

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 2015. 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 2014, which details the reserve and step prices for use in the March 2015 QSEC auction and replaces any previous versions of this appendix. **Table 1** below summarises the change in reserve prices at each NTS Aggregate System Entry Point (ASEP).

, The main changes to note compared to the QSEC 2014 are as follows:

- Forecast peak day demand has increased by approximately 1%. This is primarily due to a revised forecast in demand for NTS directly connected sites, in particular at power stations.
- Total gas supply has been increased to match demand using the supply balancing rules detailed in the UNC Section Y Charging Methodologies 2.5.1 (c).
- In general, most ASEPs have seen a decrease in their reserve price. This is mainly due to the change in forecast supplies and demands which has resulted in a lower adjustment factor, which is used to maintain an equal cost split between Entry and Exit users, compared to that in QSEC 2014.

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

- The expansion constant, which represents the average cost of investment in pipe and compression, has been updated in line with inflation and has increased by 2.6%. Those ASEPs 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 Chapter 6 of the ECR Methodology Statement).

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
Gas Charging & Capacity Development Manager

Table 1 - Change in Reserve Price by ASEP compared to QSEC 2014

p/kWh/day	QSEC 14	QSEC 15	Change
Avonmouth	0.0001	0.0001	0.0000
Bacton	0.0096	0.0089	-0.0007
Barrow	0.0001	0.0006	0.0005
Barton Stacey	0.0001	0.0001	0.0000
Burton Point	0.0001	0.0001	0.0000
Canonbie	0.0034	0.0025	-0.0009
Caythorpe	0.0125	0.0128	0.0003
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0071	0.0078	0.0007
Easington & Rough	0.0130	0.0122	-0.0008
Fleetwood	0.0020	0.0008	-0.0012
Garton	0.0129	0.0122	-0.0007
Glenmavis	0.0128	0.0131	0.0003
Hatfield Moor	0.0050	0.0036	-0.0014
Hole House Farm	0.0001	0.0001	0.0000
Hornsea	0.0118	0.0125	0.0007
Isle of Grain	0.0013	0.0001	-0.0012
Milford Haven	0.0205	0.0216	0.0011
Partington	0.0001	0.0001	0.0000
St Fergus	0.0430	0.0451	0.0021
Teesside	0.0090	0.0082	-0.0008
Theddlethorpe	0.0123	0.0118	-0.0005
Wytch Farm	0.0001	0.0001	0.0000

