

Chris Brown
Head of Gas Transmission, Gas Networks
Ofgem
9 Millbank
London
SW1P 3GE

Steve Fisher
Gas Capacity & Charging
Development Manager

steve.r.fisher@nationalgrid.com
Direct tel +44 (0)1926 653428

www.nationalgrid.com

30 June 2016

Dear Chris,

Notice of MSEC and DSEC Reserve Prices for Capacity and Interconnection Points (IPs) for the Rolling Monthly and Rolling Day Ahead auctions used from 1 October 2016

National Grid is publishing this notice of revised System Entry Capacity reserve prices two months in advance of the Rolling Monthly Trade & Transfer System Entry Capacity (RMTNTSEC) auction of System Entry Capacity, consistent with our Licence and Uniform Network Code obligations.

The changes to Monthly System Entry Capacity (MSEC) and Daily System Entry Capacity (DSEC) prices are shown in the attachment to this notice, with the new prices shown in bold. We have also updated Tables 4, 9 and 10 of the NTS Gas Transportation Charges Statement dated 1 April 2016. The full updated Statement can be found on our website at: <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Charging-Statements/>.

Following Ofgem's decision last year to approve UNC Modification MOD500 – 'EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures', Entry Capacity reserve prices relating to **Interconnection Points (IPs) for the Rolling Monthly and Rolling Day Ahead auctions** are also given in this Notice. Please note that we have also published a separate notice with details of the IP reserve prices which includes the Exit Capacity rates.

It should be noted that the System Entry Capacity (RMTNTSEC and DSEC) purchased during September 2016 for use from 1 October 2016 will be subject to the revised Entry Capacity reserve prices given in this notice. The revised prices have been calculated using the Transportation model which has been updated to reflect changes in demand levels, the pipeline network, supply patterns, Obligated Entry Capacity levels and the cost of investment through the expansion constant, all of which may affect the charges. All Entry Capacity reserve prices have been calculated using the Obligated NTS Entry Capacity levels.

The total peak demand has remained broadly similar to the forecasts in 2015/16, although not uniformly across the network. However, supplies from the Milford Haven and Isle of Grain LNG entry points have increased to compensate for a decrease in forecast supplies from the beach terminals. This has had varying effects on the Entry Capacity reserve prices. At the Isle of Grain and Barrow entry terminals the increase

in supplies are not by local demand and therefore the supply travels further into the system causing the rates to increase.

The adjustment factor that is used to achieve a 50:50 split of charges between entry and exit has also affected the reserve prices at some entry points. In particular, Milford Haven Entry Capacity reserve prices have fallen due to changes in flows elsewhere on the system which have reduced the average entry costs, which in turn has reduced the adjustment factor at this entry point causing the rate to fall. Those entry points furthest from demand also see a small increase in their Entry Capacity reserve price due to the updated expansion constant.

A more detailed description of the changes will be available on our website¹. A copy of National Grid's Transportation model will be sent out to parties that have signed the licence agreement. Details of how to obtain the model and other supporting charge setting information can also be found on our website in the same area.

Further updates to Capacity and Commodity charges

National Grid is also preparing to publish updates to Commodity charges for 2016/17 and Capacity prices for future auctions. The notice of actual Commodity charges that shall apply from 1 October 2016 will be published by 1 August 2016, in line with the two months' notice required by our licence and Uniform Network Code obligations. Entry Capacity reserve prices for future gas years used in the Annual Monthly System Entry Capacity (AMSEC) and Quarterly System Entry Capacity (QSEC) auctions will be published by 1 August 2016 and in January 2017, respectively.

If you have any questions relating to this notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01962 655540.

