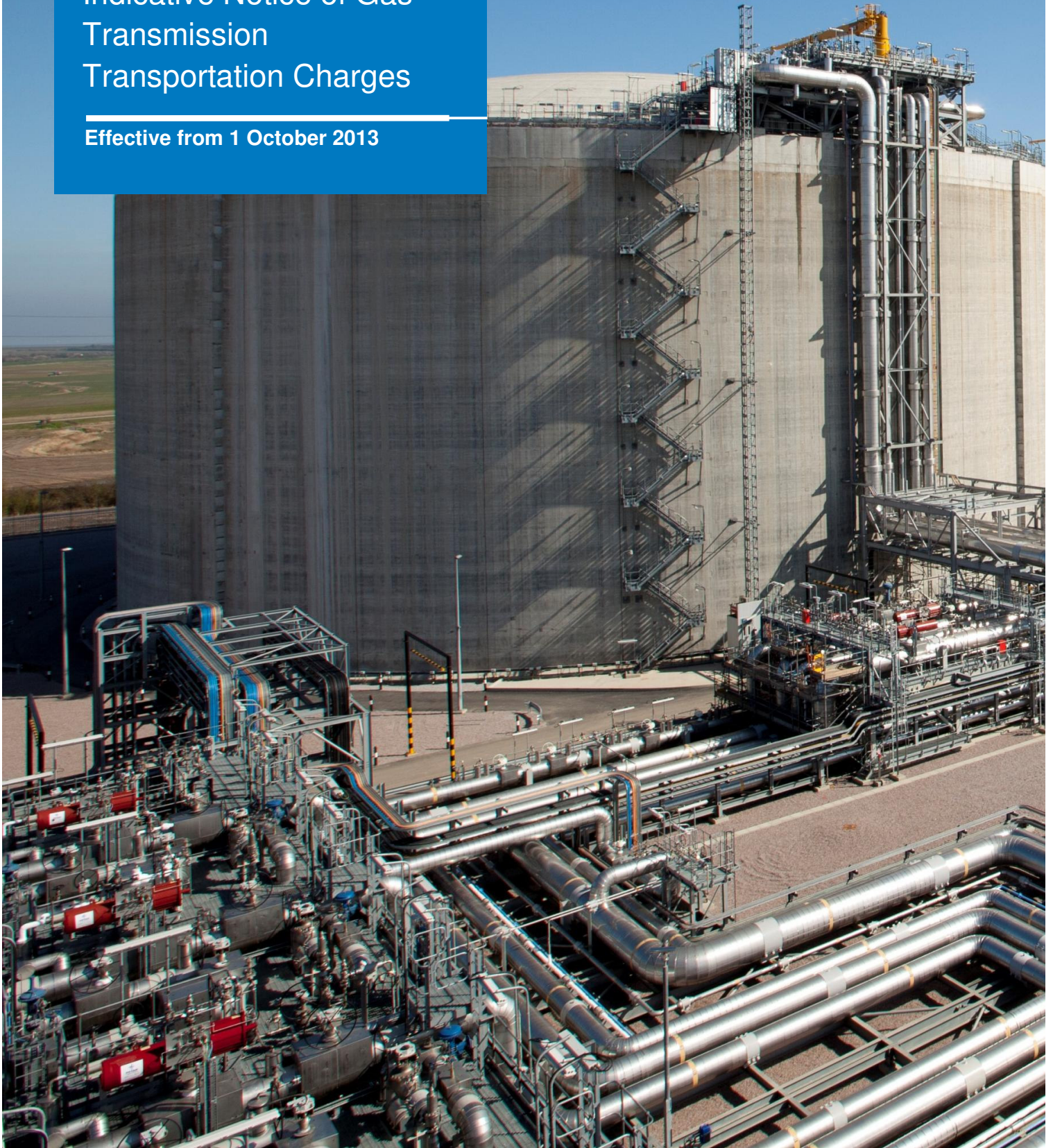


Indicative Notice of Gas
Transmission
Transportation Charges

Effective from 1 October 2013



Introduction

This notice is issued in line with National Grid's Gas Transporters Licence in respect of the NTS ("the Licence"). The Licence requires National Grid to provide at least 150 days notice of changes to its gas transportation charges (the 'indicative' notice). This notice is issued with respect to changes that will apply from 1 October 2013. Notice of the actual charges will be published by 1 August 2013, to provide the two months notice required by the Licence and Network Code obligations.

