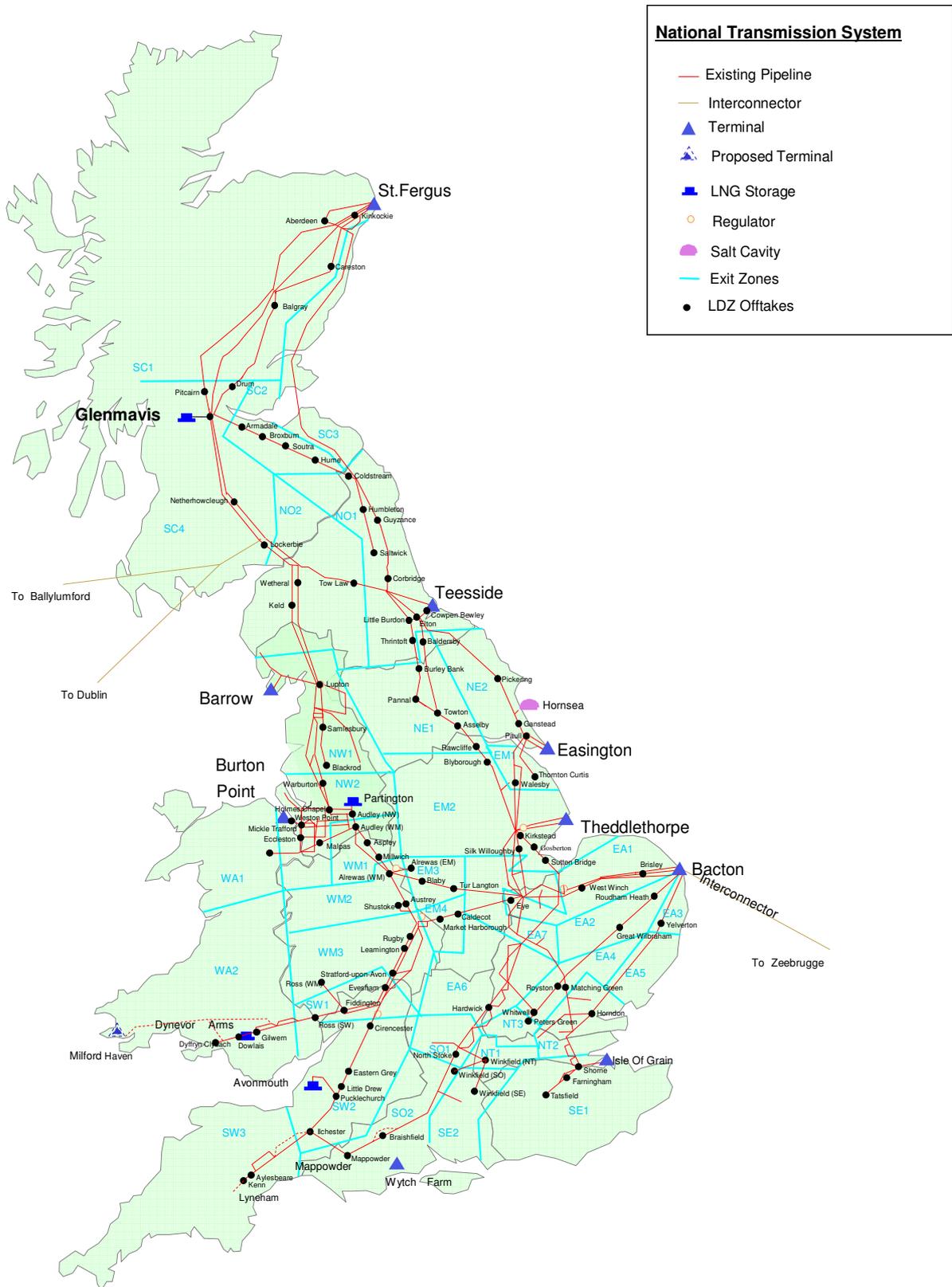


# **Notice of Gas Transmission Transportation Charges**

Effective from 1 October 2006

# National Grid's Gas Transmission System



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# 1 Introduction

This publication sets out the transportation charges which apply from 1 October 2006 for the use of the NTS, as required by Standard Special Condition A4 of the National Grid NTS Gas Transporter Licence. This document does not override or vary any of the statutory, licence or Uniform Network Code obligations upon National Grid NTS. Further information on the methods and principles on which Transmission transportation charges are derived is set out in **The Statement of the Gas Transmission Transportation Charging Methodology**.

