

ANNEX B

SECTION Y – CHARGING METHODOLOGIES

PART A – NTS CHARGING METHODOLOGIES

A-I – NTS TRANSPORTATION CHARGING METHODOLOGY

1 GENERAL

1.1 Introduction

- 1.1.1 This Part A-I sets out the charging methodology established by National Grid NTS pursuant to Standard Special Condition A4(5) of National Grid NTS' Gas Transporter's Licence for determining charges (as referred to in Standard Special Condition A4(1)(a)) and reserve prices (as referred to in Standard Special Condition A4(1)(b)).
- 1.1.2 Part A-II sets out the connection charging methodology established by National Grid NTS pursuant to Standard Condition 4B and 4C of National Grid NTS' Gas Transporter's Licence.
- 1.1.3 This Part A-I includes provisions which give effect to the requirements of the Tariff Regulation, so far as those requirements are to be given effect in the Code (and having regard to the decisions of the Authority reflected in the direction dated 8 March 2018 given pursuant to paragraph 7B of Standard Special Condition A11).

1.2 Structure of charges

- 1.2.1 Transportation Charges in relation to the NTS comprise:
- (a) charges in respect of transmission services ("**Transmission Services Charges**"), comprising:
 - (i) Capacity Charges determined by Auction or Allocation Process pursuant to the provisions of the Code referred to in the Capacity Allocation Table in paragraph 2.2.1;
 - (ii) NTS Entry Capacity Retention Charges as provided for in paragraph 2.9;
 - (iii) Transmission Services Revenue Recovery Charges as provided for in paragraph 3; and
 - (iv) NTS Entry Transmission Services Rebate Charge as provided for in paragraph 3.4;
 - (b) other charges ("**Non-Transmission Services Charges**") comprising:
 - (i) St Fergus Compression Charge;
 - (ii) NTS Meter Maintenance Charges;
 - (iii) DN Pensions Deficit Charges;
 - (iv) Shared Supply Meter Point Administration Charge;

- (v) Interconnection Point Allocation Charge; and
- (vi) General Non-Transmission Services Charges.

1.2.2 Transmission Services Charges are determined separately for Entry Points and Exit Points.

1.3 Interpretation

1.3.1 In this Part A-I, the following terms have the meanings given to them in the Special Conditions:

- (a) Maximum NTS Transportation Owner Revenue;
- (b) Maximum NTS System Operation Revenue;
- (c) NTS System Operation Revenue; and
- (d) NTS Transportation Owner Revenue.

1.3.2 For the purposes of this Part A-I:

- (a) **“Tariff Regulation”** means Commission Regulation (EU) 2017/460 establishing a network code on harmonised transmission tariff structures for gas;
- (b) **“Entry Point”** means a NTS Aggregate System Entry Point;
- (c) **“Exit Point”** means a NTS Exit Point;
- (d) **“NTS Point”** means an Entry Point or an Exit Point;
- (e) **“Storage Site Point”** means an Entry Point or Exit Point at which a ‘Storage Site’ (as specified in Table 4B in Special Condition 5F or Table 8 in Special Condition 5G) is connected to the NTS;
- (f) **“LNG Importation Terminal Point”** means an Entry Point at which an ‘LNG Importation Terminal’ (as specified in Table 4B in Special Condition 5F) is connected to the NTS;
- (g) **“NTS Capacity”** means NTS Entry Capacity or NTS Exit (Flat) Capacity;
- (h) **“Intra-System”** in relation to a System Point means other than an Interconnection Point; and **“Intra-System Point”** means any Intra-System System Point;
- (i) **“Modification Direction Date”** means the last Day of the month in which the Authority has given notice of its direction to approve the Modification pursuant to which this provision applies in the Code;
- (j) **“Modification Reference Date”** means the earlier of:
 - (i) the Modification Direction Date; and
 - (ii) 31 May 2019;

- (k) **“Excluded Storage Quantities”** are quantities of gas delivered to or offtaken from the NTS at a Storage Site Point, other than storage use gas offtaken by a storage gas use provider (as referred to in TPD Section R);
- (l) in relation to a Gas Year the **“Charges Publication Date”** is 1 August in the preceding Gas Year, or such other date as National Grid NTS may, with Condition A11(18) Approval of the Authority, decide.

1.3.3 References in this Part A-I:

- (a) to Standard Conditions, Special Conditions, or Standard Special Conditions are to conditions of National Grid NTS’ Gas Transporter’s Licence; and
- (b) to an Interconnection Point, as an Entry Point, are to an IP ASEP.

1.3.4 For the purposes of this Part A-I, information or any document is **“published”** if it is provided or made available to Users, including posting on a website accessible to Users.

1.3.5 All calculations that are required in accordance with this Part A-I shall be performed by National Grid NTS.

1.4 Classification of revenue

1.4.1 For the purposes of this Part A-I:

- (a) **“Transmission Services Revenue”** is revenue derived by National Grid NTS from Transmission Services Charges, and corresponds to revenue included in NTS Transportation Owner Revenue (excluding revenue derived from NTS Meter Maintenance Charges and DN Pensions Deficit Charges) and TS-Related NTS System Operation Revenue;
- (b) **“Non-Transmission Services Revenue”** is revenue derived from by National Grid NTS from Non-Transmission Services Charges, and corresponds to revenue included in NTS System Operation Revenue (excluding TS-Related NTS System Operation Revenue) and revenue derived from NTS Meter Maintenance Charges and DN Pensions Deficit Charges;
- (c) **“TS-Related NTS System Operation Revenue”** is the net amount of NTS System Operation Revenue which is attributable (as determined by National Grid NTS) to charges in respect of NTS Capacity (but not including Overrun Charges) or the surrender of NTS Capacity.

