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31<sup>st</sup> July 2007

Dear Robert,

## Notice of Revised Gas Transmission Transportation Charges from 1st October 2007

Following the introduction of the GCM01 methodology for setting NTS capacity charges and in order to bring revenue recovery from transportation charges in line with National Grid's Transmission Price Control Formulae, National Grid is publishing this notice of revised transmission commodity and capacity charges, two months in advance of the changes, consistent with our Licence and Uniform Network Code obligations.

Please find attached a copy of our document "Notice of Gas Transmission Transportation Charges Effective from 1<sup>st</sup> October 2007", which contains all of the price changes highlighted below. This document will also be available on the National Grid website [www.nationalgrid.com/uk/gas/](http://www.nationalgrid.com/uk/gas/) under Charging, Transportation Charges.

From 1<sup>st</sup> October 2007 changes will be applied to NTS charges as follows;

1. The NTS **TO Entry Commodity** charge will be reduced to **zero**. This reduction is due, principally, to higher than expected auction revenue following the AMSEC auction earlier this year.
2. The NTS **SO Commodity** charge, as applied to both entry and exit flows, will be levied at a rate of **0.0108** p/kWh, a decrease of 20% from its level at April 2007. This decrease is mainly due to revised forecasts of maximum revenues following National Grid's new Transmission Price Control Formulae.
3. The **Compression** charge levied at the Total Oil Marine sub-terminal at St. Fergus will decrease to **0.0062** p/kWh. This change is due to revised forecasts in the cost of gas and volumes of throughput at the terminal.
4. Following the Pricing Consultation, under NTS GCM02 'DN Pensions Deficit Charge', the new monthly **DN Pensions Deficit** charges to the Distribution Networks are shown in Table 8 in Section 7 of the "Notice of Gas Transmission Transportation Charges Effective from 1<sup>st</sup> October 2007" (the attached document). The introduction of these charges is subject to agreement on the GT Licence drafting associated with the Transmission Price Control. In respect of the timing for the introduction of the charge, confirmation of the agreed annual pension allowances will only be known following formal acceptance of the legal drafting associated with the new TO Price Control, currently estimated to be September 2007.
5. The NTS **TO Exit Capacity** charges will also change on 1<sup>st</sup> October 2007. Details of the rates, along with indicative values for the following two years, are given in Table 4 of the

“Notice of Gas Transmission Transportation Charges Effective from 1<sup>st</sup> October 2007” (the attached document).

If you have any questions about this Notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01926 655540.

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