This notice is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
 - Connected System Exit Points Administration
- **Tools and Supporting Information**
- **Appendices**

Basis of preparing indicative charges

National Grid sets its charges to recover the price controlled allowances set by Ofgem. The current price control RIIO-T1 applies from 1 April 2013 and is the basis for calculating the charges contained in this notice. Since setting the charges in April 2013, there have been small movements in our forecasts allowed revenue and a summary of the revenues is given in Appendix I.

National Grid expects to complete its assessment of the allowed revenue for 2012/13 as part of the annual regulatory reporting process that completes in July. Only at this point will the TO and SO revenue corrections that are carried into 2013/14 be known definitively and whether or not an over-recovery has occurred. If this were to show a TO over-recovery has occurred, a TO entry rebate will be paid to shippers at the earliest opportunity.

Charging Base

Our assumptions around industrial and power generation demands are largely unchanged from our view at April 2013 and based on a view that gas fired power generation remains lower in the merit order, compared to coal, for the first half of 2013/14 but returns to merit over the winter period as gas demand increases and the operation of coal plant potentially becomes restricted under the governments Large Combustion Plant Directive (LCPD). We are also expecting more storage injection this summer compared to last year's summer because of the depleted stocks from 2012/13 and the possible commissioning of a new storage site. This results in a small relative increase in the entry charging base.

For a set target revenue recovery charges are raised with a lower charging base. The assumptions around volumes will be revisited before confirming final charges at the end of July 2013.

TO Charges

TO Allowed Revenues

The TO allowed revenue (which is shared 50:50 between entry and exit activities) remains at the same level used to calculate TO charges for the April 2013 charge setting (£627m).

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on entry flows is estimated to decrease to **0.0233** p/kWh from its current rate of 0.0244 p/kWh and the average rate of 0.0303 p/kWh for 2012/13, representing a decrease of 5% and 22% respectively. We are seeking to recover around £3m less from TO Entry Commodity charge due to slightly higher than expected revenues from the short term auctions and the Annual Monthly System Entry Auction (AMSEC), which took place in February. The forecast of entry volumes, which includes those volumes that will eventually be injected into storage, has also caused this charge to fall.

The main sources of uncertainty for this charge include: the income from auctions held during the year; the final revenue correction to be brought forward from 2012/13; and gas volumes. Taking these factors into account, we estimate the range on the indicative charges is +/- 10%.

NTS Exit Capacity Charges

The April 2013 Exit Capacity charges were based on the 2012/13 Transportation Model with an update to the allowed revenue only. These rates will apply for 6 months until 30 September 2013. Updated Exit Capacity charges, effective from 1 October 2013, have been published in a separate notice on 1 May 2013 but are also available in Appendix II.

NTS TO Exit Commodity Charge

The TO Exit Commodity charge, which was introduced in October 2012, is a residual charge to enable National Grid to collect the correct TO Exit income from exit shippers when capacity has not been booked up to the baseline.

Taking into account the updated Exit Capacity charges and expected capacity bookings, the indicative TO Exit Commodity rate is **0.0109** p/kWh, a small decrease on the current rate of 0.0112 p/kWh.

There exists some uncertainty due to UNC Modification 0439¹ 'Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications' which may mean a reduced revenue from bookings and hence an increase in the revenue to collect via the TO Exit Commodity charge. It is estimated that increase could add around 0.0006 p/kWh to the indicative rate.