Details of National Grid and its activities can be found on the National Grid Internet site at [www.nationalgrid.com](http://www.nationalgrid.com). An electronic version of this publication, along with **The Statement of the Gas Transmission Transportation Charging Methodology** can be found on our web site.

For more information on the charges set out below, please contact our UK Transmission Charging team on **01926 654633**.

## 1.1 Uniform Network Code

The Uniform Network Code (UNC) forms the contractual framework between NTS and DN Gas Transporters, and the shippers whose gas is transported. It is supported by an integrated set of computer systems called UK Link. The charges and formulae in this booklet will be used in the calculation of charges within UK Link, which are definitive for billing purposes.

There are a number of areas of the UNC that impact upon the cost to shippers of using the transportation network, such as imbalance charges, scheduling charges, capacity overruns, top-up neutrality charges and contractual liability. Reference should be made to the UNC – as modified from time to time – for details of such charges and liabilities.

## 1.2 Units

Charges are expressed and billed as follows:

- Commodity - pence per kilowatt hour (kWh).
- Exit Capacity - pence per peak day kWh per day.
- Entry Capacity - pence per kWh per day.
- Fixed - pence per day.

## 1.3 Invoicing

Invoices derived from the transportation charges shown within this publication are produced and issued by xoserve. xoserve is the invoicing service provider to the NTS and the Distribution Networks (DNs). To clarify this link between pricing and invoicing, charge codes and invoice names are included in the tables.

For more information on invoicing, please contact the xoserve invoicing team via email at [xo\\_css\\_billing@xoserve.com](mailto:xo_css_billing@xoserve.com).

## 1.4 The National Grid NTS Transportation Price Control Formulae

Transportation charges are derived in relation to price control formulae which are set by Ofgem, the gas and electricity market regulator, for the transportation of gas. These formulae dictate the maximum revenue National Grid NTS can earn from the transportation of gas. Should National Grid NTS earn more or less than the maximum permitted revenue in any formula year, a compensating adjustment is made in the following year. Where a significant over- or under-recovery is anticipated within a year an adjustment to charges may be made during the year.

Since April 2002 the price control for the NTS has been divided into Transportation Owner (TO) and System Operator (SO) controls. Transportation charges are split to reflect these price control arrangements.

For NTS TO revenue, the target is to recover 50% from exit capacity and 50% from entry capacity. Exit capacity charges reflect the estimated long run marginal cost (LRMC) of developing the system to meet a sustained increase in demand and are determined by the exit zone to which a particular offtake point

belongs. Charges for entry capacity are not fixed but are determined by auctions which apply to all system entry points. For system entry capacity, the reserve prices for the auctions are based on the Unit Cost Allowance (UCA) for each existing entry point as set out in the National Grid NTS Gas Transporter Licence.

The unpredictability of entry auction revenue means that the TO revenue 50 / 50 split between entry and exit may not be achieved in practice. In the event of a forecast under-recovery of entry auction revenue against the entry target level, a TO commodity charge may be levied on entry flows.

SO revenue is recovered through the NTS SO commodity charge. This is a uniform charge, independent of entry and exit points, and is levied on both NTS entry and NTS exit flows. A distance-related commodity tariff, the optional NTS commodity charge, is also available as an alternative to both the SO and TO commodity charges.

## 1.5 Firm Transportation

Firm transportation charges for the NTS comprise capacity and commodity charges.

## 1.6 Interruptible Transportation

Interruptible transportation is available for supply points with Annual Quantities (AQs) of over 5,860 MWh per annum.

