

Notice of Revised NTS Entry Capacity Reserve and Step Prices

(Issued 14 January 2011)

The next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2011. National Grid is publishing this notice of revised transmission charges two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code obligations.

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

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.

Attached is an update to Appendix D of the NTS Gas Transportation Charges Statement 1 October 2010, which details the reserve and step prices for use in the QSEC auction and replaces any previous versions of this appendix. However, the main points to note are as follows;

- The majority of Aggregated System Entry Points (ASEPs) have seen very little change in their entry capacity reserve price compared to the QSEC 2010 reserve prices. Table 1 below shows the change for each ASEP.
- Peak day demand has increased by 5% in 2013/14. The rise is mainly due to increases in NTS directly connected loads, such as power stations.
- Supply has increased to match demand using the supply balancing rules given in GCM 16 'Supply and Demand Balancing Rules and Supply Source Data'.
- The increase in demand has mainly been matched by supplies located to where demand has increased and this has helped to minimise the change in the average distance travelled between supply and demand. Where this has occurred reserve prices have reduced.
- The expansion constant has been updated to take into account revised forecasts of costs and has increased by 4.5%. 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 the demand.

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). 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 can also be found on our website in the same area.

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 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 38 and 45 of the IECR Methodology Statement 11.0).

Please note that details of the NTS Entry Capacity retention charge are available in the Transportation Charging Statement in Section 2.1.1.

The full **Transportation Charges Statement** can also be found on our website at <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

If you have any questions relating to this notice, or NTS charges in general, please contact the Transmission Charging & Revenue team on 01926 654633.

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

| | p/KWh/day | | |
|--------------------------|-----------|---------------|--------------------------|
| | QSEC 2010 | QSEC 2011 | Change in Reserve Prices |
| AVONMOUTH LNG | 0.0001 | 0.0001 | 0.0000 |
| BACTON TERMINAL | 0.0078 | 0.0078 | 0.0000 |
| BARROW TERMINAL | 0.0001 | 0.0003 | 0.0002 |
| BARTON STACEY (MRS) | 0.0001 | 0.0001 | 0.0000 |
| BURTON POINT TERMINAL | 0.0001 | 0.0001 | 0.0000 |
| CAYTHORPE (MRS) | 0.0099 | 0.0099 | 0.0000 |
| CHESHIRE (MRS) | 0.0001 | 0.0001 | 0.0000 |
| DYNEVOR ARMS LNG | 0.0074 | 0.0078 | 0.0004 |
| EASINGTON&ROUGH TERMINAL | 0.0103 | 0.0108 | 0.0005 |
| FLEETWOOD (MRS) | 0.0030 | 0.0031 | 0.0001 |
| GARTON (MRS) | 0.0114 | 0.0118 | 0.0004 |
| GLENMAVIS LNG | 0.0105 | 0.0106 | 0.0001 |
| HATFIELD MOOR (MRS) | 0.0033 | 0.0031 | -0.0002 |
| HOLEHOUSE FARM (MRS) | 0.0001 | 0.0001 | 0.0000 |
| HORNSEA (MRS) | 0.0106 | 0.0109 | 0.0003 |
| ISLE OF GRAIN TERMINAL | 0.0001 | 0.0001 | 0.0000 |
| MILFORD HAVEN TERMINAL | 0.0188 | 0.0183 | -0.0005 |
| PARTINGTON LNG | 0.0001 | 0.0001 | 0.0000 |
| ST FERGUS TERMINAL | 0.0373 | 0.0388 | 0.0015 |
| TEESSIDE TERMINAL | 0.0082 | 0.0084 | 0.0002 |
| THEDDLETHORPE TERMINAL | 0.0101 | 0.0103 | 0.0002 |
| WYTCH FARM TERMINAL | 0.0001 | 0.0001 | 0.0000 |