A summary of TO Commodity charges can be found in Appendix III.

¹ <http://www.gasgovernance.co.uk/sites/default/files/Final%20Modification%20Report%200439%20v1.0.pdf>

SO Charges

SO Allowed Revenues

The SO allowed revenue is expected to increase by £5m to £315m, compared to when charges were set for April 2013.

NTS SO Commodity Charges

The indicative level of the NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0171** p/kWh compared to the current rate of 0.0176 p/kWh and an average rate for 2012/13 of 0.0234 p/kWh. The charge has reduced despite the increase in the SO allowed revenue because revenues collected from other SO charges (e.g. revenues from incremental capacity sales, compression charges, and neutrality charges) has increased by a greater amount. This means the SO commodity charge must reduce.

The indicative rate assumes the reconciliation of the Aberdeen meter error will take place in Q3 2013/14 and has reduced the amount recovered by the SO commodity charge by £33m. National Grid will continue to monitor the progress of this before finalising the SO Commodity rate for October 2013. The timescales to complete the reconciliation are uncertain. It is our estimate that should the reconciliation not take place before the end of the Financial Year, prices will increase by around 20%.

Other uncertainties lie around forecast volumes and shrinkage costs, in particular unforeseen changes in gas costs and/or UAG volumes. We believe that the variation in our estimate of the SO commodity charge is in the region of – 10% / +15% excluding the meter error reconciliation.

Other Charges

The **Compression Charge** levied at the Total Oil Marine sub-terminal at St. Fergus is expected to increase from its current level of 0.0176 p/kWh to **0.0215** p/kWh, a 22% increase due to a rise in costs. The forecast increase in the costs is associated with the operation of electric compressors which includes non-energy related costs associated with the purchase of electricity for compressors, including network costs and renewable obligation costs. There has also been a revised forecast of the expected flows through the Total Oil Marine (TOM) sub-terminal and hence the charging base. We estimate the range on this charge to be +/- 15%.

A summary of the SO charges can be found in Appendix III.

Supporting Information

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>. 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.nationalgrid.com/uk/Gas/Charges/TCMF/>.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Karin Elmhirst (01926 655540) or Adam Brown (01926 655839).

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
National Grid
Warwick Technology Park
Warwick
CV34 6DA

or email to Karin.elmhirst@nationalgrid.com

Appendices

Appendix I

Table 1 Forecast Allowed Revenues for Financial year 2013/14

	2013/14 at April 2013 (Final)	2013/14 at October 2013 (Indicative)	Change
TO Maximum Allowed Revenue	£627m	£627m	-
SO Maximum Allowed Revenue	£310m	£315m	£5m
Revenues to be collected from:			
NTS TO Entry Commodity	£180m	£177m	-£3m
NTS TO Exit Commodity	£81m	£79m	-£2m
NTS SO Commodity	£258m	£253m	-£5m

Appendices

Appendix II

Table 2 shows Exit Capacity charges effective from 1 October 2013.²

Table 2 Exit Capacity Charges

	Type of Offtake	2013/14 at Oct-13
Bacton	GDN (EA)	0.0001
Brisley	GDN (EA)	0.0011
Cambridge	GDN (EA)	0.0077
Great Wilbraham	GDN (EA)	0.0067
Matching Green	GDN (EA)	0.0109
Peterborough Eye (Tee)	GDN (EA)	0.0066
Roudham Heath	GDN (EA)	0.0028
Royston	GDN (EA)	0.0086
Whitwell	GDN (EA)	0.0106
West Winch	GDN (EA)	0.0035
Yelverton	GDN (EA)	0.0005
Alrewas (EM)	GDN (EM)	0.0156
Blaby	GDN (EM)	0.0119
Blyborough	GDN (EM)	0.0035
Caldecott	GDN (EM)	0.0094
Thornton Curtis (DN)	GDN (EM)	0.0001
Drointon	GDN (EM)	0.0167
Gosberton	GDN (EM)	0.0046
Kirkstead	GDN (EM)	0.0025
Market Harborough	GDN (EM)	0.0106
Silk Willoughby	GDN (EM)	0.0038
Sutton Bridge	GDN (EM)	0.0054
Tur Langton	GDN (EM)	0.0108
Walesby	GDN (EM)	0.0001
Asselby	GDN (NE)	0.0016
Baldersby	GDN (NE)	0.0031
Burley Bank	GDN (NE)	0.0053
Ganstead	GDN (NE)	0.0001
Pannal	GDN (NE)	0.0057