For supply points which have been nominated by a shipper as interruptible, the shipper will not pay the NTS (TO) exit capacity charge or the capacity element of the relevant LDZ charge. Where National Grid NTS nominates a supply point to be interrupted for more than 15 days in a particular year (measured from 1 April to 31 March) there is a transportation charge credit. For each day of interruption over 15 days, a transportation charge credit, equivalent to 1/15 of the annual NTS exit capacity and the relevant LDZ capacity charges avoided by having interruptible rather than firm transportation, is payable to the shipper. National Grid NTS has the right to interrupt these supply points for up to 45 days each year. The business rules for interruptible supply points are detailed in **The Statement of the Gas Transmission Transportation Charging Methodology**.

To help National Grid NTS run the network safely and securely the UNC defines two special types of interruptible supply points. These are Network Sensitive Load (NSL) and Transporter Nominated Interruptible (TNI).

NSLs are supply points where specific interruption may be required to maintain the supply of gas to firm supply points in the same area.

TNIs are supply points where National Grid NTS reserves the right to interrupt for more than 45 days each year.

National Grid NTS offers a number of services related to interruptible supply points:

- Allocation arrangements allow more than one shipper / supplier to supply interruptible gas to sites with AQs in excess of 58,600 MWh per annum. This flexibility of supplier enables the end user to make greater use of the competitive market and allows for alternative provision of gas during commercial interruption. Further details of this service are given in Section 8.2.

- The Partial Interruption service is designed to allow shippers to reduce offtake rates at supply points (to predetermined levels agreed between the shipper and the end user) where capacity exists, so that the site remains on a part-load, where otherwise it would have been fully interrupted.

- The Interruptible Supply Point Firm Allowance (IFA) is available to all interruptible supply points. It allows a guaranteed supply of 14,600 kWh per day (this figure can be higher if the capacity is available), where this allowance is subject to normal firm transportation charges. This enables end users to maintain their critical processes when their supply is interrupted.

- Transfer of Firm Offtake Capability. This allows a shipper to release capacity allocated to a firm supply point in order to meet the requirements of an interruptible supply point during an interruption notice. This is subject to system constraints and other eligibility criteria.

Details of all the above interruption services are available from gas suppliers / shippers or from National Grid Operations and Trading on **01455 893147**.

## **1.7 Theft of Gas**

The licensing regime places incentives on transporters, shippers and suppliers to take action in respect of suspected theft of gas. Certain costs associated with individual cases of theft are recovered through transportation charges. National Grid NTS's charges reflect these requirements, with National Grid NTS remaining cash neutral in the process.

## **2 System Entry Capacity**

National Grid is obliged to make available for sale system entry capacity by means of five related auction mechanisms. For each of the system entry points, capacity is made available on a firm and interruptible basis. All entry capacity is offered on a pence per kWh per day basis where the quantity is measured in terms of an end of day entitlement.

Interruptible capacity is limited to being offered on a daily basis in an auction that is conducted on the day ahead of the intended day of use.

Firm Entry Capacity is offered in bundles of quarters, months and days.

For further information on system entry capacity please refer to The Statement of the Gas Transmission Charging Methodology.

### **2.1 Quarterly System Entry Capacity**

Entry capacity can be obtained through the Quarterly System Entry Capacity (QSEC) auction process up to 16 years ahead of the intended year of use. National Grid NTS has an obligation to make available a core baseline quantity which is calculated in accordance with paragraph 14(5)(g) of part 2 of Special Condition C8B of National Grid NTS's GT Licence. The baseline quantity from which National Grid NTS's obligation is derived is set out in Appendix B of the current Transmission Transportation Statement. The minimum quantities to be offered in the Annual System Entry Capacity auctions, after taking into account a GT Licence requirement to hold back some capacity for short term allocation, is detailed in Appendix C(ii).

For each of the system entry points National Grid NTS has determined a baseline price and an additional 20 price steps for increments of capacity that may be demanded above the baseline quantity, as set out in the Statement of the Gas Transmission Transportation Charging Methodology. The step prices that are applicable for QSEC allocations are set out in Appendix D of the current Transmission Transportation Statement. Prices are published for each system entry point and are applicable for all periods in which QSEC is offered. Allocation of capacity will be conducted in accordance with the provisions set out in National Grid NTS's Incremental Entry Capacity Release (IECR) statement.

