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Dear Martin,

## **Indicative Notice of Intention to Revise NTS Entry Capacity Reserve and Step Prices**

I am writing to give indicative notice of our intention to change the Entry Capacity Reserve Prices and Incremental Entry Step Prices for the next Quarterly System Entry Capacity (QSEC) auction which is expected to be held in March 2015.

Prices for permanently obligated and incremental entry capacity will be calculated in accordance with the arrangements set out in Section Y of the Uniform Network Code (UNC) – Charging Methodologies<sup>1</sup> and the Entry Capacity Release (ECR) Methodology Statement.

Please note that the ECR Methodology Statement will be consulted upon if Ofgem decide to approve either of the PARCA modification proposals<sup>23</sup>.

Entry prices are set using a transportation model that will be reviewed and updated to include:

- Supply and demand patterns determined from the latest data in the 2014 Ten Year Statement and the balancing rules in accordance with Section Y of the UNC. These updates tend to mostly affect terminals closest to areas where supplies have changed.
- The pipeline network expected in 2017/18 which is based on expected pipeline changes included in the 2014 Ten Year Statement. These changes are likely to have a relatively small impact on entry prices.
- Revised investment costs by a change to the expansion constant. A change to the expansion constant would, all other things being equal, alter the range of entry prices and particularly entry terminals furthest from centres of demand.
- Permanent obligated capacities allocated from previous auctions. Any changes to these capacities will impact the price at that entry terminal.

The notice of the reserve and step prices to apply will be given at least two months in advance of the March 2015 QSEC auction.

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<sup>1</sup> [http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20Y%20-%20Charging%20Methodologies\\_18.pdf](http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20Y%20-%20Charging%20Methodologies_18.pdf)

<sup>2</sup> <http://www.gasgovernance.co.uk/0465>

<sup>3</sup> <http://www.gasgovernance.co.uk/0452/250913>

If you have any questions about this Indicative Notice please contact Karin Elmhirst on 01926 655540.

Yours sincerely,

Steve Fisher  
Gas Charging and Capacity Development Manager