². Please note that the October 2013 charges (along with 2014/15 to 2016/17 indicative charges) were also published on 1 May 2013 for the user commitment in the 2013 Exit Capacity Application Window. Details can be found on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/NoticeofChange/> 'Notice of Final NTS Exit (Flat) Capacity Charges effective from 1 October 2013 and Indicative NTS Exit (Flat) Capacity Charges for the 2013 Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity'.

Appendices

	Type of Offtake	2013/14 at Oct-13
Paul	GDN (NE)	0.0001
Pickering	GDN (NE)	0.0028
Rawcliffe	GDN (NE)	0.0018
Towton	GDN (NE)	0.0039
Bishop Auckland	GDN (NO)	0.0011
Coldstream	GDN (NO)	0.0001
Corbridge	GDN (NO)	0.0041
Cowpen Bewley	GDN (NO)	0.0001
Elton	GDN (NO)	0.0002
Guyzance	GDN (NO)	0.0014
Humbleton	GDN (NO)	0.0001
Keld	GDN (NO)	0.0110
Little Burdon	GDN (NO)	0.0007
Melkinthorpe	GDN (NO)	0.0102
Saltwick Pressure Controlled	GDN (NO)	0.0028
Saltwick Volumetric Controlled	GDN (NO)	0.0028
Thrintoft	GDN (NO)	0.0024
Towlaw	GDN (NO)	0.0032
Wetheral	GDN (NO)	0.0076
Horndon	GDN (NT)	0.0091
Luxborough Lane	GDN (NT)	0.0116
Peters Green	GDN (NT)	0.0110
Peters Green South Mimms	GDN (NT)	0.0110
Winkfield (NT)	GDN (NT)	0.0201
Audley (NW)	GDN (NW)	0.0204
Blackrod	GDN (NW)	0.0174
Ecclestone	GDN (NW)	0.0238
Holmes Chapel	GDN (NW)	0.0217
Lupton	GDN (NW)	0.0137
Malpas	GDN (NW)	0.0224
Mickle Trafford	GDN (NW)	0.0237
Partington	GDN (NW)	0.0227
Samlesbury	GDN (NW)	0.0159
Warburton	GDN (NW)	0.0225
Weston Point	GDN (NW)	0.0247
Aberdeen	GDN (SC)	0.0001
Armadale	GDN (SC)	0.0001
Balgray	GDN (SC)	0.0001
Bathgate	GDN (SC)	0.0001
Burnervie	GDN (SC)	0.0001
Broxburn	GDN (SC)	0.0001
Careston	GDN (SC)	0.0001