1.4.2 Transmission Services Revenue is divided into:

- (a) **“Transmission Services Entry Revenue”** (in £), being Transmission Services Revenue attributable to charges or payments made in respect of Entry Points; and
- (b) **“Transmission Services Exit Revenue”** (in £), being Transmission Services Revenue attributable to charges or payments made in respect of Exit Points,

and any question as to the basis of such attribution shall be decided by National Grid NTS in its discretion.

1.5 Allowed Revenue – Formula Years

1.5.1 In relation to a Formula Year:

- (a) **“Base Maximum NTS Transportation Owner Revenue”** is Maximum NTS Transportation Owner Revenue calculated disregarding the correction term revenue adjustment K_t in the formula in Special Condition 2A.5.
- (b) **“Base Allowed Transmission Services Revenue”** is Base Maximum NTS Transportation Owner Revenue, less Forecast NTS Meter Maintenance Revenue and Forecast Pensions Deficit Revenue, plus Allowed TS-Related NTS System Operation Revenue, for such Formula Year;
- (c) **“Allowed FY Non-Transmission Services Revenue”** is Maximum NTS System Operator Revenue, less Allowed TS-Related NTS System Operation Revenue, plus Forecast NTS Meter Maintenance Revenue and Forecast Pensions Deficit Revenue, for such Formula Year;
- (d) **“Allowed TS-Related NTS System Operation Revenue”** is that amount of the Maximum NTS System Operation Revenue which is attributable (as determined by National Grid NTS) to charges in respect of NTS Capacity net of charges for the surrender of NTS Capacity;
- (e) **“Forecast NTS Meter Maintenance Revenue”** is the revenue which National Grid NTS estimates will be derived from NTS Meter Maintenance Charges in that Formula Year;
- (f) **“Forecast Pensions Deficit Revenue”** is the revenue which National Grid NTS estimates will be derived from DN Pensions Deficit Charges in that Formula Year;

1.5.2 For the purposes of this Part A-I, in relation to a Formula Year (t):

- (a) **“Allowed FY Transmission Services Entry Revenue”** ($AFTSEnR_t$, in £) is determined as follows:

$$AFTSEnR_t = (0.5 * BATSR_t) - K_{En,t}$$

where for the Formula Year:

$BATSR_t$ is Base Allowed Transmission Services Revenue;

$K_{En,t}$ is the Entry Revenue Adjustment;

- (b) **“Allowed FY Transmission Services Exit Revenue”** ($AFTSExR_t$, in £) is determined as follows:

$$AFTSExR_t = (0.5 * BATSR_t) - K_{Ex,t}$$

where for the Formula Year:

$BATSR_t$ is Base Allowed Transmission Services Revenue;

$K_{Ex,t}$ is the Exit Revenue Adjustment;

and for the purposes of paragraphs 1.5.2(a) and 1.5.2(b), in relation to the Formula Year:

- (c) the “**Entry Revenue Adjustment**” ($K_{En,t}$, in £) is determined as the Entry Adjustment Proportion of the correction term revenue adjustment K_t ;
- (d) the “**Exit Revenue Adjustment**” ($K_{Ex,t}$, in £) is determined as the Exit Adjustment Proportion of the correction term revenue adjustment K_t ;

where:

- (e) the “**Entry Adjustment Proportion**” for Gas Year y is determined as:

$$K_{En,y}^{TS} / (K_{En,y}^{TS} + K_{Ex,y}^{TS})$$

- (f) the “**Exit Adjustment Proportion**” for Gas Year y is determined as:

$$K_{Ex,y}^{TS} / (K_{En,y}^{TS} + K_{Ex,y}^{TS})$$

where

$K_{Ex,t}^{TS}$ is determined by applying the formula in Special Condition 2A.19 substituting:

- (A) Transmission Services Entry Revenue in respect of Formula Year $t-2$ for NTS Transportation Owner Revenue in respect of Formula Year $t-2$; and
- (B) Allowed FY Transmission Services Entry Revenue in respect of Formula Year $t-2$ for Maximum NTS Transportation Owner Revenue in respect of Formula Year $t-2$;

$K_{En,t}^{TS}$ is determined by applying the formula in Special Condition 2A.19 substituting:

- (A) Transmission Services Exit Revenue in respect of Formula Year $t-2$ for NTS Transportation Owner Revenue in respect of Formula Year $t-2$; and
- (B) Allowed FY Transmission Services Exit Revenue in respect of Formula Year $t-2$ for Maximum NTS Transportation Owner Revenue in respect of Formula Year $t-2$.

1.6 Apportionment of allowed revenue to Gas Year

- 1.6.1 For the purposes of this Part A-I, where an amount of allowed revenue (AR_y) is to be determined for a Gas Year (y), such amount shall be determined, on the basis of the corresponding allowed revenue for the Formula Year (the “**Related Formula Year**”, t) which ends in such Gas Year, as follows:

$$AR_y = (AR_t - R_{pt}) * 2$$

where

AR_t is the corresponding allowed revenue for Formula Year t ;

R_{pt} is the amount of revenue (of the corresponding kind) which National Grid NTS estimates will be earned in respect of the part of Formula Year t which falls prior to Gas Year y.

