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1 November 2007

Dear Robert

### **Indicative Notice of Revised Gas NTS Charges to apply from 1 April 2008**

This notice is issued in line with the GT Licence requirement to provide 150 days notice of potential changes to gas transportation charges. Without prejudice to any ongoing discussions between Ofgem and National Grid on charging related issues, it provides indicative levels of the charges that will apply from 1<sup>st</sup> April 2008. The definitive notice of the charges that shall apply from this date will be published by 1<sup>st</sup> February 2008, in line with the two months notice required by our licence and Network Code obligations.

The following are our current central forecasts of the charges being changed:

- The **NTS TO Commodity charge** levied on entry flows is estimated to be 0.0019 p/kWh on the basis it will be applied for the full financial year. The charge has been calculated taking into account uncertainties arising from ongoing consultations on entry capacity baselines; trade and transfer methodologies; and mechanisms to deal with TO entry over-recoveries. Other uncertainties include forecasts of the allowed revenue and entry volumes. Against this background, we have assumed similar auction bidding behaviour for 2008/09 as seen in 2007/08. This is to balance the obligation not to over recover in a formula year with our desire to reduce potential volatility in October 2008 when the charge will be reassessed.
- The indicative level of the **NTS SO Commodity charge**, which is applied to both entry and exit flows, is 0.0121 p/kWh. This can be compared against 0.0136 p/kWh, which applied from 1 April 2007 to 30 September 2007, and 0.0108 p/kWh which has applied since 1 October 2007. The increase has been primarily caused by increases to the allowed revenue due to:
  - a. forecast increases in gas costs; and
  - b. allowances associated with the provision of incremental exit capacity.

We believe that the variation in our estimate of 0.0121p/kWh may be in the region of +/- 15%.

- A small increase is estimated in the **compression charge** levied at the Total Oil Marine sub-terminal (TOM) at St. Fergus. This charge is anticipated to be 0.0067 p/kWh and is based on our current view of gas costs and volumes entering through this sub-terminal.

All other administered charges will remain the same until October 2008.

If you have any questions about this Indicative Notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01926 655540.

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