Appendices

	Type of Offtake	2013/14 at Oct-13
Drum	GDN (SC)	0.0001
St Fergus	GDN (SC)	0.0001
Glenmavis	GDN (SC)	0.0001
Hume	GDN (SC)	0.0002
Kinknockie	GDN (SC)	0.0001
Langholm	GDN (SC)	0.0051
Lauderhill	GDN (SC)	0.0014
Lockerbie	GDN (SC)	0.0041
Netherhowcleugh	GDN (SC)	0.0022
Pitcairngreen	GDN (SC)	0.0001
Soutra	GDN (SC)	0.0020
Stranraer	GDN (SC)	0.0030
Farningham	GDN (SE)	0.0092
Farningham B	GDN (SE)	0.0092
Shorne	GDN (SE)	0.0081
Tatsfield	GDN (SE)	0.0110
Winkfield (SE)	GDN (SE)	0.0201
Braishfield A	GDN (SO)	0.0238
Braishfield B	GDN (SO)	0.0238
Crawley Down	GDN (SO)	0.0224
Hardwick	GDN (SO)	0.0146
Ipsden	GDN (SO)	0.0180
Ipsden 2	GDN (SO)	0.0180
Mappowder	GDN (SO)	0.0199
Winkfield (SO)	GDN (SO)	0.0201
Aylesbeare	GDN (SW)	0.0222
Cirencester	GDN (SW)	0.0111
Coffinswell	GDN (SW)	0.0250
Easton Grey	GDN (SW)	0.0117
Evesham	GDN (SW)	0.0080
Fiddington	GDN (SW)	0.0067
Ilchester	GDN (SW)	0.0177
Kenn	GDN (SW)	0.0233
Littleton Drew	GDN (SW)	0.0125
Lyneham (Choakford)	GDN (SW)	0.0278
Pucklechurch	GDN (SW)	0.0134
Ross (SW)	GDN (SW)	0.0037
Seabank (DN)	GDN (SW)	0.0154
Alrewas (WM)	GDN (WM)	0.0156
Aspley	GDN (WM)	0.0187
Audley (WM)	GDN (WM)	0.0204
Austrey	GDN (WM)	0.0149

Appendices

	Type of Offtake	2013/14 at Oct-13
Leamington	GDN (WM)	0.0107
Lower Quinton	GDN (WM)	0.0091
Milwich	GDN (WM)	0.0174
Ross (WM)	GDN (WM)	0.0037
Rugby	GDN (WM)	0.0118
Shustoke	GDN (WM)	0.0161
Stratford-upon-Avon	GDN (WM)	0.0093
Maelor	GDN (WN)	0.0232
Dowlais	GDN (WS)	0.0001
Dyffryn Clydach	GDN (WS)	0.0001
Gilwern	GDN (WS)	0.0006
Ferny Knoll (AM Paper)	DC	0.0199
Tonna (Baglan Bay)	DC	0.0001
Barking (Horndon)	DC	0.0091
Barrow (Black Start)	DC	0.0100
Billingham ICI (Terra Billingham)	DC	0.0001
Bishop Auckland (test facility)	DC	0.0011
Blackness (BP Grangemouth)	DC	0.0001
Saltend BPHP (BP Saltend HP)	DC	0.0001
Shotwick (Bridgewater Paper)	DC	0.0245
Blyborough (Brigg)	DC	0.0045
Epping Green (Enfield Energy, aka Brimsdown)	DC	0.0119
Brine Field (Teesside) Power Station	DC	0.0001
Pickmere (Winnington Power, aka Brunner Mond)	DC	0.0228
Carrington (Partington) Power Station	DC	0.0227
Centrax Industrial	DC	0.0248
Cockenzie Power Station	DC	0.0001
Burton Point (Connahs Quay)	DC	0.0249
Caldecott (Corby Power Station)	DC	0.0098
Stanford Le Hope (Coryton)	DC	0.0088
Coryton 2 (Thames Haven) Power Station	DC	0.0088
Blyborough (Cottam)	DC	0.0035
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	0.0067
Deeside	DC	0.0249
Didcot PS	DC	0.0183
Drakelow Power Station	DC	0.0151
Enron Billingham	DC	0.0001
Goole (Guardian Glass)	DC	0.0022
Grain Power Station	DC	0.0067
Bacton (Great Yarmouth)	DC	0.0001
Hatfield Power Station	DC	0.0018

