

Hannah Nixon,
Acting Senior Partner, Smarter Grids and Governance, Transmission
Ofgem
9 Millbank
London
SW1P 3GE

Anne Bennett
Charging & Revenue Manager
anne.bennett@uk.ngrid.com
Direct tel +44 (0)7767 298987

www.nationalgrid.com

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Dear Hannah,

Notice of Revised NTS Entry Capacity Reserve and Step Prices

The next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2012. National Grid is publishing this notice of revised reserve and step prices two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code obligations.

Please note the NTS Entry Capacity Retention Charge has not been changed and more details are available in the Transportation Charging Statement in Section 2.1.1, which can be found using the link below.

Updates to charging models

Reserve and 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 website¹. The prices are determined using a transportation model, which 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 prices. The main points to note are as follows:

- Forecast peak day LDZ demand has decreased by 5% in 2014/15 compared to that used to set 2011 QSEC prices (i.e. demand in 2013/14). Demand for Direct Connects would also have been lower by a similar amount if not for increased demand at Moffat and therefore has remained similar to 2013/14. Overall, the net effect on demand is a reduction of 2.5%.
- Supply has been matched to demand using the supply balancing rules given in GCM 16 'Supply and Demand Balancing Rules and Supply Source Data'.
- There have been no significant changes to the network.
- The expansion constant has been updated to take into account revised forecasts of investment costs and has increased by 3.1%. Those ASEPs furthest away from centres

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

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 the demand.

Impact on Reserve and Step Prices

Table 1 shows the impact of these changes on reserve prices and compares these for each Aggregated System Entry Point (ASEP) in QSEC 2011 and QSEC 2012.

As demand has decreased relatively uniformly over the country, the majority of ASEPs have seen very little change in their entry capacity reserve price compared to QSEC 2011. However, in areas where demand increased / decreased more than a corresponding change supply in that area, or visa versa, larger changes in prices can be seen due to the impact on gas flows. This is the main reason why prices at Fleetwood and Milford Haven have changed more than other ASEPs. Specifically:

- at **Fleetwood** entry prices have decreased (and to a lesser extent Barrow) because demand at Moffat has increased, meaning that gas entering the system at this location uses less of the transmission system, resulting in a lower price.
- at **Milford Haven**, gas entering the system (supplies) has stayed the same but demand in South Wales and South West has dropped. This means supplies from Milford Haven flow further into the system, resulting in price rises.

A more detailed description of the changes will be made available on our website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/> and it is our intention to discuss the changes at the next NTS transportation charging methodology forum (GTCMF).

Estimated Project Values

For all entry points an Estimated Project Value (£m) has been calculated for each incremental capacity level and this information has been added to this notice. It 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 11.0).

Update to the NTS Gas Transportation Charges Statement

Attached is an update to Appendix D of the NTS Gas Transportation Charges Statement 1 October 2011, which details the reserve and step prices for use in the QSEC auction and replaces any previous versions of this appendix. The full statement can be found on our website at <http://www.nationalgrid.com/uk/Gas/Charges/statements/>.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact the Transmission Charging & Revenue team on 01926 654633 or charging.enquiries@uk.ngrid.com

Yours sincerely,

Anne Bennett
Charging and Revenue Manager
UK Transmission - Commercial

Table 1 Change in Reserve Price by ASEP compared to QSEC 2011

	p/KWh/day		
	QSEC 2011	QSEC 2012	Change in Reserve Prices
Avonmouth	0.0001	0.0001	0.0000
Bacton	0.0078	0.0086	0.0008
Barrow	0.0003	0.0001	-0.0002
Barton Stacey	0.0001	0.0001	0.0000
Burton Point	0.0001	0.0001	0.0000
Canonbie	N/A	0.0005	N/A
Caythorpe	0.0099	0.0106	0.0007
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0078	0.0086	0.0008
Easington & Rough	0.0108	0.0112	0.0004
Fleetwood	0.0031	0.0012	-0.0019
Garton	0.0118	0.0121	0.0003
Glenmavis	0.0106	0.0107	0.0001
Hatfield Moor	0.0031	0.0038	0.0007
Hole House Farm	0.0001	0.0001	0.0000
Hornsea	0.0109	0.0112	0.0003
Isle of Grain	0.0001	0.0001	0.0000
Milford Haven	0.0183	0.0202	0.0019
Partington	0.0001	0.0001	0.0000
St Fergus	0.0388	0.0392	0.0004
Teesside	0.0084	0.0088	0.0004
Theddlethorpe	0.0103	0.0115	0.0012
Wytech Farm	0.0001	0.0001	0.0000

