

31 July 2018

## Revised NTS Charges to apply from 1 October 2018

This notice is issued in line with National Grid Gas' ("National Grid") Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code, which requires National Grid to provide at least two months' notice of changes to its gas transportation charges. This notice details changes that will apply from 1 October 2018 and follows the 'indicative notice' published on 1 May 2018.

A copy of our document "**Notice of Gas Transmission Transportation Charges effective from 1 October 2018**", which contains all charges that will apply from 1 October 2018 is available on the National Grid website <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges> and should be read in conjunction with this note.

This note contains a summary explanation of the changes to the charges from 1 October 2018.

### UNC Modifications 0636

There is currently a UNC modification proposal (Mod 636) relating to updating the parameters used to calculate the NTS Optional Commodity charge (shorthaul). There are 5 alternatives and a decision to implement one of them will change the rates/application rules. The proposals have completed the UNC development and consultation process and, at the time that this notice was published, are awaiting an implementation decision from Ofgem. Should Ofgem decide to accept one of these proposals National Grid will publish a further revision to these charges.

We currently estimate that implementation of one of the Mod 636 proposals could lead to a reduction of up to 10% in the Commodity charges due to reduced shorthaul volumes (which move to pay standard commodity and therefore increases the charging base volume) and an increase in income from shorthaul sites due to the change in the rates.

### Charging Base

Updated demand forecasts were received at the end of May 2018 and a central forecast continues to be used. The demand forecast for 2018/19 is 2% higher than at April 18 charge setting and 1% lower than that used at the indicative stage. The new forecasts have reduced the demand from the power generation sector by 11 TWh. Exports to the EU via the Bacton Interconnector have been high during 2017/18 and are forecast to remain at those levels. Taking into account the actual demand for April to June, the forecast demand level used to set the October 2018 charges is similar to that used when setting April 2018 charges.

This explanation of the changes to the charges is split into four parts:

- **TO Charges**
  - TO Entry and Exit Commodity
  - TO Entry Capacity Reserve prices 2019/20

- **SO Charges**
  - SO Entry and Exit Commodity
  - St Fergus Compression
  - Allocation Arrangements at Interconnectors
- **Tools and Supporting Information**
- **Appendix**

## TO Allowed Revenues

The TO allowed revenue (which is shared 50:50 between Entry and Exit activities) remains at the level used to set the TO charges for April 2018 (£708m).

## NTS TO Commodity Charges

### NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on Entry flows will increase to **0.0435** p/kWh from its current rate of 0.0434 p/kWh, and an average rate of 0.0435 p/kWh. This compares to the average rate of 0.0516 p/kWh in 2017/18.

### NTS TO Exit Commodity Charge

Taking into account the Exit Capacity charges and Capacity bookings for the remainder of the year including those from the July 2018 Application Window, the TO Exit Commodity rate is **0.0217** p/kWh. This is an increase on the current rate of 0.0202 p/kWh. There will be £5m less revenue collected via Capacity charges in the 6 months from October 2018. Reductions in Capacity bookings in the July 2018 Exit Capacity Application Window have contributed to the TO Exit Commodity rate rise.

A summary of NTS TO Commodity charges can be found in **Table 2** of the Appendix.

## NTS TO Capacity Charges

### TO Entry Capacity Reserve Prices

Revised reserve prices for Capacity bids placed in the next AMSEC auction for gas year 2019/20 have been calculated using National Grid's Transportation Model<sup>1</sup>, which has been updated to reflect changes in demand levels, the pipeline network, supply patterns, obligated Entry Capacity levels, and the cost of investment through the expansion constant, all of which may affect the charges. All prices have been calculated using the NTS obligated Entry Capacity levels.

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<sup>1</sup> See Supporting Information section for information on how to obtain a copy of our model.

The forecast peak demand level has reduced from 5751 GWh/d in 2018/19 to 5731 GWh/d in 2019/20. Barrow and St Fergus have seen the largest changes due to the pattern of supply and demand changes, in particular decreases in demand in Scotland and the North West plus increase in forecast supplies from St. Fergus has meant flows from these terminals need to travel further into the NTS and so the prices have risen.

The revised Entry Capacity reserve prices can be found in **Table 3** MSEC Reserve Prices of the appendix in this Notice and in Table 4 in the **Notice of Gas Transmission Transportation Charges effective from 1 October 2018**.

Entry Rolling Monthly Auction prices for Interconnection Points have recently been published<sup>2</sup> and can be seen **Table 10** of the **Notice of Gas Transmission Transportation Charges effective from 1 October 2018**.

### NTS Exit Capacity Charges

NTS Exit Capacity charges including for the Interconnector Points, effective from 1 October 2018, have been published<sup>3 4</sup> in a separate notice on 1 May 2018 and can be found in **Tables 8, 13 and 14**, in the **Notice of Gas Transmission Transportation Charges effective from 1 October 2018**.

### SO Allowed Revenues

SO allowed revenue for 2018/19 is forecast to decrease by £25m to £180m, compared to when charges were set for April 2018. This decrease reflects a fall in our forecast of external costs relating to shrinkage and residual balancing costs.

Other SO income has decreased by £18m (reductions in residual balancing and shorthaul income) and so the overall income to be collected from the SO Commodity Charge has reduced by £7m compared to the April 2018 charge setting.

### NTS SO Commodity Charges

The NTS SO Commodity charge, as applied to both Entry and Exit flows, is **0.0092** p/kWh (-9%) compared to the current rate of 0.0101 p/kWh. This means that the average NTS SO Commodity rate for 2018/19 is 0.0095 p/kWh compared to an average rate for 2017/18 of 0.0106 p/kWh.

