTS large price steps for Capacity in the Annual Quarterly IP (Entry and Exit) auction will be the greater of 5% of the applicable capacity reserve price and 0.0001 p/kWh/day.

The suite of values to cover the transparency on the charges and values that underpin them, in accordance with the EU Tariff Code, is to be published before the end of August 2025. In the meantime, National Gas will host a webinar that will provide an opportunity for National Gas to talk through the charges, including the revenue values that underpin them along with an update on key changes to how specific inputs have been calculated.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact our charging team at Box.NTSGasCharges@nationalgas.com

Yours sincerely

Liz Ferry
Head of Markets

Table 1 – **Entry** Reserve Price for Interconnection Points for IP Annual Quarterly Auctions

EU Interconnector Points (IPs)	From 1 Oct 2025 to 30 Sep 2026 Pence per kWh per day
Bacton IP	0.1086

Table 2 – **Exit** Reserve Price for Interconnection Points for IP Annual Quarterly Auctions

Offtake Point	Type of Offtake	From 1 Oct 2025 to 30 Sep 2026 Pence per kWh per day
Bacton (exit) IP	Interconnector	0.0299
Moffat (Irish Interconnector)	Interconnector – Firm, Exit only	0.0299

For information, indicative prices for Entry and Exit for Gas Years 2026/27 to 2029/30 can be found in our Information Provision document, available under NTS Charging Supporting Information.