1.7 Publication/Transportation Statement

1.7.1 The Transportation Statement published by National Grid NTS for each Gas Year will include (without limitation) the following information:

- (a) Transmission Services Charges relating to Capacity Charges:
 - (i) the Reference Price for each NTS Point;
 - (ii) the Duration Multipliers;
 - (iii) the Interruptible Discounts;
 - (iv) the Specific Point Discounts;
 - (v) for each NTS Point, the Reserve Price for each applicable Capacity Allocation Type;
 - (vi) for each Entry Point, the step prices;
- (b) the Transmission Services Revenue Recovery Charges;
- (c) Non-Transmission Services Charges:
 - (i) the values of each of the Specific Non-Transmission Services Charges;
 - (ii) the General Non-Transmission Services Charge.

1.7.2 In addition to what is published in the Transportation Statement, National Grid NTS will, for each Gas Year, publish a summary of its determinations made for the purposes of determining:

- (a) Reference Prices under paragraph 2, including:
 - (i) the determination of Base Allowed Transmission Services Revenue, Allowed FY Transmission Services Entry Revenue, Allowed FY Transmission Services Exit Revenue, and Allowed FY Non-Transmission Services Revenue for each Related Formula Year, and Allowed Transmission Services Entry Revenue and Allowed Transmission Services Exit Revenue for the Gas Year; and
 - (ii) the calculations made (for each Entry Point and Exit Point) under paragraph 2.4;
- (b) Transmission Services Revenue Recovery Charges under paragraph 3, including the determination of Forecast Entry Revenue Difference, Forecast Exit Revenue Difference, Forecast Aggregate Fully-Adjusted Entry Capacity and Forecast Aggregate Fully-Adjusted Exit Capacity; and

- (c) General Non-Transmission Services Charges under paragraph 4.7, including the determination of Allowed FY Non-Transmission Services Revenue for each Related Formula Year, Net Allowed Non-Transmission Services Revenue for the Gas Year and Forecast Aggregate NTS Quantity.

1.8 Estimates

- 1.8.1 Where any charge or other amount is determined under this Part A-I on the basis of any estimate or forecast made by National Grid NTS, except as expressly provided in this Part A-I, no change shall be made in respect of such charge or amount by reason of any subsequent revision of such estimate or forecast or (without prejudice to the application of an error correction term in a subsequent period) the outturn value of the thing subject to such estimate or forecast.

1.9 Rounding

- 1.9.1 The prices determined under this Part A-I, in pence per kWh/Day or pence per kWh, shall be rounded to:
 - (a) 4 decimal places (that is, to the nearest 0.0001p) for Intra-System NTS Points; and
 - (b) (consistent with EID Section B12.2.3), 8 decimal places (that is, to the nearest 0.00000001p) for Interconnection Points.

1.10 Within-year revision of charges

- 1.10.1 This paragraph 1.10 applies where (under a provision of this Part A-I) National Grid NTS is entitled, within a Gas Year, to revise a Relevant Charge the rate of which has previously been determined for the Gas Year, on the basis of a revision of any estimate(s) ("**revised estimate(s)**") made by National Grid NTS for the purposes of determining such rate.

- 1.10.2 For the purposes of this paragraph 3.3:

- (a) a "**Relevant Charge**" is a Transportation Charge the rate of which is derived under this Part A-I in the form (TR / CB) where
 - TR is the target revenue, i.e. the aggregate amount of allowed or estimated revenue for the Gas Year in respect of such Transportation Charge, and
 - CB is the charge base, i.e. the aggregate estimated quantity (in kWh/Day, or kWh) for the Gas Year by reference to which the charge is to apply;
- (b) the "**Revision Month**" is the month of the Gas Year with effect from (and including) which the revised Relevant Charge is to apply;
- (c) the "**Prior Period**" (yp) is the period from the start of the Gas Year to (but not including) the Revision Month; and
- (d) the "**Remaining Period**" (yr) is the period from (and including) the Revision Month to the end of the Gas Year;

1.10.3 Where this paragraph 1.10 applies, the revised Relevant Charge shall be determined as:

$$(RTR_y - AR_{yp}) / CB_{yr}$$

where

RTR_y is the revised target revenue for the Gas Year as a whole determined by National Grid NTS on the basis of its revised estimate(s);

AR_{yp} is the aggregate amount (as estimated by National Grid NTS) payable in respect of the Relevant Charge in respect of the Prior Period;

CB_{yr} is the revised charge base for the Remaining Period determined by National Grid NTS on the basis of its revised estimate(s).

1.11 Further interpretation

1.11.1 In this Part A-I references to Users include DNO Users (but without prejudice to provisions of TPD Section B under which particular Transportation Charges are payable by or to Shipper Users only).

1.11.2 In this Part A-I direct or indirect references to Supply Points include (where applicable) CSEP Supply Points.

2 TRANSMISSION SERVICES CHARGES – CAPACITY CHARGES

2.1 Introduction

2.1.1 The purpose of the rules in this paragraph 2 is to determine prices in respect of the allocation of NTS Capacity of different Capacity Allocation Types (as specified in the Capacity Allocation Table in paragraph 2.2.1) as follows:

- (a) in relation to Interconnection Points, for each Auction, the 'Reserve Price' (as defined in and for the purposes of the relevant provision of EID Section B);
- (b) in relation to Intra-System Entry Points, for each Auction, the reserve price (as referred to in and for the purposes of the relevant provision of TPD Section B2), and (where applicable) the further prices referred to in paragraph 2.7;
- (c) in relation to Intra-System Exit Points, for each Auction, the reserve price (as referred to in and for the purposes of the relevant provision of TPD Section B3); and
- (d) in relation to Intra-System Exit Points, for each Allocation Process, the applicable price used to determine the Applicable Daily Rate (as referred to in and for the purposes of the relevant provision of TPD Section B2 or B3 or EID Section E).

