

All Shippers & Interested Parties

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Dear Industry Participant

## **Notice of Revised NTS Entry Capacity QSEC Reserve and Step Prices**

The next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2013. National Grid is publishing this notice of revised NTS transportation charges two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code obligations.

Our Transportation model has been updated to reflect changes in demand levels, the pipeline network, supply patterns, and the cost of investment through the expansion constant, all of which may affect the charges. Step prices have been recalculated in accordance with the methodology set out in the latest approved **Incremental Entry Capacity Release Methodology Statement (IECR)**<sup>1</sup>.

Attached is an update to Appendix D of the NTS Gas Transportation Charges Statement 1 October 2012, which details the reserve and step prices for use in the QSEC auction and replaces any previous versions of this appendix. Table 1 summarises the change in reserve prices at each entry point.

The main points to note are as follows:

- Demand has reduced by about 4% - the main driver for this has been a reduction in forecast demand for Direct Connects, particularly in Scotland and the north of England.
- Total gas supply has reduced to match demand using the supply balancing rules given in Gas Charging Methodology consultation GCM 16 'Supply and Demand Balancing Rules and Supply Source Data'.
- In general, most supply points have reduced, matching the reduction in demand. This results in very little change in the reserve prices compared to the QSEC 2012. The exception is at St. Fergus where supplies are forecast to increase, counter to a reduction in demand. This has caused flows from St. Fergus to travel further into the NTS and hence reserve prices have risen at this terminal.

<sup>1</sup> <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

- The expansion constant has been updated and has increased by 2.7%. Those ASEPs furthest away from centres of demand are more sensitive to changes in the expansion constant as an increase in supply from these ASEPs will require greater investment in order to transport gas to demand.

For all entry points an **Estimated Project Value** (£m) has also been calculated for each incremental capacity level and this information has been added to this notice and is also available in Appendix E of the Transportation Charging Statement. The net present value (NPV) of the revenues from incremental bids is required to be at least 50% of the estimated project value, in order to trigger the release of incremental obligated entry capacity (as given in paragraphs 38 and 45 of the IECR Methodology Statement 12.0).

Please note that details of the **NTS Entry Capacity retention charge** are available in the Transportation Charging Statement in Section 2.1.2, and remain unchanged. The statement can be found on our website at <http://www.nationalgrid.com/uk/Gas/Charges/statements/>.

A more detailed description of the changes will be made available on our website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact Karin Elmhirst on 01926 655540 or [karin.elmhirst@nationalgrid.com](mailto:karin.elmhirst@nationalgrid.com).

Yours sincerely

Anne Bennett  
Charging & Revenue Manager

Table 1 Change in Reserve Price by ASEP compared to QSEC 2012

p/KWh/day	QSEC 12	QSEC 13	Change
Avonmouth	0.0001	0.0001	0.0000
Bacton	0.0086	0.0080	-0.0006
Barrow	0.0001	0.0001	0.0000
Barton Stacey	0.0001	0.0001	0.0000
Burton Point	0.0001	0.0001	0.0000
Caythorpe	0.0106	0.0105	-0.0001
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0086	0.0076	-0.0010
Easington & Rough	0.0112	0.0107	-0.0005
Fleetwood	0.0012	0.0005	-0.0007
Garton	0.0121	0.0125	0.0004
Glenmavis	0.0107	0.0108	0.0001
Hatfield Moor	0.0038	0.0031	-0.0007
Hole House Farm	0.0001	0.0001	0.0000
Hornsea	0.0112	0.0112	0.0000
Isle of Grain	0.0001	0.0002	0.0001
Milford Haven	0.0202	0.0198	-0.0004
Partington	0.0001	0.0001	0.0000
St Fergus	0.0392	0.0423	0.0031
Teesside	0.0088	0.0086	-0.0002
Theddlethorpe	0.0115	0.0114	-0.0001
Wyth Farm	0.0001	0.0001	0.0000

## Appendix D QSEC Step Prices 2013

Below are the entry capacity reserve prices together with the price steps for each level of incremental capacity for use in the auction of Quarterly System Entry Capacity (QSEC).