### **2.2 Monthly System Entry Capacity**

For each of the system entry points Monthly System Entry Capacity (MSEC) is allocated by auction for a period no more than two years ahead of the period of use. The maximum quantities to be offered in MSEC allocations are also set out in Appendix C(i). MSEC auctions offer monthly tranches of firm capacity and are held in respect of each Aggregate System Entry Point (ASEP). Capacity is allocated in respect of each bid in descending price order starting at the highest bid until all monthly system entry capacity has been allocated or all valid bids have been considered. Successful bidders are liable to pay the bid price of each accepted or part accepted bid.

Following the final annual MSEC auction in which capacity is offered for a capacity year, any remaining quantities of entry capacity may be bought in a series of Rolling Monthly System Entry Capacity (RMSEC) auctions. RMSEC auctions can be conducted within a capacity year. The quantities to be offered will be any unsold baseline capacity that is carried over from the annual MSEC allocations. Each allocation will be conducted on one of 5 business days proceeding the last business day in a calendar month. The capacity offered in that allocation will be specific to the succeeding month only. As with annual MSEC the allocation is conducted on a pay as bid basis.

The lowest price that can be accepted in an MSEC allocation is the reserve price as set out in Table 2 in Section 2.4.

### 2.3 Daily System Entry Capacity

National Grid NTS offers two daily capacity services – a firm Daily System Entry Capacity service (DSEC) and a Daily Interruptible System Entry Capacity service (DISEC). Both services are offered through a tender process and are subject to minimum reserve prices. Successful bidders are liable to pay the bid price of each accepted or part accepted bid. Capacity is allocated, in respect of each bid, in descending price order until all capacity has been allocated or all valid bids have been considered.

The allocation of DSEC is initiated before the gas day and is repeated at intervals through to 02:00 hours on the gas day. Shippers may have up to 20 bids on the system at any one time. DSEC availability is presently defined in the UNC as the amount, determined by National Grid NTS, by which system entry capacity exceeds firm system entry capacity held by shippers.

DISEC is allocated by means of a single tender that is held on the day before the gas day. Shippers may submit up to 20 applications for this capacity in respect of each ASEP.

DISEC consists of any unutilised booked monthly capacity on a day. National Grid NTS determines the availability of capacity after consideration of the daily allocation levels at each ASEP on the day before the gas day. If, on a day, nominations from primary holders of firm capacity increase so that gas flow exceeds booked levels at an entry point, any DISEC service entitlements would be scaled back.

### 2.4 Entry Capacity Reserve Prices

To date all system entry capacity auctions have been subject to reserve prices.

The invoice codes and reserve prices applicable to MSEC and DSEC sold before the day are shown in Table 1 and Table 2, respectively. For DSEC sold on the day the reserve price has been set to zero since 1 October 2003. Reserve prices for DISEC are set at zero.

**Table 1**

<b>Service</b>	<b>Invoice</b>	<b>Charge Code</b>
<b>MSEC</b>	NTE	LTF
<b>DSEC</b>	NTE	DFC
<b>DISEC</b>	NTE	DIC

**Table 2 Entry Capacity Reserve Prices for Capacity for use from 1 October 2006**

Entry Point	Reserve Prices	
	Pence per kWh per day	
	MSEC	DSEC
<b>Coastal Terminals &amp; LNG Importation</b>		
Bacton	0.0063	0.0042
Barrow	0.0005	0.0003
Easington&Rough	0.0012	0.0008
Isle of Grain	0.0064	0.0043
Milford Haven	0.0089	0.0059
St Fergus	0.0220	0.0147
Teesside	0.0020	0.0013
Theddlethorpe	0.0011	0.0007
<b>Onshore Fields and Connections</b>		
Burton Point	0.0001	0.0001
Hatfield Moor	0.0014	0.0009
Hole House Farm	0.0001	0.0001
Wytch Farm	0.0000	0.0000
<b>Storage</b>		
Barton Stacey	0.0000	0.0000
Cheshire	0.0001	0.0001
Garton	0.0013	0.0009
Glenmavis	0.0183	0.0122
Hatfield Moor	0.0014	0.0009
Hornsea	0.0053	0.0035
Partington	0.0003	0.0002
<b>Constrained LNG</b>		
Avonmouth	0.0022	0.0015
Dynevor Arms	0.0000	0.0000
<b>New Entry Point</b>		
Fleetwood	0.0000	0.0000

### 3 Constrained LNG

Shippers that book the constrained Liquefied Natural Gas (LNG) storage service, available from the LNG storage sites at Dynevor Arms and Avonmouth, undertake an obligation to provide transmission support gas to National Grid NTS on days of very high demand. In recognition of this, shippers receive a credit in respect of minimum booked storage deliverability. Full details of associated rules are available on request from National Grid NTS's LNG business unit. The credit, shown in Table 3, is deducted from the charge for the storage service.