2.1.2 The rules in this paragraph 2 which apply:

- (a) for the purposes specified in paragraphs 2.1.1(a), (b) and (c), determine reserve prices referred to in Standard Special Condition A4(1)(b);
- (b) for the purposes specified in paragraph 2.1.1(d), determine charges referred to in Standard Special Condition A4(1)(a).

- 2.1.3 In summary (and subject to the further provisions of this paragraph 2, including adjusting for Existing Registered Holdings), the basis for determining Reference Prices and Reserve Prices for each Gas Year is as follows:
- (a) divide Base Allowed Transmission Services Revenue (after allocating the correction term revenue adjustment) for the Related Formula Year between Entry Points and Exit Points collectively, and from the result determine (as provided in paragraph 2.4) Allowed Transmission Services Entry Revenue and Allowed Transmission Services Exit Revenue for the Gas Year;
 - (b) for each Entry Point and Exit Point, determine Forecast Contracted Capacity;
 - (c) divide Allowed Transmission Services Entry Revenue by the sum of Forecast Contracted Capacity for all Entry Points, and divide Allowed Transmission Services Exit Revenue by the sum of Forecast Contracted Capacity for all Exit Points, to determine provisional reference price, and then scale to reflect the revenue shortfall implied by the multipliers and discounts referred to below, to determine Reference Price;
 - (d) determine Reserve Price, for different Capacity Allocation Types, from Reference Price, by applying specified multipliers in certain cases, and then for Interruptible NTS Capacity applying specified discounts, and then for certain types of Entry Point and Exit Point applying further specified discounts.
- 2.1.4 In relation to NTS Capacity at a NTS Point for a given Gas Year (the “**capacity year**”) which is allocated pursuant to an Auction held in a given Gas Year (the “**auction year**”), except where the Capacity Charge is determined by reference to each User’s bid price, the Applicable Daily Rate of the Capacity Charge payable by Users in respect of such NTS Capacity shall be determined as the sum of:
- (a) the Reserve Price determined in respect of the relevant Capacity Allocation Type for the capacity year; and
 - (b) the Auction Premium (if any) determined under the Auction held in the auction year.
- 2.1.5 In relation to:
- (a) Annually Allocated NTS Exit (Flat) Capacity at an Intra-System Exit Point;
 - (b) NTS Capacity at an Intra-System NTS Point allocated pursuant to a PARCA;
 - (c) NTS Capacity at an Interconnection Point allocated pursuant to an alternative allocation mechanism under EID Section E,
- for a given Gas Year (the “**capacity year**”), irrespective of the Gas Year in which the Allocation Process was held, the Applicable Daily Rate of the Capacity Charge payable by Users in respect of such NTS Exit (Flat) Capacity shall be equal to the Reserve Price determined in respect of the capacity year.
- 2.1.6 For the purposes of any Auctions in respect of NTS Capacity for more than one Gas Year, the Reserve Price to be used in each Auction is the Reserve Price for the first such Gas Year.

2.1.7 Where under this Part A-I:

(a) any charge or price is:

- (i) determined on the basis of an allowed or estimated revenue stated in pounds (£); but
- (ii) required to be expressed in pence (p),

such charge or price so determined shall be divided by 100 in order to be so expressed;

(b) any charge or price is:

- (i) determined on the basis of an allowed or estimated revenue for a Gas Year; but
- (ii) required to be expressed as a daily rate,

such charge or price so determined shall be divided by 365 in order to be so expressed.

2.2 Interpretation

2.2.1 For the purposes of this Part A-I, “**Capacity Allocation Type**” means a type of NTS System Capacity defined by type of NTS System Point, class, basis of allocation, allocation frequency and duration as set out in the table (“**Capacity Allocation Table**”) below:

Point	Class	Basis of allocation	UNC reference	Allocation frequency	Duration
Interconnection Point	Firm	Auction	EID Section B2.4.1(a)	Annual	Yearly (Y+1 to Y+15)
			EID Section B2.4.1(b)	Quarterly	Quarterly (for the remaining quarters in Y+1 or Y)
			EID Section B2.4.1(c)	Monthly	Monthly
			EID Section B2.4.1(d) EID Section B2.4.1(f)	Daily and hourly	Daily and hourly
		Allocation	EID Section E	Biennial	Annual
	Interruptible	Auction	EID Section B2.4.1(e)	Daily	Daily

