

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

(Issued 15 January 2010)

Following implementation of Modification 230AV to the Uniform Network Code (UNC), the next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2010. National Grid is publishing this notice of revised transmission charges two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code obligations.

Step prices have been recalculated in accordance with the methodology set out in the latest approved **Incremental Entry Capacity Release Methodology Statement (IECR)** which can be found on our website at <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

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.

Below is an update of the NTS Gas Transportation Charges Statement 1 October 2009. Appendix D, which details the reserve and step prices for use in the QSEC auction, has been updated and therefore replaces any previous versions. However, the main points to note are as follows;

- The majority of Aggregated System Entry Points (ASEPs) have seen their entry capacity reserve price decrease compared to the QSEC 2009 reserve prices. Table 1 below shows the change for each ASEP.
- Demand has increased significantly in 2012/13 due to Exit Reform (interruptible is treated as firm demand). The rise in demand is spread evenly throughout the UK.
- Supply has increased to match demand using the supply balancing rules given in GCM 16 'Supply and Demand Balancing Rules and Supply Source Data'.
- The increase in demand has been mainly matched by increased supplies at Milford Haven and Isle of Grain and this has reduced the average distance travelled between supply and demand. Gas flows in the model are over shorter distances than previously, hence marginal costs, and therefore entry prices, have reduced.

A more detailed description of the changes will be made available on our website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/> and a copy of National Grid's Transportation Model will be sent out to parties that have signed the licence agreement. Details of how to obtain the model can also be found on our website in the same area.

For all entry points an **Estimated Project Cost** (£m) has 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 NPV of the revenues from incremental bids is required to be at least 50% of the estimated project cost, in order to trigger the release of incremental obligated entry capacity (as given in paragraphs 36 and 43 of the IECR Methodology Statement 9.3).

Please note that details of the new NTS Entry Capacity retention charge have also been added to the Transportation Charging Statement in Section 2.1.1.

The full **Transportation Charges Statement** can also be found on our website at <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

If you have any questions relating to this notice, or NTS charges in general, please contact the Transmission Charging & Revenue team on 01926 654633.

Table 1 Change in Reserve Price by ASEP compared to QSEC 2009

	p/KWh/day		
	QSEC 2009	QSEC 2010	Change in Reserve Prices
AVONMOUTH LNG	0.0001	<b>0.0001</b>	0.0000
BACTON TERMINAL	0.0089	<b>0.0078</b>	-0.0011
BARROW TERMINAL	0.0018	<b>0.0001</b>	-0.0017
BARTON STACEY (MRS)	0.0001	<b>0.0001</b>	0.0000
BURTON POINT TERMINAL	0.0001	<b>0.0001</b>	0.0000
CAYTHORPE (MRS)	0.0104	<b>0.0099</b>	-0.0005
CHESHIRE (MRS)	0.0001	<b>0.0001</b>	0.0000
DYNEVOR ARMS LNG	0.0001	<b>0.0074</b>	0.0073
EASINGTON&ROUGH TERMINAL	0.0112	<b>0.0103</b>	-0.0009
FLEETWOOD (MRS)	0.0024	<b>0.0030</b>	0.0006
GARTON (MRS)	0.0127	<b>0.0114</b>	-0.0013
GLENMAVIS LNG	0.0120	<b>0.0105</b>	-0.0015
HATFIELD MOOR (MRS)	0.0045	<b>0.0033</b>	-0.0012
HOLEHOUSE FARM (MRS)	0.0001	<b>0.0001</b>	0.0000
HORNSEA (MRS)	0.0108	<b>0.0106</b>	-0.0002
ISLE OF GRAIN TERMINAL	0.0026	<b>0.0001</b>	-0.0025
MILFORD HAVEN TERMINAL	0.0204	<b>0.0188</b>	-0.0016
PARTINGTON LNG	0.0001	<b>0.0001</b>	0.0000
ST FERGUS TERMINAL	0.0383	<b>0.0373</b>	-0.0010
TEESSIDE TERMINAL	0.0103	<b>0.0082</b>	-0.0021
THEDDLETHORPE TERMINAL	0.0115	<b>0.0101</b>	-0.0014
WYTCH FARM TERMINAL	0.0001	<b>0.0001</b>	0.0000
CANONBIE	-	<b>0.0024</b>	-