Appendix D QSEC Step Prices 2012

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	Th'dlethorpe
Obligated Level	0.0086	0.0001	0.0001	0.0112	0.0012	0.0121	0.0001	0.0202	0.0392	0.0088	0.0115
2.5%	0.0087	0.0002	0.0018	0.0113	0.0013	0.0122	0.0002	0.0203	0.0400	0.0091	0.0116
5.0%	0.0088	0.0003	0.0045	0.0114	0.0018	0.0123	0.0003	0.0204	0.0401	0.0092	0.0117
7.5%	0.0089	0.0004	0.0046	0.0115	0.0027	0.0124	0.0011	0.0205	0.0412	0.0093	0.0118
10.0%	0.0109	0.0005	0.0047	0.0126	0.0028	0.0125	0.0012	0.0206	0.0421	0.0094	0.0123
12.5%	0.0110	0.0006	0.0048	0.0134	0.0029	0.0126	0.0013	0.0207	0.0423	0.0095	0.0124
15.0%	0.0111	0.0007	0.0066	0.0135	0.0030	0.0127	0.0024	0.0208	0.0425	0.0096	0.0125
17.5%	0.0114	0.0008	0.0073	0.0136	0.0031	0.0128	0.0025	0.0217	0.0439	0.0097	0.0126
20.0%	0.0115	0.0009	0.0079	0.0137	0.0032	0.0129	0.0033	0.0225	0.0440	0.0098	0.0130
22.5%	0.0116	0.0010	0.0080	0.0138	0.0033	0.0130	0.0034	0.0226	0.0441	0.0099	0.0131
25.0%	0.0119	0.0011	0.0081	0.0139	0.0034	0.0131	0.0035	0.0227	0.0442	0.0100	0.0132
27.5%	0.0124	0.0012	0.0082	0.0140	0.0035	0.0132	0.0099	0.0228	0.0452	0.0101	0.0133
30.0%	0.0151	0.0013	0.0083	0.0141	0.0036	0.0133	0.0100	0.0230	0.0453	0.0102	0.0144
32.5%	0.0159	0.0014	0.0084	0.0142	0.0039	0.0134	0.0101	0.0231	0.0459	0.0103	0.0145
35.0%	0.0176	0.0015	0.0085	0.0143	0.0042	0.0135	0.0104	0.0232	0.0463	0.0104	0.0146
37.5%	0.0188	0.0016	0.0086	0.0144	0.0043	0.0136	0.0105	0.0233	0.0464	0.0105	0.0147
40.0%	0.0203	0.0017	0.0087	0.0146	0.0044	0.0137	0.0106	0.0234	0.0465	0.0106	0.0148
42.5%	0.0205	0.0018	0.0088	0.0147	0.0045	0.0138	0.0107	0.0235	0.0466	0.0107	0.0149
45.0%	0.0206	0.0019	0.0089	0.0148	0.0046	0.0139	0.0108	0.0236	0.0485	0.0108	0.0150
47.5%	0.0207	0.0020	0.0090	0.0149	0.0047	0.0140	0.0109	0.0237	0.0486	0.0109	0.0151
50.0%	0.0208	0.0021	0.0091	0.0150	0.0048	0.0141	0.0110	0.0240	0.0487	0.0110	0.0152
Obligated Level (GWh/d)	1783.4	340.0	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	0.0112	Obligated Level	0.0001	Obligated Level	0.0001	Obligated Level	0.0001
5.1%	0.0002	6.4%	0.0115	7.0%	0.0002	8.4%	0.0004	8.7%	0.0012
10.1%	0.0003	12.9%	0.0116	14.0%	0.0012	16.7%	0.0005	17.4%	0.0015
15.2%	0.0007	19.3%	0.0117	20.9%	0.0013	25.1%	0.0006	26.1%	0.0016
20.2%	0.0008	25.7%	0.0118	27.9%	0.0014	33.5%	0.0007	34.8%	0.0017
25.3%	0.0009	32.2%	0.0119	34.9%	0.0015	41.8%	0.0008	43.5%	0.0018
30.3%	0.0010	38.6%	0.0120	41.9%	0.0016	50.2%	0.0009	52.1%	0.0019
35.4%	0.0011	45.0%	0.0121	48.8%	0.0017				
40.5%	0.0012	51.5%	0.0122	55.8%	0.0018				
45.5%	0.0019								
50.6%	0.0022								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

Appendix D QSEC Step Prices 2012 (cont)

Pence/kWh/day						
	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Wytch Farm
Obligated Level	0.0001	0.0106	0.0086	0.0107	0.0038	0.0001
10%	0.0003	0.0107	0.0087	0.0108	0.0039	0.0002
20%	0.0027	0.0108	0.0088	0.0135	0.0040	0.0003
30%	0.0028	0.0109	0.0089	0.0136	0.0041	0.0004
40%	0.0029	0.0110	0.0090	0.0137	0.0042	0.0005
50%	0.0030	0.0111	0.0091	0.0138	0.0043	0.0006
Obligated Level (GWh/d)	73.5	90	49	99	25.3	3.3