Point	Class	Basis of allocation	UNC reference	Allocation frequency	Duration
Intra-System Entry Point	Firm	PARCA	TPD Section B1.14.4(a)	Ad-hoc	Quarterly (Y+2 to Y+16)
		Auction	TPD Section B2.2.2(b)	Annual	Quarterly (Y+2 to Y+16)
			TPD Section B2.2.2(a)	Annual	Monthly (Y to Y+1)
			TPD Section B2.3	Monthly	Monthly
			TPD Section B2.4	Daily and within day	Daily and part-day
	Interruptible	Auction	TPD Section B2.5	Daily	Daily
Intra-System Exit Point	Firm	PARCA	TPD Section B1.14.4(b)	Ad-hoc	Enduring (from Y+4 to Y+6)
		Allocation	TPD Section B3.2	Annual	Enduring (from Y+4 to Y+6)
			TPD Section B3.4	Annual	Annual (Y+1 to Y+3)
		Auction	TPD Section B3.5	Daily and within day	Daily and within day
	Off-Peak	Auction	TPD Section B3.6	Daily	Daily

2.2.2 For the purposes of this Part A-I:

- (a) **“Auction”** means any of the auction processes for the allocation of NTS Capacity provided for in EID Section B, TPD Section B2 and TPD Sections B3.5 and 3.6;
- (b) **“Allocation Process”** means any of the allocation processes for the allocation of:
 - (i) NTS Exit (Flat) Capacity provided for in TPD Sections B1.14, B3.2 and 3.4;
 - (ii) NTS Capacity pursuant to a PARCA; or
 - (iii) NTS Capacity at an Interconnection Point provided for in EID Section E4;

- (c) **“Firm”** NTS Capacity means:
 - (i) Firm Interconnection Point Capacity (as defined in EID Section B) at an Interconnection Point;
 - (ii) Firm NTS Entry Capacity at an Intra-System Entry Point; and
 - (iii) NTS Exit (Flat) Capacity (other than Off-Peak Daily NTS Exit (Flat) Capacity) at an Intra-System Exit Point;
- (d) **“Interruptible”** NTS Capacity means:
 - (i) Interruptible Interconnection Point Capacity (as defined in EID Section B) at an Interconnection Point;
 - (ii) Interruptible NTS Entry Capacity at an Intra-System Entry Point; and
 - (iii) Off-Peak Daily NTS Exit (Flat) Capacity at an Intra-System Exit Point;
- (e) **“Existing Registered Holding”** means, in relation to an Entry Point, a User and a Day or other period, the amount, as at the Modification Reference Date, of the User’s Registered NTS Entry Capacity for such Entry Point and Day or other period;
- (f) **“Existing Available Holding”** means, in relation to an Entry Point, a User and a Day, the amount, as at the Modification Reference Date, of the User’s Available NTS Entry Capacity for such Entry Point and Day;
- (g) **“Annually Auctioned”** NTS Capacity is NTS Capacity allocated by Auction for which the Allocation Frequency (as set out in the Capacity Allocation Table) is Annual;
- (h) **“Auction Premium”** in relation to NTS Capacity:
 - (i) in respect of an Interconnection Point, has the meaning given in EID Section B2.1.5(k);
 - (ii) which is Annually Auctioned in respect of an Intra-System Entry Point, means the amount (if any) by which the applicable step price under TPD Section B2.6 is greater than the applicable reserve price in the Auction; and
- (i) **“Forecast Contracted Capacity”** is determined in accordance with paragraph 2.5;

2.2.3 Where any provision of this Part A-I refers to an amount of NTS Capacity allocated at a NTS Point or NTS Points for a Gas Year or other period, amounts of NTS Capacity of different Durations (as specified in the Capacity Allocation Table) shall be taken into account by averaging such amounts weighted by Duration.

2.2.4 Where any provision of this Part A-I refers to the amount of a User’s Fully Adjusted Available NTS Entry Capacity for a Day at an Entry Point **“Excluding Existing Available Holding”**, such amount shall be determined as the User’s Fully Adjusted Available NTS Entry Capacity for the Day at the Entry Point, less the amount (if any) of the User’s Existing Available Holding for the Day, but not less than zero (0).

2.3 Allowed Transmission Services Revenue for the Gas Year

2.3.1 For the purposes of this Part A-I:

- (a) “**Allowed Transmission Services Entry Revenue**” for a Gas Year is determined in accordance with paragraph 1.6 from the Allowed FY Transmission Services Entry Revenue for the Related Formula Year;
- (b) “**Allowed Transmission Services Exit Revenue**” for a Gas Year is determined in accordance with paragraph 1.6 from the Allowed FY Transmission Services Exit Revenue for the Related Formula Year;
- (c) “**Net Allowed Transmission Services Entry Revenue**” (NATSEnR_y, in £) for a Gas Year is Allowed Transmission Services Entry Revenue less Existing Entry Contract Revenue for that Gas Year;
- (d) “**Existing Entry Contract Revenue**” (in £) for a Gas Year is revenue attributable to Existing Registered Holdings of NTS Entry Capacity in relation to that Gas Year.

2.4 Reference Price

2.4.1 The Reference Price (RP_{En,y}, to be expressed as a daily rate in p/kWh/Day) for an Entry Point for a Gas Year is determined as follows:

$$RP_{En,y} = (NATSEnR_y / \sum_{En} NCAP_{En,y}) * RSF_{En,y}$$

where, for the Entry Point and the Gas Year:

NATSEnR_y is Net Allowed Transmission Services Entry Revenue

NCAP_{En,y} is Net Forecast Contracted Capacity

and where

\sum_{En} is the sum over all Entry Points

and where, for the Gas Year

RSF_{En,y} is the Entry Revenue Scaling Factor.