## Appendix D QSEC Step Prices 2010

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
Obligated Level	0.0078	0.0001	0.0001	0.0103	0.0030	0.0114	0.0001	0.0188	0.0373	0.0082	0.0101
2.5%	0.0079	0.0002	0.0002	0.0104	0.0031	0.0115	0.0002	0.0189	0.0375	0.0083	0.0102
5.0%	0.0081	0.0003	0.0006	0.0105	0.0032	0.0116	0.0003	0.0190	0.0376	0.0084	0.0103
7.5%	0.0082	0.0004	0.0007	0.0106	0.0033	0.0117	0.0004	0.0201	0.0395	0.0085	0.0106
10.0%	0.0083	0.0005	0.0026	0.0107	0.0034	0.0118	0.0012	0.0209	0.0396	0.0086	0.0107
12.5%	0.0095	0.0006	0.0027	0.0108	0.0035	0.0119	0.0013	0.0210	0.0397	0.0087	0.0108
15.0%	0.0104	0.0007	0.0028	0.0109	0.0036	0.0120	0.0014	0.0211	0.0413	0.0088	0.0109
17.5%	0.0105	0.0008	0.0033	0.0120	0.0037	0.0121	0.0024	0.0212	0.0414	0.0089	0.0113
20.0%	0.0106	0.0009	0.0034	0.0128	0.0038	0.0122	0.0025	0.0213	0.0415	0.0090	0.0114
22.5%	0.0107	0.0010	0.0035	0.0129	0.0039	0.0123	0.0032	0.0214	0.0416	0.0091	0.0115
25.0%	0.0108	0.0011	0.0036	0.0130	0.0040	0.0124	0.0033	0.0215	0.0417	0.0092	0.0117
27.5%	0.0109	0.0012	0.0043	0.0131	0.0041	0.0125	0.0034	0.0216	0.0426	0.0093	0.0118
30.0%	0.0110	0.0013	0.0044	0.0132	0.0042	0.0126	0.0095	0.0217	0.0427	0.0094	0.0119
32.5%	0.0113	0.0014	0.0045	0.0133	0.0043	0.0127	0.0096	0.0218	0.0428	0.0095	0.0120
35.0%	0.0125	0.0015	0.0046	0.0134	0.0044	0.0128	0.0097	0.0219	0.0432	0.0096	0.0121
37.5%	0.0131	0.0016	0.0066	0.0135	0.0045	0.0129	0.0098	0.0220	0.0435	0.0097	0.0122
40.0%	0.0151	0.0017	0.0067	0.0136	0.0046	0.0130	0.0099	0.0221	0.0436	0.0102	0.0124
42.5%	0.0152	0.0018	0.0068	0.0137	0.0047	0.0131	0.0100	0.0222	0.0437	0.0103	0.0125
45.0%	0.0166	0.0019	0.0069	0.0138	0.0052	0.0132	0.0101	0.0223	0.0456	0.0104	0.0126
47.5%	0.0193	0.0020	0.0075	0.0140	0.0060	0.0133	0.0102	0.0224	0.0457	0.0105	0.0128
50.0%	0.0194	0.0021	0.0076	0.0141	0.0061	0.0134	0.0103	0.0230	0.0458	0.0106	0.0130
Obligated Level (GWh/d)	1783.4	309.1	542.7	1407.15	650	420	699.68	950	1670.7	476	610.7

Pence/kWh/day

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
Obligated Level	0.0001	Obligated Level	0.0106	Obligated Level	0.0001	Obligated Level	0.0001	Obligated Level	0.0001
5.1%	0.0002	6.44%	0.0107	7.0%	0.0007	8.37%	0.0002	8.7%	0.0002
10.1%	0.0003	12.87%	0.0108	14.0%	0.0010	16.73%	0.0014	17.4%	0.0005
15.2%	0.0004	19.31%	0.0109	20.9%	0.0011	25.10%	0.0020	26.1%	0.0018
20.2%	0.0005	25.74%	0.0110	27.9%	0.0012	33.46%	0.0022	34.8%	0.0024
25.3%	0.0010	32.18%	0.0111	34.9%	0.0013	41.83%	0.0023	43.5%	0.0027
30.3%	0.0014	38.61%	0.0112	41.9%	0.0014	50.20%	0.0024	52.1%	0.0028
35.4%	0.0015	45.05%	0.0113	48.8%	0.0015				
40.5%	0.0016	51.48%	0.0114	55.8%	0.0017				
45.5%	0.0031								
50.6%	0.0032								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

## QSEC Step Prices 2010

Pence/kWh/day

	Burton Point	Caythorpe	Dynevov Arms	Glenmavis	Hatfield Moor	Wytch Farm
Obligated Level	0.0001	0.0099	0.0074	0.0105	0.0033	0.0001
10%	0.0002	0.0100	0.0080	0.0106	0.0034	0.0002
20%	0.0003	0.0101	0.0081	0.0134	0.0035	0.0003
30%	0.0004	0.0102	0.0082	0.0141	0.0036	0.0004
40%	0.0005	0.0109	0.0083	0.0142	0.0037	0.0005
50%	0.0006	0.0110	0.0084	0.0144	0.0038	0.0006
Obligated Level (GWh/d)	73.5	90	49	99	25.3	3.3

