

All Shippers & Interested Parties

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Dear Industry Participant

Notice of Revised NTS Entry Capacity QSEC Reserve and Step Prices

The next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2014. National Grid is publishing this notice of revised NTS transportation charges two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code (UNC) obligations.

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. Step prices have been recalculated in accordance with the methodology set out in the latest approved **Entry Capacity Release Methodology Statement (ECR)**¹.

Attached is an update to Appendix D of the NTS Gas Transportation Charges Statement 1 October 2013, which details the reserve and step prices for use in the QSEC auction and replaces any previous versions of this appendix. **Table 1** below summarises the change in reserve prices at each entry point.

The main points to note are as follows:

- Forecast peak day demand has reduced by approximately 1%. This is primarily due to a reduction in the forecast demand for NTS directly connected sites, in particular at power stations.
- Total gas supply has been reduced to match demand using the supply balancing rules detailed in the UNC Section Y Charging Methodologies 2.5.1 (c).
- In general, most supply points have seen an increase in their reserve price, with the average increase² being 0.0011 p/kWh. This is mainly due to the change in forecast supplies which has resulted in a higher adjustment factor being utilised (which is used

¹ <http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Entry-Capacity-Release-Methodology-Statement/>

² Excluding those ASEPs where the reserve price is unchanged between QSEC 13 & QSEC 14

to maintain an equal cost split between entry and exit users) compared to that in QSEC 2013.

- The expansion constant has been updated in line with inflation and has increased by 3.1%. Those ASEPs (NTS Aggregate System Entry Points) furthest away from centres 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 demand.

For all entry points an **Estimated Project Value** (£m) has also 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 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 91 and 98 of the ECR Methodology Statement 1.0).

Please note that details of the **NTS Entry Capacity retention charge** are available in the Transportation Charging Statement in Section 2.1.2, and remain unchanged. The statement can be found on our website at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Charging-Statements/>.

A more detailed description of the changes will be made available on our website at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Tools-and-Models>.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact Karin Elmhirst on 01926 655540 or karin.elmhirst@nationalgrid.com.

Yours sincerely

Steve Fisher
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Table 1 - Change in Reserve Price by ASEP compared to QSEC 2013

p/kWh/day	QSEC 13	QSEC 14	Change
Avonmouth	0.0001	0.0001	0.0000
Bacton	0.0080	0.0096	0.0016
Barrow	0.0001	0.0001	0.0000
Barton Stacey	0.0001	0.0001	0.0000
Burton Point	0.0001	0.0001	0.0000
Canonbie	0.0020	0.0034	0.0014
Caythorpe	0.0105	0.0125	0.0020
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0076	0.0071	-0.0005
Easington & Rough	0.0107	0.0130	0.0023
Fleetwood	0.0005	0.0020	0.0015
Garton	0.0125	0.0129	0.0004
Glenmavis	0.0108	0.0128	0.0020
Hatfield Moor	0.0031	0.0050	0.0019
Hole House Farm	0.0001	0.0001	0.0000
Hornsea	0.0112	0.0118	0.0006
Isle of Grain	0.0002	0.0013	0.0011
Milford Haven	0.0198	0.0205	0.0007
Partington	0.0001	0.0001	0.0000
St Fergus	0.0423	0.0430	0.0007
Teesside	0.0086	0.0090	0.0004
Theddlethorpe	0.0114	0.0123	0.0009
Wytch Farm	0.0001	0.0001	0.0000

