

Pricing Terminology

Term	Current Treatment	TAR NC Definition
Reference Price Methodology	N/A	The methodology applied to the part of the transmission services revenue to be recovered from capacity based transmission tariffs with the aim of deriving reference prices. Applied to all entry and exit points in a system
Reference Price	N/A	The price for a capacity product for firm capacity with a duration of one year, which is applicable at entry and exit points and which is used to set capacity based transmission tariffs.
Reserve Price	The reserve price is the price which is specified in the National Grid NTS's Transportation Charging Statement, this is the price which is produced from the Transportation Model with any discount applied to the prices for the daily and within day Entry Capacity and the Off-peak Exit Capacity.	<p>Reserve Price for Yearly standard capacity = the Reference Price</p> <p>Reserve Price for Non- yearly standard capacity is calculated in accordance with Article 12 (TAR NC).</p> <p>To calculate the non-yearly reserve prices, multipliers and seasonal factors (if applicable) can be used.</p> <ul style="list-style-type: none"> • With no seasonal factors (Article 14): <ul style="list-style-type: none"> ○ For quarterly, monthly and daily: Reserve Price = (multiplier x reference price / no. days in year) x duration in days, ○ For within day: Reserve Price = (multiplier x reference price / no. of hours in year) x hours. • With seasonal factors (Article 15) calculated by formulas in Article 14 multiplied by the respective seasonal factor calculated as set out in Article 15. <p>As per Chapter III of TAR NC which is IP specific. For IPs and If used for all points will be in addition to any discounts afforded under Article 9 (e.g. mandated Storage discount)</p>
Floating Payable Price	This is not a currently defined term however it is	The price calculated in accordance with Article 24(a) in TAR

	comparable to the Exit Administered price with an additional Auction Premium for IPs	<p>NC, where the reserve price is subject to adjustments such as revenue reconciliation, adjustment of allowed revenue or adjustment of the forecasted contracted capacity.</p> <p><i>Calculation:</i> Reserve Price (with adjustments added, calculated at time when capacity is used) + Auction Premium. Only specified for IPs in TAR NC. Auction Premium is only for IPs.</p> <p>NB: Could be considered as the same as the Administered price for Exit in the current regime.</p>
Fixed Payable Price	N/A	<p>The price calculated in accordance with Article 24(b) in TAR NC, where the reserve price is not subject to any adjustments.</p> <p><i>Calculation:</i> (Reserve Price (calculated at time when capacity auctioned) x Index) + Risk Premium + Auction Premium. Only IPs. Only specified for Incremental in TAR NC.</p>
Exit Administered Price	<p>The NTS Exit Capacity Charge payable by a User in respect of each day will be determined for each NTS Exit Point as the amount of its Registered NTS Exit Capacity multiplied by the Applicable Daily Rate.</p> <p>The price is changed each gas year, so the User will pay the price that is applicable at the time of use for NTS Exit capacity.</p>	N/A
Entry Pay as Bid Price	The NTS Entry Capacity charge is set when the applicable auction takes place and the reserve price is fixed for the time period of the auction.	N/A
Multipliers	N/A	<p>A Multiplier is the factor applied to the respective proportion (runtime) of the reference price in order to calculate the reserve price for non-yearly standard capacity product.</p> <p>For Quarterly and Monthly standard capacity products can be</p>