**Table 3 Constrained LNG Credit**

Entry Point	Credit
	Pence per registered kWh per day
	From 1 May 2006
Avonmouth LNG	0.0057
Dynevor Arms LNG	0.0000

### 4 NTS TO Exit Capacity Charges

NTS TO exit capacity charges apply to loads supplied through existing NTS offtakes into Distribution Networks (DNs) and to large loads and interconnectors supplied directly from the NTS. The exit zone for a DN supply point is determined by its postcode.

For new loads supplied directly from the NTS, the exit zone charges provide an indication of the likely level of charges. However, in general, an individual exit zone will be created with its own charge for new NTS offtakes.

At present, National Grid NTS makes no charge for NTS exit capacity at storage points. This is on the basis that the transportation service to the storage points is interruptible. If a firm transportation service to storage were provided, a TO exit capacity charge would be payable.

There are four small towns in Scotland where LNG needs to be transported by road tanker to supply end users on distribution systems which are not physically connected to the main gas network. For these locations, NTS TO exit charges will be calculated on the basis that they are allocated to exit zone SC4, the location of the LNG storage site which supplies them.

The map at the beginning of this document gives the locations of the exit zones. Exit zones SC3, EA5, EA6 and EA7 have no offtakes.

The NTS TO Exit Capacity charges are given in Table 4.

**Table 4 NTS TO Exit Capacity Charges**

<b>Invoice</b>	<b>Charge Codes</b>
CAP	NDX (DM) / NNX (NDM)

<b>Network</b>	<b>DN Exit Zone</b>	<b>Pence per peak day kWh per day</b>
<b>East of England</b>	EA1	0.0030
	EA2	0.0112
	EA3	0.0040
	EA4	0.0121
	EM1	0.0033
	EM2	0.0008
	EM3	0.0086
	EM4	0.0070
<b>North of England</b>	NE1	0.0001
	NE2	0.0023
	NE3	0.0010
	NO1	0.0001
	NO2	0.0009
<b>London</b>	NT1	0.0228
	NT2	0.0148
	NT3	0.0164
<b>North West</b>	NW1	0.0092
	NW2	0.0081
<b>Scotland</b>	SC1	0.0001
	SC2	0.0011
	SC4	0.0001
<b>South of England</b>	SE1	0.0121
	SE2	0.0228
	SO1	0.0159
	SO2	0.0216
<b>Wales &amp; the West</b>	SW1	0.0089
	SW2	0.0169
	SW3	0.0334
	WA1	0.0118
	WA2	0.0203
<b>West Midlands</b>	WM1	0.0072
	WM2	0.0078
	WM3	0.0086

**Table 4 NTS TO Exit Capacity Charges (continued)**

Invoice	Charge Code
CAP	NDX (DM)

	Pence per peak day kWh per day
<b>NTS Sites</b>	
AM Paper	0.0038
Baglan Bay PG	0.0230
Barking PG	0.0124
BASF Teesside	0.0001
BP Grangemouth	0.0001
BP Saltend (HP)	0.0010
Bridgewater Paper	0.0109
Brigg PG	0.0005
Brimsgate PG	0.0134
Brunner Mond	0.0038
Connahs Quay PG	0.0109
Corby PG	0.0050
Coryton PG	0.0093
Cottam PG	0.0005
Deeside PG	0.0109
Didcot PG	0.0171
Goole Glass	0.0001
Great Yarmouth PG	0.0030
Hays Chemicals	0.0038
ICI Runcorn	0.0111
Immingham CHP	0.0005
Keadby PG	0.0001
Kemira Ince	0.0111
Kings Lynn PG	0.0029
Kingsnorth PG	0.0098
Little Barford PG	0.0062
Longannet PG	0.0001
Medway PG	0.0098
Peterborough PG	0.0029
Peterhead PG	0.0001
Phillips Seal Sands	0.0001
Rocksavage PG	0.0111
Rosecote PG	0.0025
Rye House PG	0.0134
Saltend PG	0.0010
Sappi Paper Mill	0.0092
Seabank PG	0.0157
Sellafield PG	0.0025
Shotton Paper	0.0109
Spalding PG	0.0022
Stallingborough PG	0.0010
Staythorpe PG	0.0029
Sutton Bridge PG	0.0022
Teesside Hydrogen	0.0001
Teesside PG	0.0001
Terra Billingham	0.0001
Terra Severnside	0.0162
Thornton Curtis PG	0.0005
Zeneca	0.0001