Appendix D QSEC Step Prices 2014

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	Canonbie	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
Obligated Level	0.0096	0.0001	0.0001	0.0034	0.0130	0.0020	0.0129	0.0013	0.0205	0.0430	0.0090	0.0123
2.5%	0.0102	0.0002	0.0002	0.0035	0.0131	0.0021	0.0131	0.0014	0.0211	0.0441	0.0091	0.0124
5.0%	0.0103	0.0003	0.0019	0.0036	0.0132	0.0022	0.0132	0.0015	0.0214	0.0458	0.0092	0.0128
7.5%	0.0104	0.0004	0.0020	0.0037	0.0133	0.0023	0.0143	0.0017	0.0223	0.0460	0.0095	0.0129
10.0%	0.0105	0.0005	0.0021	0.0038	0.0143	0.0024	0.0144	0.0023	0.0224	0.0461	0.0096	0.0130
12.5%	0.0112	0.0006	0.0022	0.0039	0.0144	0.0025	0.0145	0.0025	0.0225	0.0462	0.0097	0.0131
15.0%	0.0114	0.0007	0.0049	0.0040	0.0145	0.0026	0.0146	0.0095	0.0226	0.0463	0.0098	0.0135
17.5%	0.0115	0.0009	0.0050	0.0041	0.0146	0.0027	0.0147	0.0096	0.0227	0.0469	0.0099	0.0136
20.0%	0.0116	0.0011	0.0051	0.0042	0.0147	0.0028	0.0148	0.0097	0.0228	0.0475	0.0100	0.0137
22.5%	0.0117	0.0012	0.0052	0.0043	0.0148	0.0029	0.0149	0.0098	0.0229	0.0476	0.0101	0.0138
25.0%	0.0127	0.0013	0.0053	0.0044	0.0149	0.0040	0.0150	0.0099	0.0230	0.0482	0.0102	0.0139
27.5%	0.0133	0.0014	0.0054	0.0045	0.0156	0.0041	0.0151	0.0100	0.0231	0.0483	0.0103	0.0141
30.0%	0.0135	0.0015	0.0055	0.0046	0.0158	0.0042	0.0152	0.0101	0.0232	0.0507	0.0104	0.0142
32.5%	0.0140	0.0016	0.0060	0.0047	0.0159	0.0043	0.0153	0.0102	0.0237	0.0508	0.0117	0.0143
35.0%	0.0147	0.0017	0.0061	0.0048	0.0163	0.0044	0.0154	0.0103	0.0238	0.0509	0.0120	0.0144
37.5%	0.0148	0.0018	0.0062	0.0049	0.0164	0.0045	0.0155	0.0104	0.0244	0.0510	0.0121	0.0145
40.0%	0.0157	0.0019	0.0064	0.0050	0.0170	0.0046	0.0156	0.0105	0.0245	0.0511	0.0122	0.0146
42.5%	0.0160	0.0020	0.0087	0.0051	0.0171	0.0047	0.0157	0.0110	0.0249	0.0512	0.0123	0.0147
45.0%	0.0184	0.0021	0.0088	0.0052	0.0172	0.0048	0.0158	0.0111	0.0250	0.0513	0.0124	0.0148
47.5%	0.0201	0.0022	0.0099	0.0053	0.0173	0.0049	0.0159	0.0112	0.0251	0.0514	0.0125	0.0149
50.0%	0.0202	0.0023	0.0100	0.0054	0.0174	0.0050	0.0160	0.0115	0.0256	0.0515	0.0127	0.0150
Obligated Level (GWh/d)	1783.4	340.0	542.7	0	1407.15	650	420	699.68	950	1670.7	445.09	610.7

Pence/kWh/day

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
Obligated Level	0.0001	Obligated Level	0.0118	Obligated Level	0.0001	Obligated Level	0.0001	Obligated Level	0.0001
5.1%	0.0002	6.4%	0.0119	7.0%	0.0010	8.4%	0.0002	8.7%	0.0022
10.1%	0.0003	12.9%	0.0120	14.0%	0.0011	16.7%	0.0005	17.4%	0.0025
15.2%	0.0004	19.3%	0.0130	20.9%	0.0020	25.1%	0.0010	26.1%	0.0033
20.2%	0.0007	25.7%	0.0131	27.9%	0.0021	33.5%	0.0013	34.8%	0.0048
25.3%	0.0008	32.2%	0.0132	34.9%	0.0022	41.8%	0.0014	43.5%	0.0049
30.3%	0.0009	38.6%	0.0133	41.9%	0.0023	50.2%	0.0015	52.1%	0.0050
35.4%	0.0010	45.0%	0.0134	48.8%	0.0024				
40.5%	0.0011	51.5%	0.0135	55.8%	0.0025				
45.5%	0.0012								
50.6%	0.0020								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

Appendix D QSEC Step Prices 2014 (cont)

Pence/kWh/day

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Wytch Farm
Obligated Level	0.0001	0.0125	0.0071	0.0128	0.0050	0.0001
10%	0.0029	0.0126	0.0072	0.0157	0.0051	0.0002
20%	0.0030	0.0127	0.0073	0.0158	0.0052	0.0005
30%	0.0031	0.0128	0.0074	0.0159	0.0053	0.0006
40%	0.0032	0.0129	0.0075	0.0160	0.0054	0.0027
50%	0.0033	0.0130	0.0081	0.0161	0.0055	0.0028
Obligated Level (GWh/d)	73.5	90	49	99	25.3	3.3