Pence/kWh/day	
New Entry Point	
Canonbie	
Obligated Level (GWh)	0.0005
5	0.0006
10	0.0007
15	0.0008
20	0.0009
25	0.0010
30	0.0011
35	0.0012
40	0.0013
45	0.0014
50	0.0015
55	0.0016
60	0.0017
65	0.0018
70	0.0019
75	0.0020
80	0.0021
85	0.0022
90	0.0023
95	0.0024
100	0.0025
Obligated Level (GWh/d)	0

Appendix E Estimated Project Value, £m

£m

	Bacton	Barrow	Cheshire	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Th'dlethorpe
Obligated Level											
2.5%	13.78	0.03	0.87	14.00	0.69	4.52	0.06	17.13	59.37	3.85	6.24
5.0%	27.57	0.06	4.34	28.00	2.08	9.03	0.12	34.26	119.03	7.70	12.48
7.5%	41.35	0.09	6.51	42.00	4.68	13.54	2.05	51.40	183.44	11.54	18.72
10.0%	69.07	0.12	8.68	63.00	6.24	18.06	2.74	68.53	249.93	15.39	26.69
12.5%	86.34	0.15	10.85	83.75	7.80	22.57	3.42	85.66	313.90	19.45	33.36
15.0%	103.61	0.18	19.09	100.50	9.35	27.09	8.95	102.79	378.46	23.34	40.04
17.5%	126.42	0.42	24.64	117.25	10.91	31.60	10.88	128.19	456.08	27.23	46.71
20.0%	144.49	0.48	30.47	134.00	12.93	36.12	16.41	151.91	521.23	31.12	56.42
22.5%	162.55	1.36	34.28	150.75	14.55	40.63	18.46	170.89	587.72	35.01	63.47
25.0%	188.53	2.72	38.09	167.50	16.17	45.15	20.51	189.88	653.02	38.90	71.61
27.5%	216.09	2.99	42.43	184.25	17.79	49.66	67.69	208.87	737.92	42.79	78.77
30.0%	287.07	3.26	46.28	201.00	20.79	54.17	73.84	232.92	806.78	46.68	93.75
32.5%	327.47	3.53	50.14	217.75	29.28	58.69	79.99	252.33	885.59	50.57	101.56
35.0%	390.36	3.81	54.00	234.50	33.95	63.20	90.50	271.74	962.02	54.46	109.37
37.5%	446.76	4.08	57.85	260.63	36.38	70.52	96.96	291.15	1030.74	58.35	117.18
40.0%	514.57	4.35	61.71	292.01	38.80	75.22	103.43	310.56	1101.83	62.24	126.73
42.5%	552.12	4.62	65.57	310.26	41.23	79.92	109.89	329.97	1173.22	66.13	135.57
45.0%	587.44	4.89	69.42	330.76	43.65	84.62	116.35	356.98	1295.66	70.02	143.55
47.5%	620.08	5.17	73.28	349.13	46.08	89.32	122.82	376.81	1367.64	73.91	151.52
50.0%	652.72	7.85	79.07	367.51	48.50	94.02	129.28	405.08	1439.62	80.34	159.50
Obligated Level (GWh/d)	1783.4	340.0	542.7	1407.2	650.0	420.0	699.7	950.0	1670.7	476.0	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%	6.13	7.0%	0.11	8.37%	0.21	8.7%	0.64
10.1%	0.11	12.9%	12.26	14.0%	1.28	16.73%	0.43	17.4%	1.60
15.2%	1.12	19.3%	18.55	20.9%	1.92	25.10%	0.64	26.1%	2.40
20.2%	1.49	25.7%	24.73	27.9%	2.56	33.46%	0.85	34.8%	3.20
25.3%	1.87	32.2%	30.91	34.9%	3.20	41.83%	1.07	43.5%	4.00
30.3%	2.24	38.6%	37.10	41.9%	3.84	50.20%	1.28	52.1%	4.80
35.4%	2.61	45.0%	43.28	48.8%	4.48				
40.5%	2.99	51.5%	49.46	55.8%	7.25				
45.5%	9.11								
50.6%	11.73								
Obligated Level (GWh/d)	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
Obligated Level						
10%	0.08	3.39	1.50	3.76	0.34	0.001
20%	1.41	6.78	3.00	9.50	0.68	0.002
30%	2.12	10.17	4.49	14.35	1.03	0.004
40%	2.82	13.82	5.99	19.14	1.37	0.005
50%	3.53	17.27	7.49	23.92	1.84	0.006
Obligated Level (GWh/d)	73.5	90.0	49.0	99.0	25.3	3.3

£m

New Entry Point	
Canonbie	
Obligated Level (GWh)	
5	0.09
10	0.18
15	0.27
20	0.36
25	0.71
30	0.96
35	1.12
40	1.28
45	1.44
50	1.60
55	1.76
60	1.92
65	2.77
70	4.48
75	4.80
80	5.12
85	6.34
90	6.72
95	7.09
100	7.46
Obligated Level (GWh/d)	0