### Other SO Charges

The **Compression Charge** levied at the North Sea Midstream Partners (NSMP) sub-terminal at St. Fergus is to increase from its current level of 0.0117 p/kWh to **0.0144** p/kWh, a 23% increase.

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<sup>2</sup> [https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-06/Final%20Notice%20of%20Rolling%20Monthly%20and%20Rolling%20Day%20Ahead%202018\\_2.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-06/Final%20Notice%20of%20Rolling%20Monthly%20and%20Rolling%20Day%20Ahead%202018_2.pdf)

<sup>3</sup> <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-05/Exit%20Capacity%20Notice%2001%20May%202018.pdf>

<sup>4</sup> <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-05/Final%20Notice%20of%20Annual%20Quarterly%202018.pdf>

Forecast costs for this compression have been increased by £1m due to higher gas prices, and when combined with a decrease in the forecast of throughput at this location, the result is an increase in this charge.

The **Allocation Administration Charge** at Interconnectors which is for the cost of allocating daily gas flows between shippers has been set to zero from 1 October 2018.

A summary of the SO charges can be found in **Table 2** of the Appendix.

## Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

This includes:

- detailed information about the components of the TO and SO allowed revenues;
- how they have changed since April's charges were set; and
- how this information in conjunction with the charging base is used to calculate charges.

National Grid will be making the Transportation Model available to parties that have signed the licence agreement for the model. Details of how to obtain the model can also be found at the link above. There will be an opportunity to discuss these changes at a subsequent NTS Charging Methodology Forum (NTSCMF), details of which can be found at <http://www.gasgovernance.co.uk/ntscmf/>.

## Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Karin Elmhirst (01926 655540), [karin.elmhirst@nationalgrid.com](mailto:karin.elmhirst@nationalgrid.com) or email the charging team at [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com).

## Comments & Feedback

As part of our commitment to customers, National Grid welcomes comments and feedback on the information contained in this notice. In particular, to ensure that information is provided and presented in a way that is of most use to customers, we would welcome specific feedback on:

- The level of numeric detail provided to explain charge changes;
- The quality of the explanation given to describe and explain charge changes;
- Information that is not useful and could be omitted;
- Information that is missing that could be added.

These should be sent to:

Karin Elmhirst

email to [Karin.elmhirst@nationalgrid.com](mailto:Karin.elmhirst@nationalgrid.com)

## Appendix

**Table 1 Forecast Allowed Revenues for Financial year 2018/19**

	<b>2018/19 at April 2018</b>	<b>2018/19 at October 2018</b>	<b>Change</b>
<b>TO Maximum Allowed Revenue</b>	£708m	£708m	£0.1m
<b>SO Maximum Allowed Revenue</b>	£205m	£180m	-£25m
<b>Revenues to be collected from:</b>			
<b>NTS TO Entry Commodity</b>	£271m	£271m	£0m
<b>NTS TO Exit Commodity</b>	£126m	£132m	£6m
<b>NTS SO Commodity</b>	£126m	£119m	-£7m

**Table 2 Summary of Commodity Charges**

<b>NTS Charge</b>	<b>At April 2018</b>	<b>Effective from 1 Oct 2018</b>	<b>Change</b>
<b>TO Entry Commodity</b>	0.0434	<b>0.0435</b>	0.0001
<b>TO Exit Commodity</b>	0.0202	<b>0.0217</b>	0.0015
<b>SO Commodity (Entry &amp; Exit)</b>	0.0101	<b>0.0092</b>	-0.0009
<b>St. Fergus Compression</b>	0.0117	<b>0.0144</b>	0.0027

Table 3 MSEC Reserve Prices

<b>MSEC Reserve Prices Pence per kWh per day</b>			
<b>Coastal Terminals &amp; LNG Importation</b>	<b>Y From 1 Oct 17 to 30 Sep 18</b>	<b>Y+1 From 1 Oct 18 to 30 Sep 19</b>	<b>Y+2 From 1 Oct 19 to 30 Sep 20</b>
Bacton	0.0109	0.0088	0.0090
Barrow	0.0014	0.0001	0.0008
Easington&Rough	0.0140	0.0158	0.0141
Isle of Grain	0.0094	0.0081	0.0070
Milford Haven	0.0228	0.0225	0.0227
St Fergus	0.0488	0.0490	0.0508
Teesside	0.0110	0.0084	0.0084
Theddlethorpe	0.0142	0.0156	0.0141
<b>Onshore Fields and Connections</b>			
Burton Point	0.0001	0.0001	0.0001
Hole House Farm	0.0001	0.0001	0.0001
Hatfield Moor	0.0053	0.0030	0.0032
Wytch Farm	0.0001	0.0001	0.0001
<b>Storage</b>			
Barton Stacey	0.0001	0.0001	0.0001
Canonbie	0.0041	0.0017	0.0020
Caythorpe	0.0135	0.0116	0.0118
Cheshire	0.0001	0.0001	0.0002
Dynevor Arms	0.0001	0.0098	0.0088
Fleetwood	0.0010	0.0001	0.0001
Garton	0.0159	0.0140	0.0125
Glenmavis	0.0148	0.0118	0.0122
Hatfield Moor	0.0053	0.0030	0.0032
Hornsea	0.0126	0.0124	0.0135
Partington	0.0001	0.0001	0.0001
Avonmouth	0.0001	0.0001	0.0001