Appendix D QSEC Step Prices 2015

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	0.0089	0.0006	0.0001	0.0025	0.0122	0.0008	0.0122	0.0001	0.0216	0.0451	0.0082	0.0118
2.5%	0.0095	0.0012	0.0002	0.0026	0.0123	0.0009	0.0123	0.0002	0.0217	0.0469	0.0083	0.0120
5.0%	0.0096	0.0013	0.0015	0.0027	0.0124	0.0010	0.0124	0.0012	0.0218	0.0470	0.0093	0.0121
7.5%	0.0097	0.0014	0.0016	0.0028	0.0125	0.0011	0.0125	0.0013	0.0219	0.0471	0.0094	0.0122
10.0%	0.0099	0.0015	0.0020	0.0029	0.0126	0.0012	0.0126	0.0014	0.0220	0.0473	0.0095	0.0125
12.5%	0.0108	0.0016	0.0021	0.0030	0.0127	0.0013	0.0135	0.0015	0.0221	0.0481	0.0097	0.0126
15.0%	0.0109	0.0017	0.0044	0.0031	0.0136	0.0019	0.0136	0.0016	0.0222	0.0487	0.0098	0.0127
17.5%	0.0110	0.0018	0.0045	0.0035	0.0137	0.0020	0.0137	0.0017	0.0229	0.0488	0.0099	0.0128
20.0%	0.0111	0.0019	0.0051	0.0036	0.0138	0.0026	0.0138	0.0021	0.0230	0.0494	0.0103	0.0133
22.5%	0.0112	0.0020	0.0052	0.0037	0.0139	0.0027	0.0139	0.0024	0.0231	0.0495	0.0106	0.0134
25.0%	0.0122	0.0021	0.0053	0.0038	0.0140	0.0028	0.0140	0.0095	0.0232	0.0518	0.0107	0.0135
27.5%	0.0124	0.0022	0.0054	0.0039	0.0141	0.0029	0.0141	0.0096	0.0233	0.0520	0.0108	0.0136
30.0%	0.0134	0.0023	0.0055	0.0040	0.0150	0.0074	0.0142	0.0097	0.0234	0.0521	0.0117	0.0137
32.5%	0.0135	0.0024	0.0056	0.0041	0.0151	0.0075	0.0143	0.0098	0.0235	0.0522	0.0120	0.0138
35.0%	0.0142	0.0025	0.0057	0.0042	0.0152	0.0077	0.0144	0.0099	0.0236	0.0523	0.0121	0.0139
37.5%	0.0148	0.0026	0.0058	0.0043	0.0157	0.0078	0.0145	0.0100	0.0238	0.0524	0.0122	0.0140
40.0%	0.0153	0.0027	0.0059	0.0044	0.0158	0.0079	0.0146	0.0101	0.0243	0.0525	0.0123	0.0141
42.5%	0.0178	0.0038	0.0082	0.0045	0.0165	0.0080	0.0147	0.0102	0.0244	0.0526	0.0124	0.0142
45.0%	0.0181	0.0039	0.0083	0.0046	0.0166	0.0081	0.0148	0.0103	0.0245	0.0527	0.0130	0.0143
47.5%	0.0199	0.0040	0.0084	0.0047	0.0167	0.0082	0.0149	0.0104	0.0250	0.0528	0.0131	0.0144
50.0%	0.0200	0.0041	0.0086	0.0048	0.0168	0.0083	0.0150	0.0110	0.0251	0.0529	0.0132	0.0145
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	0.0125	Obligated Level	0.0001	Obligated Level	0.0001	Obligated Level	0.0001
5.1%	0.0002	6.4%	0.0127	7.0%	0.0002	8.4%	0.0002	8.7%	0.0090
10.1%	0.0003	12.9%	0.0128	14.0%	0.0017	16.7%	0.0003	17.4%	0.0091
15.2%	0.0007	19.3%	0.0130	20.9%	0.0020	25.1%	0.0004	26.1%	0.0098
20.2%	0.0008	25.7%	0.0131	27.9%	0.0029	33.5%	0.0005	34.8%	0.0105
25.3%	0.0009	32.2%	0.0132	34.9%	0.0030	41.8%	0.0006	43.5%	0.0108
30.3%	0.0010	38.6%	0.0133	41.9%	0.0031	50.2%	0.0011	52.1%	0.0109
35.4%	0.0011	45.0%	0.0134	48.8%	0.0032				
40.5%	0.0012	51.5%	0.0135	55.8%	0.0033				
45.5%	0.0013								
50.6%	0.0024								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

Appendix D QSEC Step Prices 2015 (cont)

