

All Shippers & Interested Parties

31 May 2023

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

Dear Industry Participant

The Annual Yearly Auctions for NTS Entry and Exit Capacity at Interconnection Points will be held during July 2023 for capacity from 1st October 2023 to 30th September 2038.

National Gas is publishing this Notice of change to NTS Transportation Charges to provide at least one month in advance of the next Annual Yearly Auctions, consistent with our Licence obligations.

Reserve prices for the Annual Yearly and 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<sup>1</sup> (Transportation owner revenue restriction). The revenues used in the calculations are those from the Price Control Financial Model (PCFM) Ofgem published on the [30 May 2023](#) representing a republication from the PCFM issued in [December 2022](#).

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.

For the Regulatory Year ending March 2024, the tariffs calculated would result in an over recovery relative to the Allowed Revenues and following the methodology it would then result in an under recovery the following year. This is the smoothing effect working through over time.

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<sup>1</sup> 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.

### IP Entry Capacity Reserve Prices

The reserve prices for the Entry Capacity Annual Yearly IP Auction are detailed in Table 1 below. (These prices will apply to the Entry Annual Quarterly IP Auction.)

### IP Exit Capacity Reserve Prices

The reserve prices for the Exit Capacity Annual Yearly IP Auction are detailed in Table 2 below. (These prices will apply to the Exit Annual Quarterly IP Auction.)

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

The transparency data on charges and the values that underpin them, in accordance with the EU Tariff Code, is to be published before the end of August 2023. In the meantime, National Gas will be looking to 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. We will communicate more details on this in June.

**Table 1** Reserve Prices Interconnection Points (IPs) for the Entry Annual Yearly and Entry Annual Quarterly auctions, Pence per kWh per day

EU Interconnector Points (IPs)	1 Oct 23 Pence per kWh per day
Bacton IP	0.0784

**Table 2** Reserve Prices, Interconnection Points (IPs) for the Exit Annual Yearly and Exit Annual Quarterly auctions, Pence per kWh per day

Offtake Point	Type of Offtake	1 Oct 23 Pence per kWh per day
Bacton (exit) IP	INTERCONNECTOR	0.0127
Moffat (Irish Interconnector)	INTERCONNECTOR – FIRM, EXIT ONLY	0.0127

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact our charging team at [Box.NTSGasCharges@nationalgrid.com](mailto:Box.NTSGasCharges@nationalgrid.com)

Yours sincerely

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