		<p>no less than 1 and no more than 1.5.</p> <p>For daily and within day standard capacity products it can be no less than 1 and no more than 3 unless duly justified where can be less than 1 but higher than 0 and no more than 3.</p>
Discounts	<p>Discounts for Entry capacity prices are applied to the Entry MSEC reserve prices which are produced from the Transportation Model:</p> <ul style="list-style-type: none"> • Day Ahead Daily System Entry Capacity (DADSEC): 33.3% discount • Within Day Daily System Entry Capacity (WDDSEC): 100% discount • Daily Interruptible System Entry Capacity (DISEC): 100% discount <p>A discount of 100% is applied to the Exit capacity prices for the Off-peak Exit capacity only.</p>	<p>Multipliers of less than 1 can be used to give a discount under the TAR NC but only if duly justified.</p> <p>Only specified for IPs in TAR NC.</p>
Clearing Price	<p>For IPs Clearing Price is the Reserve Price (published at time when capacity auctioned) plus any Auction Premium.</p> <p>Introduced when CAM came in, in November 2015. Only specified for IPs in CAM Code.</p>	<p>For IPs, the Clearing Price is the Reserve Price (published at time when capacity auctioned) plus Auction Premium.</p>
Auction Premium	<p>The difference between clearing price and reserve price in an auction.</p> <p>For the Auction Premium for bundled capacity, the default split of 50:50 was introduced through CAM in November 2015.</p> <p>Only specified for IPs in CAM Code.</p>	<p>The difference between clearing price and reserve price in an auction.</p> <p>For bundled capacity proportion of Auction Premium agreed between the respective transmission system operators and subject to NRA approval no later than 3 months before yearly capacity auction (Article 21). In absence of such approval by all national regulatory authorities involved, the auction premium shall be attributed to the respective transmission system operators equally.</p>

		Only specified for IPs in TAR NC.
Transmission Tariffs	N/A	The charges payable by network users for Transmission Services provided to them. Recovered by Capacity based Transmission Tariffs unless approved by the NRA to recover by other charges.
Risk Premium	N/A	Risk Premium reflecting the benefits of certainty regarding the level of transmission tariff, which shall be no less than 0. Used in the calculation of fixed payable price under TAR NC.
Index	N/A	The ratio between the chosen index at the time of use and the same index at the time the product was auctioned. Used in the calculation of fixed payable price under TAR NC.
Interruptible Capacity	<p>Interruptible NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only.</p> <p>The bid price shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily Interruptible NTS Entry Capacity applied for.</p>	<p>Ex-ante discount (level of an ex-ante discount) = Probability Interruption (Pro) x Adjustment Factor (A) x 100%</p> <p>Probability Interruption (Pro) the Pro factor. <i>Calculation:</i> $Pro = ((N \times D_{int})/D) \times (CAP_{av.int}/CAP)$ where</p> <ul style="list-style-type: none"> • N is the expectation of the number of interruptions over D. • D_{int} is the average duration of the expected interruptions expressed in hours. • D is the total duration of the respective type of standard capacity product for interruptible capacity expressed in hours. • $CAP_{av.int}$ is the expected average amount of interrupted capacity for each interruption where such amount if related to the respective type of standard capacity product for interruptible capacity. • CAP is the total amount of interruptible capacity for the respect type of standard capacity product for interruptible capacity. <p>Only specified for IPs in TAR NC (Article 16).</p>
Incremental Capacity	Incremental NTS Entry Capacity is the amount of Firm NTS	For IPs only, the minimum price at which transmission system

	<p>Entry Capacity (if any) in excess of the Unsold NTS Entry Capacity which National Grid NTS may (but shall not be required to) invite applications and which may be reserved as Quarterly NTS Entry Capacity under a PARCA. QSEC step prices for release of additional (incremental) capacity are calculated with reference to the applicable reserve price and in accordance with the methodology for the determination of incremental step prices as set out in National Grid's Entry Capacity Release Methodology Statement.</p> <p>The price payable by Users for each different incremental capacity amount (the "step price") were National Grid NTS to make such incremental capacity amount available.</p> <p>Although NTS Exit Incremental Capacity is not defined in the UNC, National Grid is obliged to take all reasonable steps to make available capacity in excess of the Baseline NTS Exit (Flat) Capacity subject to the terms of a PARCA application and in accordance with the Exit Capacity Release Methodology Statement.</p> <p>Currently no incremental process at IP's (Entry or Exit) since CAM was implemented in November 2015. MOD0597 is currently establishing a process for incremental at IP's (both Entry and Exit).</p>	<p>operators shall accept a request for incremental capacity is the reference price.</p> <p>For the calculation of the economic test, reference prices shall be derived by including into the reference price methodology the relevant assumptions related to the offer of incremental capacity.</p>
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