Pence/kWh/day

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Wytch Farm
Obligated Level	0.0001	0.0128	0.0078	0.0131	0.0036	0.0001
10%	0.0031	0.0129	0.0079	0.0169	0.0037	0.0002
20%	0.0032	0.0130	0.0080	0.0170	0.0038	0.0003
30%	0.0033	0.0131	0.0081	0.0171	0.0039	0.0004
40%	0.0034	0.0132	0.0083	0.0172	0.0040	0.0005
50%	0.0035	0.0133	0.0084	0.0173	0.0041	0.0006
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%	15.05	0.36	0.05	0.44	15.38	0.46	4.55	0.06	18.23	69.61	3.24	6.51
5.0%	30.10	0.73	1.45	0.89	30.75	0.92	9.10	1.49	36.46	139.21	7.35	13.02
7.5%	45.15	1.09	2.17	1.33	46.13	1.73	13.88	2.24	54.69	209.71	11.03	19.53
10.0%	62.74	1.45	3.86	1.78	61.50	2.31	18.51	2.98	72.92	280.80	14.71	27.13
12.5%	85.55	1.81	4.82	2.22	79.38	2.89	25.18	3.73	91.14	356.94	19.18	33.91
15.0%	102.66	2.18	12.73	2.67	102.00	6.58	30.45	4.48	111.40	433.67	23.01	40.69
17.5%	119.77	2.54	14.85	4.35	119.00	7.68	35.52	6.53	135.28	505.95	26.85	47.47
20.0%	136.88	3.38	19.67	5.12	136.00	12.01	40.59	10.44	154.61	586.53	32.58	57.72
22.5%	156.84	3.81	22.13	5.76	153.00	13.51	45.67	13.43	173.93	661.19	37.72	64.94
25.0%	193.28	4.23	24.59	6.40	170.00	15.01	50.74	59.05	193.26	768.79	41.91	72.15
27.5%	216.09	4.65	27.05	7.04	189.75	16.51	55.82	64.95	212.58	848.93	46.10	79.37
30.0%	254.75	5.07	30.08	7.68	225.00	51.28	61.79	70.86	231.91	927.89	55.51	86.58
32.5%	278.04	5.50	32.59	8.32	245.38	55.55	66.93	76.76	251.24	1007.14	61.68	93.80
35.0%	314.95	5.92	35.10	9.95	266.01	62.25	72.08	82.67	271.74	1084.61	66.43	105.57
37.5%	351.71	6.34	37.60	10.66	294.38	67.56	77.23	88.57	301.28	1162.09	71.17	113.11
40.0%	387.83	6.77	40.11	11.37	314.01	72.06	85.37	94.48	328.12	1239.56	75.92	120.65
42.5%	479.40	19.51	67.21	12.38	350.63	76.57	90.70	100.38	348.62	1317.03	80.66	128.20
45.0%	516.15	20.66	71.16	13.11	371.26	81.07	96.04	106.29	369.13	1394.50	92.52	135.74
47.5%	599.01	21.81	75.11	13.84	391.88	85.57	101.37	114.55	400.86	1471.98	97.66	143.28
50.0%	630.54	23.56	82.92	14.57	412.51	90.08	106.71	136.74	421.96	1549.45	102.80	152.99
Obligated Level (GWh/d)	1783.4	340.0	542.7	0	1407.15	650.0	420.0	699.68	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%	6.77	7.0%	0.11	8.37%	0.05	8.7%	4.80
10.1%	0.11	12.9%	13.54	14.0%	1.81	16.73%	0.11	17.4%	9.59
15.2%	1.12	19.3%	20.79	20.9%	3.20	25.10%	0.16	26.1%	15.67
20.2%	1.49	25.7%	27.72	27.9%	6.18	33.46%	0.21	34.8%	22.39
25.3%	1.87	32.2%	34.65	34.9%	7.73	41.83%	1.33	43.5%	28.78
30.3%	2.24	38.6%	41.57	41.9%	9.27	50.20%	3.52	52.1%	34.54
35.4%	2.61	45.0%	48.50	48.8%	10.82				
40.5%	2.99	51.5%	56.29	55.8%	12.37				
45.5%	3.36								
50.6%	12.79								
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%	0.81	4.09	1.36	5.95	0.32	0.001
20%	1.62	8.19	2.72	11.89	0.65	0.002
30%	2.43	12.38	4.07	17.84	0.97	0.004
40%	3.24	16.50	5.78	23.78	1.30	0.005
50%	4.05	20.63	7.23	29.73	1.80	0.006
Obligated Level (GWh/d)	73.5	90.0	49.0	99.0	25.3	3.3