Pence/kWh/day

	Bacton	Barrow	Cheshire	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
<b>Obligated Level</b>	0.0080	0.0001	0.0001	0.0107	0.0005	0.0125	0.0002	0.0198	0.0423	0.0086	0.0114
<b>2.5%</b>	0.0084	0.0002	0.0002	0.0113	0.0026	0.0126	0.0003	0.0205	0.0429	0.0087	0.0115
<b>5.0%</b>	0.0085	0.0003	0.0026	0.0114	0.0027	0.0127	0.0004	0.0206	0.0433	0.0089	0.0116
<b>7.5%</b>	0.0086	0.0004	0.0027	0.0115	0.0028	0.0128	0.0005	0.0207	0.0448	0.0090	0.0122
<b>10.0%</b>	0.0087	0.0005	0.0046	0.0116	0.0029	0.0129	0.0006	0.0208	0.0449	0.0091	0.0126
<b>12.5%</b>	0.0088	0.0006	0.0047	0.0117	0.0030	0.0130	0.0007	0.0209	0.0450	0.0092	0.0127
<b>15.0%</b>	0.0089	0.0007	0.0057	0.0118	0.0031	0.0131	0.0008	0.0210	0.0451	0.0093	0.0128
<b>17.5%</b>	0.0097	0.0008	0.0058	0.0122	0.0032	0.0132	0.0009	0.0211	0.0452	0.0094	0.0129
<b>20.0%</b>	0.0099	0.0009	0.0059	0.0124	0.0033	0.0133	0.0069	0.0212	0.0461	0.0095	0.0130
<b>22.5%</b>	0.0116	0.0010	0.0106	0.0126	0.0034	0.0134	0.0070	0.0213	0.0464	0.0096	0.0131
<b>25.0%</b>	0.0117	0.0011	0.0107	0.0137	0.0035	0.0135	0.0072	0.0217	0.0465	0.0097	0.0132
<b>27.5%</b>	0.0118	0.0012	0.0108	0.0138	0.0043	0.0136	0.0078	0.0218	0.0470	0.0098	0.0133
<b>30.0%</b>	0.0122	0.0013	0.0109	0.0139	0.0044	0.0137	0.0081	0.0219	0.0471	0.0099	0.0134
<b>32.5%</b>	0.0123	0.0014	0.0110	0.0140	0.0045	0.0138	0.0082	0.0220	0.0476	0.0100	0.0135
<b>35.0%</b>	0.0135	0.0015	0.0111	0.0141	0.0046	0.0139	0.0083	0.0230	0.0496	0.0108	0.0136
<b>37.5%</b>	0.0165	0.0016	0.0112	0.0144	0.0047	0.0140	0.0084	0.0235	0.0497	0.0111	0.0137
<b>40.0%</b>	0.0166	0.0017	0.0113	0.0151	0.0048	0.0141	0.0090	0.0237	0.0498	0.0112	0.0138
<b>42.5%</b>	0.0180	0.0018	0.0114	0.0152	0.0049	0.0142	0.0095	0.0238	0.0499	0.0113	0.0139
<b>45.0%</b>	0.0183	0.0019	0.0115	0.0153	0.0050	0.0143	0.0100	0.0239	0.0500	0.0114	0.0140
<b>47.5%</b>	0.0196	0.0020	0.0116	0.0154	0.0051	0.0144	0.0101	0.0240	0.0501	0.0115	0.0141
<b>50.0%</b>	0.0212	0.0021	0.0117	0.0155	0.0052	0.0145	0.0102	0.0241	0.0502	0.0120	0.0142
<b>Obligated Level (GWh/d)</b>	1783.4	340.01	542.7	1407.15	650	420	699.68	950	1670.7	445.09	610.7

Pence/kWh/day

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
<b>Obligated Level</b>	0.0001	<b>Obligated Level</b>	0.0112	<b>Obligated Level</b>	0.0001	<b>Obligated Level</b>	0.0001	<b>Obligated Level</b>	0.0001
<b>5.1%</b>	0.0002	<b>6.4%</b>	0.0113	<b>7.0%</b>	0.0002	<b>8.4%</b>	0.0002	<b>8.7%</b>	0.0005
<b>10.1%</b>	0.0003	<b>12.9%</b>	0.0114	<b>14.0%</b>	0.0003	<b>16.7%</b>	0.0003	<b>17.4%</b>	0.0006
<b>15.2%</b>	0.0004	<b>19.3%</b>	0.0115	<b>20.9%</b>	0.0019	<b>25.1%</b>	0.0004	<b>26.1%</b>	0.0007
<b>20.2%</b>	0.0005	<b>25.7%</b>	0.0116	<b>27.9%</b>	0.0024	<b>33.5%</b>	0.0005	<b>34.8%</b>	0.0008
<b>25.3%</b>	0.0014	<b>32.2%</b>	0.0117	<b>34.9%</b>	0.0027	<b>41.8%</b>	0.0006	<b>43.5%</b>	0.0009
<b>30.3%</b>	0.0015	<b>38.6%</b>	0.0118	<b>41.9%</b>	0.0028	<b>50.2%</b>	0.0007	<b>52.1%</b>	0.0011
<b>35.4%</b>	0.0020	<b>45.0%</b>	0.0119	<b>48.8%</b>	0.0029				
<b>40.5%</b>	0.0021	<b>51.5%</b>	0.0120	<b>55.8%</b>	0.0030				
<b>45.5%</b>	0.0022								
<b>50.6%</b>	0.0023								
<b>Obligated Level (GWh/d)</b>	296.6		233.1		215		179.3		172.6