Pence/kWh/day

<b>New Entry Point</b>	
Canonbie	
Obligated Level (GWh)	0.0024
5	0.0025
10	0.0026
15	0.0027
20	0.0028
25	0.0029
30	0.0030
35	0.0031
40	0.0032
45	0.0033
50	0.0034
55	0.0035
60	0.0036
65	0.0037
70	0.0038
75	0.0039
80	0.0040
85	0.0041
90	0.0042
95	0.0043
100	0.0044
Obligated Level (GWh/d)	0

## Appendix E Estimated Project Costs, £m

£m

	Bacton	Barrow	Cheshire	Easington &Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
Obligated Level											
2.5%	12.52	0.03	0.05	12.88	1.73	4.25	0.12	15.87	55.66	3.47	5.48
5.0%	25.67	0.06	0.58	26.00	3.47	8.51	0.25	31.73	111.61	6.94	10.96
7.5%	38.97	0.08	0.87	39.75	5.20	12.76	0.37	50.89	175.87	10.40	17.25
10.0%	51.96	0.11	5.01	53.50	6.93	17.01	2.98	70.55	234.50	13.87	23.00
12.5%	75.25	0.55	6.27	66.88	8.66	21.27	3.73	88.19	294.60	17.34	28.75
15.0%	98.86	0.99	7.52	80.25	10.74	25.52	4.48	105.83	367.77	20.80	34.50
17.5%	115.33	1.15	11.14	105.00	12.53	29.77	10.44	123.47	429.07	24.27	42.91
20.0%	131.81	1.32	12.73	128.00	14.32	34.03	11.93	141.10	490.36	27.74	49.04
22.5%	148.29	1.48	14.32	144.00	17.15	38.28	17.90	158.74	551.66	31.59	55.17
25.0%	164.76	1.65	15.91	160.00	19.06	42.53	19.89	176.38	612.95	35.10	63.47
27.5%	181.24	1.81	22.80	176.00	20.96	46.79	21.88	194.02	695.47	40.93	70.42
30.0%	205.32	1.98	24.88	192.00	22.87	51.04	70.86	211.66	760.48	44.65	76.82
32.5%	232.73	2.14	26.95	208.00	24.77	55.29	76.76	229.29	823.85	48.37	83.22
35.0%	277.25	2.31	31.05	224.00	26.68	59.55	82.67	246.93	897.61	52.10	89.62
37.5%	311.31	2.47	47.73	240.01	28.58	63.80	88.57	270.90	968.41	55.82	96.02
40.0%	382.76	2.64	50.91	256.01	30.49	71.04	94.48	288.96	1035.34	69.01	107.63
42.5%	406.68	2.80	54.09	282.63	32.39	75.48	100.38	312.76	1100.05	73.32	114.36
45.0%	473.38	2.97	57.27	299.26	54.05	79.92	106.29	331.15	1218.19	77.64	121.09
47.5%	580.95	3.13	68.70	332.51	65.83	84.36	112.19	357.57	1285.86	81.95	131.94
50.0%	614.69	3.30	72.32	350.01	69.29	88.80	118.10	388.20	1353.54	86.26	141.05
Obligated Level (GWh/d)	1783.4	309.1	542.7	1407.15	650	420	699.68	950	1670.7	476	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	6.44%	5.65	7.0%	0.37	8.37%	0.05	8.7%	0.05
10.1%	0.11	12.87%	11.30	14.0%	1.07	16.73%	1.49	17.4%	0.53
15.2%	0.16	19.31%	16.95	20.9%	1.60	25.10%	3.20	26.1%	2.88
20.2%	0.21	25.74%	22.60	27.9%	2.13	33.46%	4.69	34.8%	5.12
25.3%	2.67	32.18%	28.25	34.9%	2.67	41.83%	5.86	43.5%	7.20
30.3%	4.48	38.61%	33.90	41.9%	3.20	50.20%	7.04	52.1%	8.64
35.4%	5.22	45.05%	39.55	48.8%	3.73				
40.5%	5.97	51.48%	45.20	55.8%	7.25				
45.5%	14.87								
50.6%	16.52								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

## Estimated Project Costs, £m

£m

	Burton Point	Caythorpe	Dynevov Arms	Glenmavis	Hatfield Moor	Wytch Farm
Obligated Level						
10%	0.03	3.17	1.39	3.69	0.30	0.001
20%	0.05	6.33	2.79	9.43	0.59	0.002
30%	0.08	9.50	4.18	14.88	0.89	0.004
40%	0.10	13.94	5.57	19.84	1.19	0.005
50%	0.26	17.43	6.97	25.33	1.53	0.006
Obligated Level (GWh/d)	73.5	90	49	99	25.3	3.3

£m

<b>New Entry Point</b>	
Canonbie	
Obligated Level (GWh)	
5	0.43
10	0.85
15	1.28
20	1.71
25	2.13
30	2.56
35	2.99
40	3.41
45	3.84
50	4.26
55	4.69
60	5.54
65	6.01
70	6.47
75	6.93
80	7.39
85	7.85
90	8.32
95	8.78
100	9.24
Obligated Level (GWh/d)	0