2.4.2 The Reference Price (RP_{Ex,y}, to be expressed as a daily rate in p/kWh/Day) for an Exit Point for a Gas Year is determined as follows:

$$RP_{Ex,y} = (AR_{Ex,y} / \sum_{Ex} CAP_{Ex,y}) * RSF_{Ex,y}$$

where, for the Exit Point and the Gas Year:

AR_{Ex,y} is Exit Point Allowed Revenue;

CAP_{Ex,y} is Forecast Contracted Capacity;

\sum_{Ex} is the sum over all Exit Points,

and where, for the Gas Year

$RSF_{En,y}$ is the Exit Revenue Scaling Factor.

2.4.3 For the purposes of this paragraph 2.4, in relation to each Gas Year:

(a) the "**Entry Revenue Scaling Factor**" ($RSF_{En,y}$) is determined as follows:

$$RSF_{En,y} = ATSEnR_y / EstRev_{En,y}$$

(b) the "**Exit Revenue Scaling Factor**" ($RSF_{Ex,y}$) is determined as follows:

$$RSF_{Ex,y} = ATSExR_y / EstRev_{Ex,y}$$

where, for the Gas Year:

$ATSEnR_y$ is Allowed Transmission Services Entry Revenue;

$ATSExR_y$ is Allowed Transmission Services Exit Revenue,

and where $EstRev_{En,y}$ and $EstRev_{Ex,y}$ respectively are the aggregate amounts of Transmission Services Revenue which National Grid NTS estimates would be earned in the Gas Year by way of Capacity Charges in respect of NTS Entry Capacity or (as the case may be) NTS Exit (Flat) Capacity:

- (i) on the assumption that Reference Prices were set on the basis of an Entry Revenue Scaling Factor or (as the case may be) Exit Revenue Scaling Factor equal to one (1);
- (ii) after taking account of the Duration Multipliers, Interruptible Discounts, and Specific Point Discounts in paragraphs 2.6.2, 2.6.3, and 2.6.4;
- (iii) on the basis of Net Forecast Contracted Capacity at each Entry Point and Forecast Contracted Capacity at each Exit Point; and
- (iv) disregarding any Auction Premium.

2.5 Forecast Contracted Capacity

2.5.1 For the purposes of this paragraph 2, in relation to a NTS Point and a Gas Year:

(a) the "**Forecast Contracted Capacity**" is the average amount (in kWh/Day) of NTS Capacity which National Grid NTS estimates will be allocated to Users (pursuant to all applicable Auctions or Allocation Processes) at that NTS Point for that Gas Year, on the basis in paragraph 2.2.3; and

(b) in the case of an Entry Point:

- (i) the "**Net Forecast Contracted Capacity**" is the Forecast Contracted Capacity less the Existing Contracted Capacity; and
- (ii) the "**Existing Contracted Capacity**" is the average amount (in kWh/Day) of NTS Capacity for that Gas Year comprised in Existing Registered Holdings, on the basis in paragraph 2.2.3.

2.5.2 For each Gas Year, National Grid NTS shall:

- (a) by the time required to notify Reserve Prices in respect of the first Auction or Allocation Process relating to the Gas Year to be held in the preceding Gas Year, estimate the amounts of capacity referred to in 2.5.1 and determine values of Forecast Contracted Capacity and (for Entry Points) Net Forecast Contracted Capacity; and
- (b) no later than the Charges Publication Date, publish such values for all NTS Points together with an explanation of the basis on which such estimates were made.

2.5.3 National Grid NTS will:

- (a) develop in consultation with Users;
- (b) keep under review, and consult with Users on any material change in; and
- (c) publish a summary of,

the basis on which it will estimate allocated amounts of NTS Capacity under this paragraph 2.5.

2.6 Reserve Price

2.6.1 The “**Reserve Price**” for NTS Capacity (of a Capacity Allocation Type) held or to be held at a NTS Point for a period falling within a Gas Year is determined:

- (a) subject to paragraphs (b) and (c), as the Reference Price for that Gas Year multiplied by the Duration Multiplier applicable to such NTS Capacity in accordance with paragraph 2.6.2;
- (b) subject to paragraph (c), in the case of Interruptible NTS Capacity, as the price determined under paragraph (a) multiplied by $\{(100 - ID) / 100\}$ where ID is the Interruptible Discount for Entry Points or (as the case may be) for Exit Points in accordance with paragraph 2.6.3; and
- (c) in the case of an Entry Point or Exit Point which is a Storage Site Point, or an Entry Point which is an LNG Importation Terminal Point, as the price determined under paragraph (a) and (where applicable) (b), multiplied by $\{(100 - SPD) / 100\}$ where SPD is the applicable Specific Point Discount in accordance with paragraph 2.6.4;

provided that if the Reserve Price determined in accordance with the foregoing provisions would be less than 0.0001 p/kWh/Day, the Reserve Price shall be equal to 0.0001 p/kWh/Day.

2.6.2 The “**Duration Multiplier**” applicable for a Gas Year to:

- (a) Annually Allocated NTS Capacity, and NTS Capacity allocated pursuant to a PARCA or pursuant to EID Section E, is one (1); and
- (b) NTS Capacity of each other Duration (as specified in the Capacity Allocation Table) is one (1).

2.6.3 The “**Interruptible Discount**” for Interruptible NTS Capacity for a Gas Year:

- (a) at all Entry Points, is 10%; and
- (b) at all Exit Points, is 10%.

2.6.4 The “**Specific Point Discount**” is:

- (a) for Storage Site Points, 86%; and
- (b) for LNG Importation Terminal Points, zero (0%).