## Appendix D QSEC Step Prices 2013 (cont)

Pence/kWh/day

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Wytch Farm
<b>Obligated Level</b>	0.0001	0.0105	0.0076	0.0108	0.0031	0.0001
<b>10%</b>	0.0028	0.0106	0.0081	0.0140	0.0032	0.0002
<b>20%</b>	0.0029	0.0109	0.0082	0.0146	0.0033	0.0003
<b>30%</b>	0.0030	0.0116	0.0083	0.0147	0.0034	0.0004
<b>40%</b>	0.0031	0.0117	0.0084	0.0148	0.0035	0.0005
<b>50%</b>	0.0032	0.0118	0.0085	0.0150	0.0036	0.0006
<b>Obligated Level (GWh/d)</b>	73.5	90	49	99	25.3	3.3

## Appendix E Estimated Project Value, £m

£m

	Bacton	Barrow	Cheshire	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
<b>Obligated Level</b>											
2.5%	13.31	0.03	0.05	14.13	1.50	4.70	0.12	17.30	63.67	3.40	6.19
5.0%	26.93	0.06	2.51	28.25	3.00	9.40	0.25	34.60	128.53	7.04	12.37
7.5%	40.87	0.09	3.91	42.38	4.50	14.10	0.37	51.90	199.47	10.56	19.86
10.0%	53.87	0.12	8.87	56.50	6.01	18.80	0.50	69.20	265.96	14.08	27.34
12.5%	67.33	0.15	11.09	70.63	7.80	23.51	0.62	86.50	333.19	17.60	34.18
15.0%	84.60	0.18	16.49	84.75	9.35	28.21	0.75	103.80	399.83	21.35	41.01
17.5%	107.57	0.21	19.24	106.75	10.91	32.91	0.87	121.10	466.47	24.91	48.23
20.0%	125.47	0.24	22.37	124.00	13.40	37.61	34.31	138.40	547.35	28.47	55.12
22.5%	165.40	0.27	45.99	141.75	15.07	42.31	38.60	157.98	619.78	32.03	62.01
25.0%	185.36	0.30	51.10	171.25	16.75	47.01	44.75	183.13	688.64	35.98	68.90
27.5%	203.89	0.33	56.21	188.38	27.31	53.76	53.33	201.44	767.30	39.58	75.79
30.0%	231.94	0.36	61.32	208.50	29.80	58.65	60.42	219.76	837.06	46.50	82.68
32.5%	251.26	0.39	66.43	225.88	32.28	63.54	65.45	239.17	918.39	50.37	89.57
35.0%	299.43	2.11	71.54	243.26	34.76	68.43	70.48	271.74	1030.59	59.78	96.46
37.5%	392.11	2.27	76.65	270.01	37.24	73.31	76.45	297.48	1104.20	65.83	105.79
40.0%	418.25	6.77	86.39	302.01	39.73	78.80	89.50	320.02	1180.19	70.22	112.84
42.5%	484.78	7.19	93.43	320.88	42.21	88.16	100.38	340.02	1256.48	74.61	126.35
45.0%	521.86	7.61	98.93	342.01	44.69	93.35	111.88	360.02	1330.39	79.00	133.78
47.5%	589.98	8.03	105.34	361.01	47.18	98.54	118.10	380.02	1404.30	83.39	141.22
50.0%	671.73	8.46	110.88	380.01	49.66	103.72	126.80	400.02	1478.21	94.90	151.90
<b>Obligated Level (GWh/d)</b>	1783.4	340.01	542.7	1407.15	650.0	420.0	699.7	950.0	1670.7	445.09	610.7

£m

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
Obligated Level		Obligated Level		Obligated Level		Obligated Level		Obligated Level	
5.1%	0.05	6.4%	5.97	7.0%	0.05	8.37%	0.05	8.7%	0.27
10.1%	0.11	12.9%	11.94	14.0%	0.21	16.73%	0.11	17.4%	0.53
15.2%	0.16	19.3%	17.91	20.9%	3.04	25.10%	0.16	26.1%	0.80
20.2%	0.64	25.7%	23.88	27.9%	5.12	33.46%	0.21	34.8%	1.49
25.3%	3.73	32.2%	29.85	34.9%	7.20	41.83%	1.33	43.5%	1.87
30.3%	4.48	38.6%	35.82	41.9%	8.64	50.20%	1.60	52.1%	3.52
35.4%	7.46	45.0%	41.79	48.8%	10.07				
40.5%	8.53	51.5%	47.76	55.8%	11.51				
45.5%	10.55								
50.6%	11.73								
<b>Obligated Level (GWh/d)</b>	296.6		233.1		215.0		179.3		172.6

## Appendix E Estimated Project Value, £m (cont)

£m

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Wytch Farm
<b>Obligated Level</b>						
10%	0.73	3.36	1.41	4.93	0.28	0.001
20%	1.46	6.97	2.82	10.27	0.56	0.002
30%	2.19	11.13	4.34	15.41	0.84	0.004
40%	2.93	14.84	5.78	20.54	1.12	0.005
50%	3.66	18.55	7.23	26.38	1.53	0.006
<b>Obligated Level (GWh/d)</b>	73.5	90.0	49.0	99.0	25.3	3.3