Appendix E Estimated Project Value, £m

	£m											
	Bacton	Barrow	Cheshire	Canonbie	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
Obligated Level												
2.5%	16.16	0.03	0.05	0.62	16.25	1.16	4.89	0.81	17.81	65.45	3.60	6.67
5.0%	32.32	0.06	1.83	1.24	32.50	2.43	9.78	1.62	36.12	135.95	7.20	13.89
7.5%	48.48	0.09	2.75	1.87	48.75	3.64	16.01	3.17	56.46	204.81	11.27	20.83
10.0%	64.64	0.12	3.66	2.49	71.50	4.85	21.34	5.72	75.28	273.08	15.03	27.78
12.5%	88.72	0.76	4.58	3.11	89.38	6.06	26.68	7.77	94.10	341.35	18.78	34.72
15.0%	108.36	0.91	14.17	4.16	107.25	7.28	32.01	35.43	112.92	409.62	22.54	43.94
17.5%	127.53	1.90	16.54	4.85	125.13	8.49	37.35	41.33	131.74	487.25	26.57	51.27
20.0%	144.49	2.66	18.90	5.54	143.00	9.70	42.68	47.24	150.56	563.98	30.37	58.59
22.5%	162.55	2.99	21.26	6.24	160.88	11.43	48.35	53.14	169.38	634.47	34.16	66.40
25.0%	201.20	3.32	24.11	6.93	181.25	23.10	53.73	59.05	188.19	715.36	37.96	73.78
27.5%	231.78	3.66	26.52	7.62	214.50	26.04	59.10	64.95	207.01	786.89	41.75	84.14
30.0%	256.65	3.99	28.93	8.32	237.00	28.41	64.47	70.86	231.91	902.95	45.55	91.79
32.5%	288.34	4.32	37.60	9.01	256.76	30.78	69.85	76.76	260.01	978.20	60.14	99.44
35.0%	326.04	5.50	40.50	9.95	285.26	33.14	77.83	82.67	280.01	1055.52	66.43	107.09
37.5%	351.71	6.34	43.39	10.66	305.63	35.51	83.39	88.57	308.88	1133.15	71.17	114.74
40.0%	397.97	6.77	49.37	11.37	340.01	37.88	88.95	96.47	329.47	1208.69	75.92	122.39
42.5%	430.92	7.19	71.30	12.08	361.26	40.25	94.51	116.23	357.23	1284.23	80.66	130.04
45.0%	524.71	10.33	75.50	12.79	382.51	42.61	100.07	123.07	378.25	1359.77	85.41	139.64
47.5%	605.03	10.90	90.68	13.50	403.76	44.98	106.33	129.90	399.26	1435.32	90.15	149.46
50.0%	640.04	13.29	95.46	14.21	425.01	47.35	116.41	142.96	432.09	1510.86	100.43	156.24
Obligated Level (GWh/d)	1783.4	340.0	542.7	0	1407.2	650.0	420.0	699.7	950.0	1670.7	445.09	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%	6.29	7.0%	0.53	8.37%	0.05	8.7%	1.17
10.1%	0.11	12.9%	12.58	14.0%	1.07	16.73%	0.53	17.4%	2.67
15.2%	0.16	19.3%	20.79	20.9%	3.20	25.10%	1.60	26.1%	5.28
20.2%	1.49	25.7%	27.72	27.9%	4.26	33.46%	2.77	34.8%	10.23
25.3%	1.87	32.2%	34.65	34.9%	5.33	41.83%	3.47	43.5%	12.79
30.3%	2.24	38.6%	41.57	41.9%	6.40	50.20%	4.16	52.1%	15.35
35.4%	2.61	45.0%	48.88	48.8%	7.46				
40.5%	2.99	51.5%	55.86	55.8%	8.53				
45.5%	4.32								
50.6%	10.66								
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%	0.76	4.00	1.24	5.52	0.45	0.001
20%	1.52	8.00	2.47	11.05	0.90	0.012
30%	2.27	11.99	3.71	16.57	1.35	0.018
40%	3.03	15.99	4.95	22.09	1.80	0.127
50%	3.79	19.99	7.05	27.62	2.43	0.158
Obligated Level (GWh/d)	73.5	90.0	49.0	99.0	25.3	3.3