2.7 Further Prices

2.7.1 This paragraph 2.7 applies for the purposes of determining step prices in respect of incremental Quarterly NTS Entry Capacity.

2.7.2 The step price for incremental Quarterly NTS Entry Capacity (as referred to in TPD Section B2.11.3(a)(i)) will be the greater of 5% of the applicable Reserve Price and 0.0001 p/kWh/Day.

2.8 Additional methodology for Interconnection Points

2.8.1 For the purposes of EID Section B:

- (a) the NTS large price step for an Auction will be the greater of 5% of the applicable Reserve Price and 0.0001 p/kWh/Day; and
- (b) unless otherwise agreed with the Adjacent TSO in connection with a Bundled Auction, the SPS Fraction will be 1/5,

(and terms in paragraphs (a) and (b) have the meanings given to them in EID Section B).

2.9 NTS Entry Capacity Retention Charge

2.9.1 For the purposes of TPD Section B2.15 (and the Entry Capacity Substitution Methodology Statement) the amount of the NTS Entry Capacity Retention Charge is 0.2922 pence per kWh/day (being equal to the minimum rate of 0.0001p per kWh/day per day for a period of 32 quarters).

3 TRANSMISSION SERVICES REVENUE RECOVERY CHARGES

3.1 Revenue differences

3.1.1 For the purposes of this paragraph 3, in relation to a Gas Year:

- (a) “**Forecast Entry Revenue**” is the aggregate amount of Transmission Services Revenue which National Grid NTS estimates will be earned by way of Capacity Charges in respect of NTS Entry Capacity for that Gas Year;
- (b) the “**Forecast Entry Revenue Difference**” (FEnRD_y) is the amount by which the Forecast Entry Revenue is greater (in which case FEnRD_y is positive) or less (in which case FEnRD_y is negative) than Allowed Transmission Services Entry Revenue;

- (c) **“Forecast Exit Revenue”** is the aggregate amount of Transmission Services Revenue which National Grid NTS estimates will be earned by way of Capacity Charges in respect of NTS Exit (Flat) Capacity for that Gas Year;
- (d) the **“Forecast Exit Revenue Difference”** (FExRD_y) is the amount by which the Forecast Exit Revenue is greater (in which case FExRD_y is positive) or less (in which case FExRD_y is negative) than Allowed Transmission Services Exit Revenue;
- (e) **“Forecast Aggregate Fully-Adjusted Entry Capacity”** is the aggregate amount of NTS Entry Capacity (of all Capacity Allocation Types) which National Grid NTS estimates will be held at Entry Points for the Gas Year, Fully-Adjusted (as provided in TPD Section B2.1.7(d)) each Day, Excluding Existing Available Holding in the case of Storage Site Points, on the basis in paragraph 2.2.3; and
- (f) **“Forecast Aggregate Fully-Adjusted Exit Capacity”** is the aggregate amount of NTS Exit (Flat) Capacity (of all Capacity Allocation Types) which National Grid NTS estimates will be held at Exit Points for the Gas Year, Fully-Adjusted (as provided in TPD Section B3.8.6(c)) each Day, on the basis in paragraph 2.2.3.

3.1.2 In estimating Forecast Entry Revenue, National Grid NTS will not take account of estimated net revenue in respect of NTS Entry Capacity Retention Charges (such amounts being assumed not to be significant for these purposes).

3.2 Determination of Transmission Services Revenue Recovery Charges

3.2.1 In relation to each Gas Year, the Applicable Daily Rate of the Entry Transmission Services Revenue Recovery Charge (EnRRC_y, to be expressed as a daily rate in p/kWh/Day) is determined as follows:

$$\text{EnRRC}_y = \text{FEnRD}_y / \text{FAFEnC}_y$$

where, for the Gas Year

FEnRD_y is Forecast Entry Revenue Difference; and

FAFEnC_y is Forecast Aggregate Fully-Adjusted Entry Capacity.

3.2.2 The Entry Transmission Services Revenue Recovery Charge is payable by Users to National Grid NTS where it is negative and to Users by National Grid NTS where it is positive.

3.2.3 In relation to each Gas Year, the Applicable Daily Rate of the Exit Transmission Services Revenue Recovery Charge (ExRRC_y, to be expressed as a daily rate in p/kWh/Day) is determined as follows:

$$\text{ExRRC}_y = \text{FExRD}_y / \text{FAFExC}_y$$

where, for the Gas Year:

FExRD_y is Forecast Exit Revenue Difference; and

FAFExC_y is Forecast Aggregate Fully-Adjusted Exit Capacity.

3.2.4 The Exit Transmission Services Revenue Recovery Charge is payable by Users to National Grid NTS where it is negative and to Users by National Grid NTS where it is positive.

3.2.5 For each Gas Year, National Grid NTS shall, no later than the Charges Publication Date, determine and publish the Applicable Daily Rates of the Entry Transmission Services Revenue Recovery Charge and the Exit Transmission Services Revenue Recovery Charge together with an explanation of the basis on which such charges have been determined.

3.3 Within-year revision

3.3.1 In relation to a Gas Year, if (after determining the Entry Transmission Services Revenue Recovery Charge or the Exit Transmission Services Revenue Recovery Charge under paragraph 3.2) National Grid NTS considers that any of its estimates made (as referred to in paragraph 3.1.1) for the purposes of determining such charge is or will prove to be materially inaccurate, National Grid NTS may revise such estimates and determine and apply a revised Entry Transmission Services Revenue Recovery Charge or Exit Transmission Services Revenue Recovery Charge in accordance with paragraph 1.10 and this paragraph 3.3.