Appendix D QSEC Step Prices 2011

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 | Theddlethorpe |
|-------------------------|--------|--------|----------|-------------------|-----------|--------|---------------|---------------|-----------|----------|---------------|
| Obligated Level | 0.0078 | 0.0003 | 0.0001 | 0.0108 | 0.0031 | 0.0118 | 0.0001 | 0.0183 | 0.0388 | 0.0084 | 0.0103 |
| 2.5% | 0.0080 | 0.0004 | 0.0025 | 0.0109 | 0.0032 | 0.0119 | 0.0002 | 0.0188 | 0.0395 | 0.0085 | 0.0104 |
| 5.0% | 0.0084 | 0.0005 | 0.0026 | 0.0110 | 0.0033 | 0.0120 | 0.0003 | 0.0190 | 0.0407 | 0.0086 | 0.0105 |
| 7.5% | 0.0085 | 0.0006 | 0.0042 | 0.0111 | 0.0034 | 0.0121 | 0.0004 | 0.0193 | 0.0417 | 0.0087 | 0.0106 |
| 10.0% | 0.0086 | 0.0007 | 0.0043 | 0.0112 | 0.0035 | 0.0122 | 0.0011 | 0.0194 | 0.0418 | 0.0088 | 0.0107 |
| 12.5% | 0.0098 | 0.0008 | 0.0044 | 0.0128 | 0.0036 | 0.0123 | 0.0012 | 0.0195 | 0.0422 | 0.0089 | 0.0108 |
| 15.0% | 0.0106 | 0.0009 | 0.0045 | 0.0131 | 0.0037 | 0.0124 | 0.0013 | 0.0196 | 0.0433 | 0.0090 | 0.0109 |
| 17.5% | 0.0107 | 0.0010 | 0.0064 | 0.0132 | 0.0038 | 0.0125 | 0.0023 | 0.0197 | 0.0435 | 0.0091 | 0.0110 |
| 20.0% | 0.0108 | 0.0011 | 0.0071 | 0.0133 | 0.0039 | 0.0126 | 0.0024 | 0.0198 | 0.0436 | 0.0092 | 0.0111 |
| 22.5% | 0.0109 | 0.0012 | 0.0072 | 0.0134 | 0.0040 | 0.0127 | 0.0032 | 0.0206 | 0.0437 | 0.0093 | 0.0112 |
| 25.0% | 0.0110 | 0.0013 | 0.0073 | 0.0135 | 0.0041 | 0.0128 | 0.0033 | 0.0213 | 0.0438 | 0.0094 | 0.0113 |
| 27.5% | 0.0111 | 0.0014 | 0.0074 | 0.0136 | 0.0046 | 0.0129 | 0.0034 | 0.0216 | 0.0448 | 0.0095 | 0.0114 |
| 30.0% | 0.0112 | 0.0015 | 0.0075 | 0.0137 | 0.0047 | 0.0130 | 0.0096 | 0.0217 | 0.0449 | 0.0096 | 0.0115 |
| 32.5% | 0.0123 | 0.0016 | 0.0076 | 0.0138 | 0.0048 | 0.0131 | 0.0097 | 0.0218 | 0.0455 | 0.0097 | 0.0116 |
| 35.0% | 0.0129 | 0.0017 | 0.0081 | 0.0139 | 0.0049 | 0.0132 | 0.0098 | 0.0219 | 0.0460 | 0.0098 | 0.0117 |
| 37.5% | 0.0133 | 0.0018 | 0.0082 | 0.0143 | 0.0050 | 0.0133 | 0.0099 | 0.0220 | 0.0461 | 0.0099 | 0.0118 |
| 40.0% | 0.0167 | 0.0019 | 0.0083 | 0.0144 | 0.0051 | 0.0134 | 0.0100 | 0.0221 | 0.0462 | 0.0100 | 0.0120 |
| 42.5% | 0.0182 | 0.0020 | 0.0095 | 0.0145 | 0.0052 | 0.0135 | 0.0101 | 0.0222 | 0.0463 | 0.0101 | 0.0121 |
| 45.0% | 0.0199 | 0.0021 | 0.0110 | 0.0146 | 0.0053 | 0.0136 | 0.0102 | 0.0223 | 0.0481 | 0.0102 | 0.0122 |
| 47.5% | 0.0200 | 0.0022 | 0.0111 | 0.0147 | 0.0054 | 0.0137 | 0.0103 | 0.0224 | 0.0482 | 0.0103 | 0.0123 |
| 50.0% | 0.0201 | 0.0023 | 0.0112 | 0.0148 | 0.0055 | 0.0138 | 0.0104 | 0.0225 | 0.0483 | 0.0104 | 0.0127 |
| Obligated Level (GWh/d) | 1783.4 | 340 | 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 | 0.0109 | Obligated Level | 0.0001 | Obligated Level | 0.0001 | Obligated Level | 0.0001 |
| 5.1% | 0.0002 | 6.44% | 0.0110 | 7.0% | 0.0002 | 8.37% | 0.0002 | 8.7% | 0.0002 |
| 10.1% | 0.0003 | 12.87% | 0.0111 | 14.0% | 0.0011 | 16.73% | 0.0013 | 17.4% | 0.0003 |
| 15.2% | 0.0004 | 19.31% | 0.0112 | 20.9% | 0.0012 | 25.10% | 0.0015 | 26.1% | 0.0006 |
| 20.2% | 0.0005 | 25.74% | 0.0113 | 27.9% | 0.0013 | 33.46% | 0.0021 | 34.8% | 0.0018 |
| 25.3% | 0.0006 | 32.18% | 0.0114 | 34.9% | 0.0014 | 41.83% | 0.0024 | 43.5% | 0.0025 |
| 30.3% | 0.0007 | 38.61% | 0.0115 | 41.9% | 0.0015 | 50.20% | 0.0025 | 52.1% | 0.0028 |
| 35.4% | 0.0011 | 45.05% | 0.0116 | 48.8% | 0.0016 | | | | |
| 40.5% | 0.0014 | 51.48% | 0.0117 | 55.8% | 0.0018 | | | | |
| 45.5% | 0.0015 | | | | | | | | |
| 50.6% | 0.0032 | | | | | | | | |
| Obligated Level (GWh/d) | 296.6 | | 233.1 | | 215 | | 179.3 | | 172.6 |