Appendices

	Type of Offtake	2013/14 at Oct-13
Hollingsgreen (Hays Chemicals)	DC	0.0216
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	0.0247
Thornton Curtis (Humber Refinery, aka Immingham)	DC	0.0001
Eastoft (Keadby Blackstart)	DC	0.0033
Eastoft (Keadby)	DC	0.0033
Shellstar (aka Kemira, not Kemira CHP)	DC	0.0243
Saddle Bow (Kings Lynn)	DC	0.0039
Langage Power Station	DC	0.0278
St. Neots (Little Barford)	DC	0.0107
Gowkhall (Longannet)	DC	0.0001
Marchwood Power Station	DC	0.0240
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC	0.0068
Upper Neeston (Milford Haven Refinery)	DC	0.0001
Blackbridge (Pembroke PS)	DC	0.0001
Peterborough (Peterborough Power Station)	DC	0.0070
St. Fergus (Peterhead)	DC	0.0001
Phillips Petroleum, Teesside	DC	0.0001
Weston Point (Rocksavage)	DC	0.0247
Roosecote (Roosecote Power Station)	DC	0.0100
Ryehouse	DC	0.0124
Rosehill (Saltend Power Station)	DC	0.0001
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	0.0163
Seabank (Seabank Power Station phase II)	DC	0.0152
Abson (Seabank Power Station phase I)	DC	0.0134
Sellafield Power Station	DC	0.0142
Terra Nitrogen (aka ICI, Terra Severnside)	DC	0.0151
Harwarden (Shotton, aka Shotton Paper)	DC	0.0248
Wragg Marsh (Spalding)	DC	0.0050
Spalding 2 (South Holland) Power Station	DC	0.0050
St. Fergus (Shell Blackstart)	DC	0.0001
Stallingborough (phase 1 and 2)	DC	0.0001
Staythorpe PH1 and PH2	DC	0.0065
Sutton Bridge Power Station	DC	0.0053
Teesside (BASF, aka BASF Teesside)	DC	0.0001
Teesside Hydrogen	DC	0.0001
Thornton Curtis (Killingholme)	DC	0.0001
Tilbury Power Station	DC	0.0084
West Burton PS	DC	0.0036
Willington Power Station	DC	0.0166

Appendices

	Type of Offtake	2013/14 at Oct-13
Wyre Power Station	DC	0.0175
Zeneca (ICI Avecia, aka 'Zenica')	DC	0.0001
Bacton (IUK/BBL)	INTERCONNECTOR	0.0001
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	0.0030
Avonmouth Max Refill	STORAGE SITE	0.0152
Bacton (Baird)	STORAGE SITE	0.0001
Deborah Storage (Bacton)	STORAGE SITE	0.0001
Barrow (Bains)	STORAGE SITE	0.0100
Barrow (Gateway)	STORAGE SITE	0.0100
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	0.0222
Caythorpe	STORAGE SITE	0.0001
Cheshire (Holford)	STORAGE SITE	0.0221
Dynevor Max Refill	STORAGE SITE	0.0001
Rough Max Refill	STORAGE SITE	0.0001
Garton Max Refill (Aldbrough)	STORAGE SITE	0.0001
Glenmavis Max Refill	STORAGE SITE	0.0001
Hatfield Moor Max Refill	STORAGE SITE	0.0026
Hole House Max Refill	STORAGE SITE	0.0215
Hornsea Max Refill	STORAGE SITE	0.0001
Partington Max Refill	STORAGE SITE	0.0227
Stublach (Cheshire)	STORAGE SITE	0.0221
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	0.0001
Hill Top Farm (Hole House Farm)	STORAGE SITE	0.0215

Appendices

Appendix III

Table 3 summarises the indicative changes to the commodity charges being made in October 2013.

Table 3 Summary of Commodity Charges

NTS Charge	April 2013 Final	Oct 13 Indicative	Change
TO Entry Commodity	0.0244	0.0233	-0.0011
TO Exit Commodity	0.0112	0.0109	-0.0003
SO Commodity (Entry & Exit)	0.0176	0.0171	-0.0005
St. Fergus Compression	0.0176	0.0215	0.0039