**Table 4 NTS TO Exit Capacity Charges (continued)**

<b>Invoice</b>	<b>Charge Code</b>
CAP	NDX (DM)

	<b>Pence per peak day kWh per day</b>
<b>Interconnectors</b>	
Bacton I/C	0.0030
Moffat I/C	0.0001
<b>Storage Sites</b>	
Avonmouth	0.0157
Barton Stacey	0.0171
Dynevor Arms	0.0203
Garton	0.0010
Glenmavis	0.0001
Hatfield Moor	0.0001
Hole House Farm	0.0038
Hornsea	0.0010
Partington	0.0038
Rough	0.0010

## 5 NTS Commodity Charges

### 5.1 NTS TO Commodity Charge

The NTS TO commodity charge may be levied where an under-recovery of TO entry revenue against the entry target level is forecast. The charge is levied on entry flows only at entry terminals (but not storage facilities) and would address only a forecast TO revenue under-recovery that does not arise from NTS exit capacity charging.

The rate is identified in the commodity schedule given in Table 5. For the avoidance of doubt, the TO commodity rate would be set to zero where forecast entry TO revenue is at, or above, the entry revenue target level.

### 5.2 NTS SO Commodity Charge

The NTS SO commodity charge is a uniform rate, independent of entry and exit points, and is levied on both NTS entry and NTS exit flows. The rate is identified in Table 5 below.

**Table 5 NTS Commodity Charges**

Invoice	Charge Code
ECO	NCE
<b>Pence per kWh</b>	
TO Entry	0.0164
SO Entry	0.0114
Combined Rate	0.0278
Invoice	Charge Code
COM	NCO
<b>Pence per kWh</b>	
SO Exit	0.0114

NTS entry commodity (NCE) will be invoiced using the combined rate.

### 5.3 NTS Optional Commodity Charge

The optional NTS commodity tariff is available as an alternative to both the entry / exit NTS SO commodity charges and the NTS TO commodity charge. It may be attractive for large daily metered sites located near to entry terminals, since the NTS SO and TO commodity tariffs are not distance-related and can result in a relatively high charge for short distance transportation. This could give perverse economic incentives to build dedicated pipelines bypassing the NTS, resulting in an inefficient outcome for all system users.

The optional tariff applies in respect of gas delivered from the local specified terminal. The charge is site specific and is calculated by the function shown in Table 6 below.

**Table 6 NTS Optional Commodity Charge**

Invoice	Charge Code
ADU	880
<b>Pence per kWh</b>	
$1203 \times [(SOQ)^{-0.834}] \times D + 363 \times (SOQ)^{-0.654}$	

where **D** is the direct distance from the site or non-National Grid NTS pipeline to the elected terminal in km and **SOQ** is the registered supply point capacity in kWh. Note that ^ means “to the power of ...”

Further information on the NTS Optional Commodity tariff can be obtained from our UK Transmission Charging team on **01926 654633**.

## 6 Compression Charge

An additional charge is payable where gas is delivered into the National Grid NTS system at a lower pressure than that required, reflecting the need for additional compression. For gas delivered at the Total Oil Marine sub-terminal at St. Fergus, a compression charge is payable at the rate identified in Table 7 below.