QSEC Step Prices 2011

Pence/kWh/day

| | Burton Point | Caythorpe | Dynevor Arms | Glenmavis | Hatfield Moor | Wytch Farm |
|-------------------------|--------------|-----------|--------------|-----------|---------------|------------|
| Obligated Level | 0.0001 | 0.0099 | 0.0078 | 0.0106 | 0.0031 | 0.0001 |
| 10% | 0.0002 | 0.0101 | 0.0079 | 0.0107 | 0.0032 | 0.0002 |
| 20% | 0.0003 | 0.0102 | 0.0082 | 0.0133 | 0.0033 | 0.0003 |
| 30% | 0.0004 | 0.0103 | 0.0083 | 0.0134 | 0.0034 | 0.0004 |
| 40% | 0.0005 | 0.0104 | 0.0084 | 0.0135 | 0.0035 | 0.0005 |
| 50% | 0.0006 | 0.0105 | 0.0085 | 0.0136 | 0.0036 | 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 | Easington &Rough | Fleetwood | Garton | Isle of Grain | Milford Haven | St Fergus | Teesside | Theddlethorpe |
|-------------------------------|--------|--------|----------|---------------------|-----------|--------|------------------|------------------|--------------|----------|---------------|
| Obligated Level | | | | | | | | | | | |
| 2.5% | 12.67 | 0.09 | 1.21 | 13.63 | 1.79 | 4.40 | 0.06 | 15.87 | 58.62 | 3.55 | 5.59 |
| 5.0% | 26.62 | 0.18 | 2.41 | 27.25 | 3.58 | 8.81 | 0.12 | 32.07 | 120.81 | 7.10 | 11.18 |
| 7.5% | 39.92 | 0.27 | 6.07 | 40.88 | 5.54 | 13.21 | 0.19 | 48.86 | 185.67 | 10.66 | 16.76 |
| 10.0% | 53.23 | 0.36 | 8.10 | 54.50 | 7.39 | 17.61 | 2.74 | 65.49 | 247.56 | 14.38 | 22.35 |
| 12.5% | 77.63 | 0.45 | 10.12 | 80.00 | 9.24 | 22.01 | 3.42 | 81.86 | 313.16 | 17.97 | 27.94 |
| 15.0% | 100.76 | 0.54 | 12.15 | 98.25 | 11.09 | 26.42 | 4.10 | 98.23 | 385.58 | 21.57 | 33.53 |
| 17.5% | 117.55 | 0.63 | 21.60 | 114.63 | 12.93 | 30.82 | 10.01 | 114.60 | 451.92 | 25.16 | 39.12 |
| 20.0% | 134.35 | 0.73 | 27.38 | 131.00 | 15.24 | 35.22 | 11.93 | 130.98 | 516.48 | 28.75 | 44.70 |
| 22.5% | 151.14 | 0.82 | 30.81 | 147.38 | 17.15 | 39.62 | 17.90 | 156.46 | 581.04 | 32.35 | 50.29 |
| 25.0% | 167.93 | 0.91 | 34.23 | 163.75 | 19.06 | 44.03 | 19.89 | 179.76 | 645.60 | 35.94 | 58.59 |
| 27.5% | 184.73 | 1.00 | 37.65 | 180.13 | 29.22 | 48.43 | 21.88 | 200.52 | 731.39 | 39.54 | 64.45 |
| 30.0% | 211.02 | 1.09 | 41.08 | 196.50 | 32.57 | 52.83 | 71.60 | 218.74 | 797.88 | 43.13 | 70.31 |
| 32.5% | 253.32 | 1.18 | 44.50 | 219.38 | 35.28 | 57.23 | 77.57 | 236.97 | 877.87 | 46.73 | 76.17 |