Yours sincerely,

Steve Fisher
Gas Capacity & Charging Development Manager

¹ <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Tools-and-Models/>

Entry Capacity Reserve Prices for Capacity for use from 1 October 2016

MSEC Reserve Prices, Pence per kWh per day

Entry Point	from 1 Oct 15 to 30 Sep 16	from 1 Oct 16 to 30 Sep 17	Change
Coastal Terminals & LNG Importation			
Bacton UKCS	0.0104	0.0103	-0.0001
Barrow	0.0023	0.0045	0.0022
Easington&Rough	0.0133	0.0134	0.0001
Isle of Grain	0.0030	0.0090	0.0060
Milford Haven	0.0229	0.0223	-0.0006
St Fergus	0.0473	0.0490	0.0017
Teesside	0.0105	0.0107	0.0002
Theddlethorpe	0.0133	0.0135	0.0002
Onshore Fields and Connections			
Burton Point	0.0001	0.0001	0.0000
Hatfield Moor	0.0055	0.0050	-0.0005
Hole House Farm	0.0001	0.0001	0.0000
Wytch Farm	0.0001	0.0001	0.0000
Storage			
Barton Stacey	0.0001	0.0001	0.0000
Canonbie	0.0040	0.0047	0.0007
Caythorpe	0.0130	0.0127	-0.0003
Cheshire	0.0001	0.0001	0.0000
Dynevov Arms	0.0001	0.0001	0.0000
Fleetwood	0.0029	0.0011	-0.0018
Garton	0.0137	0.0138	0.0001
Glenmavis	0.0140	0.0142	0.0002
Hatfield Moor	0.0055	0.0050	-0.0005
Hornsea	0.0140	0.0138	-0.0002
Partington	0.0001	0.0001	0.0000
Constrained LNG			
Avonmouth	0.0001	0.0001	0.0000

Reserve Prices, Interconnection Points (IPs) for the Rolling Monthly auctions,
Pence per kWh per day

EU Interconnector Points (IPs)	from 1 Nov 15 to 30 Sep 16	from 1 Oct 16 to 30 Sep 17	Change
Bacton IP	0.0104	0.0103	-0.0001
Moffat (Irish Interconnector)	0.0074	0.0083	0.0009

For the Ascending Clock Auctions, the NTS Large Price Steps shall be the greater of 5% of the reserve price or 0.0001p/kWh/day. A Small Price Step will be one fifth of the Large Price Step.

DSEC Reserve Prices, Pence per kWh per day

Entry Point	DSEC		
	from 1 Oct 15 to 30 Sep 16	from 1 Oct 16 to 30 Sep 17	Change
Coastal Terminals & LNG Importation			
Bacton UKCS	0.0069	0.0069	0.0000
Barrow	0.0015	0.0030	0.0015
Easington&Rough	0.0089	0.0089	0.0000
Isle of Grain	0.0020	0.0060	0.0040
Milford Haven	0.0153	0.0149	-0.0004
St Fergus	0.0315	0.0327	0.0012
Teesside	0.0070	0.0071	0.0001
Theddlethorpe	0.0089	0.0090	0.0001
Onshore Fields and Connections			
Burton Point	0.0001	0.0001	0.0000
Hatfield Moor	0.0037	0.0033	-0.0004
Hole House Farm	0.0001	0.0001	0.0000
Wytch Farm	0.0001	0.0001	0.0000
Storage			
Barton Stacey	0.0001	0.0001	0.0000
Canonbie	0.0027	0.0031	0.0004
Caythorpe	0.0087	0.0085	-0.0002
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0001	0.0001	0.0000
Fleetwood	0.0019	0.0007	-0.0012
Garton	0.0091	0.0092	0.0001
Glenmavis	0.0093	0.0095	0.0002
Hatfield Moor	0.0037	0.0033	-0.0004
Hornsea	0.0093	0.0092	-0.0001
Partington	0.0001	0.0001	0.0000
Constrained LNG			
Avonmouth	0.0001	0.0001	0.0000

**Reserve Prices, Interconnection Points (IPs) for the Rolling Day Ahead auctions,
Pence per kWh per day**

EU Interconnector Points (IPs)	from 1 Nov 15 to 30 Sep 16	from 1 Oct 16 to 30 Sep 17	Change
Bacton IP	0.0069	0.0069	0.0000
Moffat (Irish Interconnector)	0.0049	0.0055	0.0006