**Table 7 St. Fergus Compression Charge**

Invoice	Charge Code
ADZ	900

	Pence per kWh
<b>Compression</b>	0.0084

## 7 System Balancing Charge

A system balancing commodity charge will be payable to reflect the costs of ensuring a balance between gas entering the system and gas offtaken. For shippers operating wholly under Uniform Network Code (UNC) arrangements, the system balancing charge is zero.

The system balancing commodity charge is calculated as: The sum of energy balancing charges which are or would be payable under the UNC less energy balancing charges paid by or to the Shipper pursuant to the UNC or any other arrangement divided by the total quantity offtaken.

Energy balancing charges are defined in the UNC and include imbalance charges, scheduling charges and any additional charges payable by or to the Shipper for the purpose of enabling National Grid NTS to balance system inputs and offtakes.

The system balancing charges will be determined following each calendar month by monitoring gas inputs and offtakes on a daily basis.

## 8 Other Charges

Other Charges include administration charges at Connected System Exit Points, Shared Supply Meter Points and Interconnectors.

### 8.1 Connected System Exit Points (CSEPs)

A CSEP is a system point comprising one or more individual exit points which are not supply meter points. Separate administration processes are required to manage the daily operations and invoicing associated with CSEPs, including interconnectors, for which an administration charge is made.

The administration charge which applies to CSEPs containing NDM and DM sites is given in Table 8.

**Table 8 CSEP Administration Charge**

Invoice	Charge Code
ADU	884

<b>Charge per supply point</b>	0.3288 pence per day (£1.20 per annum)
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### 8.2 Shared Supply Meter Point Allocation Arrangements

National Grid NTS offers an allocation service for daily metered supply points with AQs of more than 58,600 MWh per annum. This allows up to four (six for VLDMCs) shippers / suppliers to supply gas through a shared supply meter point.

The allocation of daily gas flows between the shippers / suppliers can be done either by an appointed agent or by National Grid NTS.

The administration charges which relate to these arrangements are shown in Table 9. Individual charges depend on the type of allocation service nominated and whether the site is telemetered or non-telemetered.

**Table 9 Shared Supply Meter Point Administration Charges (£ per shipper per supply point)**

<b>Invoice</b>	<b>Charge Code</b>
ADU	884

**Agent Service**

	<b>Telemetered</b>	<b>Non-telemetered</b>
<b>Set-up charge</b>	£107.00	£183.00
<b>Shipper-shipper transfer charge</b>	£126.00	£210.00
<b>Daily charge</b>	£2.55	£2.96

**National Grid NTS Service**

	<b>Telemetered</b>	<b>Non-telemetered</b>
<b>Set-up charge</b>	£107.00	£202.00
<b>Shipper-shipper transfer charge</b>	£126.00	£210.00
<b>Daily charge</b>	£2.55	£3.05

## 8.3 Interconnector

### 8.3.1 Allocation Arrangements at Interconnectors

The allocation charges that apply at interconnectors (GB-Ireland and UK-Continent) and apply for each supply point are shown in Table 10. Allocating daily gas flows between shippers / suppliers can be done either by an appointed agent or by National Grid NTS. The same set up charge applies in either case. The daily charge depends on whether the service is provided through an agent or not.

**Table 10 Allocation Charges at Interconnectors**

<b>Invoice</b>	<b>Charge Code</b>	
ADU	884	
	<b>Set up charge per shipper</b>	<b>Daily charge per shipper</b>
<b>Agent service</b>	£141.70	£1.62
<b>National Grid NTS service</b>	£141.70	£2.46

### 8.3.2 Administration Charges at Moffat

The following administration charges apply only to the GB-Ireland interconnector at Moffat. The charges, which vary if the service is provided via an agent or National Grid NTS, are detailed in Table 11.

**Table 11 Administration Charges for Moffat**

<b>Invoice</b>	<b>Charge Code</b>
ADU	884

	<b>Daily charge per shipper</b>
<b>Agent service</b>	£15.08
<b>National Grid NTS service</b>	£30.16

The charges, with or without an agent, cover the operation of the flow control valve. In addition the National Grid NTS service provides the Exit Flow Profile Notice (EPN).

In the event that the appointed agent fails to provide an EPN to National Grid NTS, the following additional charge will apply:

EPN Default Charge per shipper per event is £0.63