| 35.0% | 286.12 | 3.81 | 54.67 | 236.25 | 37.99 | 61.64 | 83.54 | 255.20 | 955.79 | 50.32 | 82.03 |
| 37.5% | 316.06 | 4.08 | 58.58 | 268.13 | 40.71 | 68.84 | 89.50 | 273.43 | 1026.29 | 53.91 | 93.58 |
| 40.0% | 423.31 | 8.70 | 62.48 | 286.01 | 43.42 | 73.43 | 95.47 | 291.66 | 1094.71 | 57.51 | 104.16 |
| 42.5% | 490.17 | 9.24 | 77.86 | 303.88 | 46.14 | 78.02 | 101.44 | 309.89 | 1163.12 | 61.10 | 110.67 |
| 45.0% | 567.48 | 9.79 | 95.46 | 321.76 | 51.97 | 82.61 | 107.40 | 328.12 | 1284.97 | 69.26 | 118.16 |
| 47.5% | 602.02 | 10.33 | 100.76 | 339.63 | 54.86 | 87.19 | 113.37 | 346.35 | 1356.36 | 73.11 | 124.72 |
| 50.0% | 633.70 | 10.87 | 106.06 | 362.51 | 57.74 | 91.78 | 119.34 | 364.57 | 1427.75 | 76.96 | 137.80 |
| Obligated Level (GWh/d) | 1783.4 | 340 | 542.7 | 1407.15 | 650 | 420 | 699.68 | 950 | 1670.7 | 476 | 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 | 6.44% | 5.81 | 7.0% | 0.11 | 8.37% | 0.05 | 8.7% | 0.05 |
| 10.1% | 0.11 | 12.87% | 11.73 | 14.0% | 1.17 | 16.73% | 1.39 | 17.4% | 0.32 |
| 15.2% | 0.16 | 19.31% | 17.59 | 20.9% | 1.76 | 25.10% | 2.40 | 26.1% | 0.96 |
| 20.2% | 0.21 | 25.74% | 23.45 | 27.9% | 2.35 | 33.46% | 4.48 | 34.8% | 3.84 |
| 25.3% | 0.27 | 32.18% | 29.32 | 34.9% | 2.93 | 41.83% | 6.40 | 43.5% | 6.66 |
| 30.3% | 0.32 | 38.61% | 35.18 | 41.9% | 3.52 | 50.20% | 7.68 | 52.1% | 8.95 |
| 35.4% | 4.10 | 45.05% | 41.04 | 48.8% | 4.10 | | | | |
| 40.5% | 5.97 | 51.48% | 46.90 | 55.8% | 7.68 | | | | |
| 45.5% | 6.72 | | | | | | | | |
| 50.6% | 17.06 | | | | | | | | |
| Obligated Level (GWh/d) | 296.6 | | 233.1 | | 215 | | 179.3 | | 172.6 |

Estimated Project Value, £m

£m

| | Burton Point | Caythorpe | Dynevor Arms | Glenmavis | Hatfield Moor | Wytch Farm |
|-------------------------|--------------|-----------|--------------|-----------|---------------|------------|
| Obligated Level | | | | | | |
| 10% | 0.03 | 3.23 | 1.36 | 3.73 | 0.28 | 0.001 |
| 20% | 0.10 | 6.46 | 2.86 | 9.36 | 0.56 | 0.002 |
| 30% | 0.16 | 9.69 | 4.28 | 14.04 | 0.84 | 0.004 |
| 40% | 0.31 | 12.92 | 5.71 | 18.72 | 1.12 | 0.005 |
| 50% | 0.39 | 16.15 | 7.14 | 23.39 | 1.39 | 0.006 |
| Obligated Level (GWh/d) | 73.5 | 90 | 49 | 99 | 25.3 | 3.3 |