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29 November 2013

Dear Ian,

Notice of NTS Charges to apply from 1 February 2014 (SO Charges only)

Following on from our letter dated 29 October 'Indicative notice of NTS Charges to apply from February 2014' (the Indicative Notice), National Grid is publishing a notice of revised transmission charges two months in advance of the changes, consistent with our Licence and Uniform Network Code obligations. The updated charges, the **SO Commodity** charges for Entry and Exit, and the **St Fergus Compression** charge, will apply to relevant gas flow allocations from 1 February 2014.

As noted to the Industry in the Indicative Notice, National Grid will be undertaking a third price change within the 2013/14 formula year. The reasons for the third price change, as set out previously in the Indicative Notice, are outlined below.

The October 2013 charge was set prior to the resolution of a significant meter error at the Aberdeen Offtake. There is confirmation that correction of the Aberdeen meter error will occur in 2013/14 and that the value for the meter error reconciliation is £18.1m. This meter reconciliation was subject to an industry process through the Offtake Arrangements Workgroup¹ which has agreed the value and the reconciliations are expected to be invoiced in January 2014 and the process will therefore complete before the end of the financial year.

There is also evidence of a reduction in the prevailing volume of unaccounted for gas (UAG) - comparing estimates calculated in July 2013 that formed part of October 2013 charges and actuals being calculated during October/November 2013.

The combined effect of a credit from the meter error reconciliation and the forecast reduced shrinkage costs means that the forecast SO collected revenue in 2013/14 is expected to exceed the SO allowed revenue by approximately 8% without a further price change.

¹ <http://www.gasgovernance.co.uk/OA>

Changes to charges from 1 February 2014

The following changes will be made on 1 February 2014 to the NTS Commodity Charge and the St. Fergus Compression Charge. The application of these changes will be over the two-month period, February and March 2014.

All other charges will remain unchanged and as per the October 2013 Charging Statement.

	April 13	October 13 (current)	February 14 Indicative	February 14 Final	Average for 2013/14 ²
NTS SO Commodity Charge	0.0176	0.0251	0.0173	0.0173	0.0205
St. Fergus Compression Charge	0.0176	0.0205	0.0102	0.0113	0.0173

NTS SO Commodity Charge

The revised level of the **NTS SO Commodity** charge, as applied to both entry and exit gas flow allocations in February and March 2014, is **0.0173** p/kWh which is the same level as indicated in the Indicative Notice. The revised charge is a decrease of 31% on the current rate of 0.0251 p/kWh and is caused mainly by the changes to shrinkage costs (including the Aberdeen meter reconciliation) in 2013/14, as outlined above.

St. Fergus Compression Charge

The **St. Fergus Compression** charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus on flow allocations in February and March 2014 will decrease to a level of **0.0113** p/kWh, a reduction of 45% on the current rate of 0.0205 p/kWh and in line with our Indicative level of 0.0102 p/kWh. The reduction compared to current prices is due primarily to adjustments in forecast volumes of compressor fuel required at the Total Oil Marine (TOM) sub-terminal.

Customers should note that further changes in charges will apply from 1 April 2014, as previously notified. Final charges to apply from this date will be published in a separate notice two months in advance of the changes.

If you have any questions about this Indicative Notice, or NTS charges in general, please contact myself or Colin Williams on 01926 655916 or Karin Elmhirst on 01926 655540, or alternatively email to box.transmissioncapacityandcharging@nationalgrid.com.

Steve Fisher

Gas Charging and Capacity Manager

² Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes