



TOTAL
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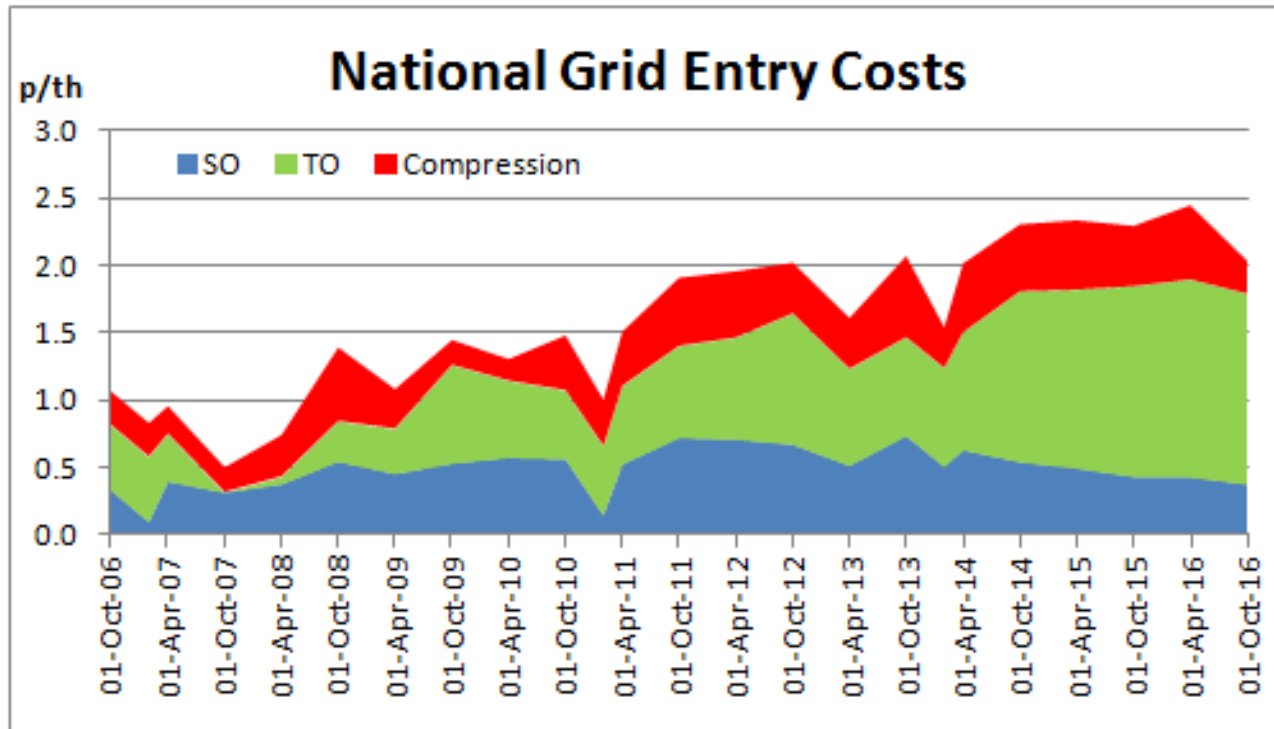
ST FERGUS CHARGES

Total E&P UK

NTS Charging Methodology Forum, 6th September 2016

EVOLUTION OF ST FERGUS CHARGES

- St Fergus TOM terminal users have suffered from the combined impact of the high Entry Capacity costs previously purchased under long-term auctions to which have been added (1) progressively increasing TO charges and (2) the compression charges levied at St Fergus TOM.
- The high entry costs at St Fergus present an economic disincentive to the exploration and development of new gas fields (Northern North Sea, West of Shetland).



System Operation (SO) charges: Throughput-based – includes compression charge at St Fergus TOM – no significant price increase.

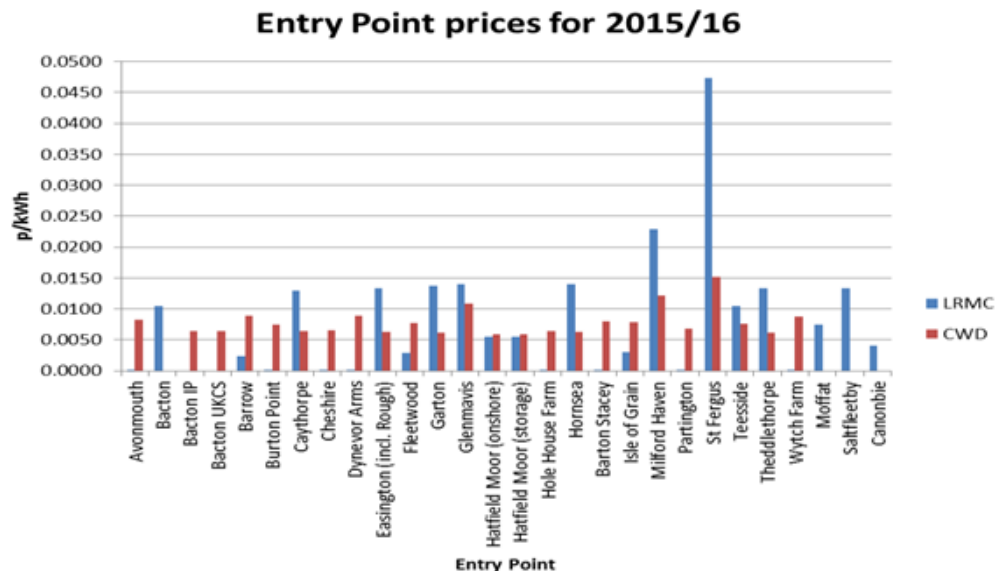
Transmission Owner (TO) charges: Progressive increases to compensate National Grid for under-recovery in the Entry Capacity auctions due to day-ahead and within-day discounts.

HIGH ENTRY CHARGES AT ST FERGUS

- In Total's view the current marginal pricing model used by National Grid, which has resulted in high Entry Capacity charges for St Fergus under long-term auction, is no longer fit-for-purpose.
- Total's view is that much of the historical investment in the NTS should already have been amortised, and that it would be reasonable for Entry Charges to be based on the current marginal costs of the system while still accounting for new investments.
- NG's modelling indicates that the CWD methodology, applied to Obligated Capacity, appears to offer a more balanced charging structure than the existing LRMC.

LRMC vs CWD Entry Capacity 2015/16

nationalgrid



HIGH ENTRY CHARGES AT ST FERGUS

- St Fergus needs competitive and economically attractive entry capacity charges to support the development of gas from challenging offshore basins, in particular the recently opened-up WOS basin.
- This is aligned with OGA's goal to achieve MER UK.
- It would also remove a cost barrier to Norwegian gas coming to St Fergus compared to other UK terminals and also to Continental European terminals.