3.3.2 Where National Grid NTS pays or expects to pay the NTS Entry Transmission Services Rebate Charge in respect of the Formula Year which ends in a Gas Year, National Grid NTS shall take account of the amount so payable in deciding whether to determine and apply a revised Entry Transmission Services Revenue Recovery Charge for such Gas Year and (if so) the revised Forecast Entry Revenue Difference for the Gas Year.

3.3.3 Where National Grid NTS proposes to revise the Entry Transmission Services Revenue Recovery Charge or Exit Transmission Services Revenue Recovery Charge for a Gas Year pursuant to this paragraph 3.3, National Grid NTS shall, consistent (but subject as provided in paragraph (b) below) with the requirements of Standard Special Condition A4(2)(d) and (e):

- (a) give a first notice setting out the reasons for the revision, the proposed Revision Month and an estimate of the revised Entry Transmission Services Revenue Recovery Charge or Exit Transmission Services Revenue Recovery Charge;
- (b) where it decides to make such revision, give notice (not less than two months before the first Day of the Revision Month, as provided in TPD Section B1.8.2(a)) setting out the Revision Month and the revised Entry Transmission Services Revenue Recovery Charge or Exit Transmission Services Revenue Recovery Charge.

3.4 NTS Entry Transmission Services Rebate Charge

3.4.1 If for any Formula Year (t) the Transmission Services Entry Revenue (including revenue or negative revenue in respect of the Entry Transmission Services Revenue Recovery Charge, and determined provisionally before the application of this paragraph 3.4) would exceed the Allowed FY Transmission Services Entry Revenue by at least £1,000,000, a charge by way of rebate (the "**NTS Entry Transmission Services Rebate Charge**") is payable by National Grid NTS to Users.

3.4.2 The rate of the NTS Entry Transmission Services Rebate Charge ($NETSRC_t$, to be expressed as a daily rate in p/kWh/Day) for Formula Year t is calculated as:

$$NETSRC_t = (TSER_t - AFTSER_t) / AEnC_t$$

where, for Formula Year t:

$TSER_t$ is Transmission Services Entry Revenue provisionally determined as provided in paragraph 3.4.1;

AFTSER_t is Allowed FY Transmission Services Entry Revenue; and

AEnC_t is the aggregate amount of NTS Entry Capacity which Users are Registered as holding at all Entry Points aggregated over all Days in the Formula Year.

3.4.3 The NTS Entry Transmission Services Rebate Charge shall be accounted for as a charge relating to and payable in respect of Formula Year t (and the amounts payable by National Grid NTS in respect of such charge shall be deducted in determining the value of Transmission Services Entry Revenue in respect of such Formula Year).

3.4.4 For each Formula Year, National Grid NTS shall, as soon as reasonably practicable after the end of the Formula Year, determine and publish whether the NTS Entry Transmission Services Rebate Charge is payable in respect of such Formula Year and if so the applicable rate of such charge (but the Transportation Statement for the prevailing Gas Year will not be revised to reflect such charge).

4 NON-TRANSMISSION SERVICES CHARGES

4.1 Introduction

4.1.1 This paragraph 4 sets out the basis on which Non-Transmission Services Charges are determined.

4.1.2 Non-Transmission Services Charges comprise:

(a) the following specific charges:

(i) St Fergus Compression Charge;

(ii) NTS Meter Maintenance Charges;

(iii) DN Pensions Deficit Charges;

(iv) Shared Supply Meter Point Administration Charges;

(v) Allocation Charges at Interconnection Points; and

(b) General Non-Transmission Services Charges.

4.1.3 For each Gas Year, National Grid NTS shall, no later than the Charges Publication Date, determine and publish each of the Non-Transmission Services Charges together with an explanation of the basis (including the assumptions) on which each of such charges has been determined.

4.2 St Fergus Compression Charges

4.2.1 The “**St Fergus Compression Charge**” is a charge in respect of the delivery of gas to the NTS at the NTS System Entry Point (“**SFCC System Entry Point**”) for the North Sea Midstream Partners sub-terminal at St Fergus (at which the Gas Entry Conditions as to minimum delivery pressure were set on the assumption of additional compression within the NTS).

- 4.2.2 The St Fergus Compression Charge ($SFCC_y$, to be expressed in p/kWh) for a Gas Year determined as follows:

$$SFCC_y = EC_y / EQ_y$$

where:

EC_y is the aggregate amount, as estimated by National Grid NTS, of St Fergus Compression Costs for the Gas Year; and

EQ_y is the aggregate quantity, as estimated by National Grid NTS, of gas that will be delivered to the NTS at the SFCC System Entry Point in the Gas Year.

- 4.2.3 “**St Fergus Compression Costs**” are the additional variable costs that will be incurred by National Grid NTS in respect of compression of gas in the NTS as a result of the delivery of gas at the SFCC System Entry Point.

- 4.2.4 The St Fergus Compression Charge for a Gas Year is subject to revision within the Gas Year as provided in paragraph 4.8.

4.3 NTS Meter Maintenance Charges

- 4.3.1 The “**NTS Meter Maintenance Charge**” is a charge payable by the Registered User of a NTS Supply Meter Point at which of NGNTS Supply Meter Installation is installed.

- 4.3.2 A “**NGNTS Supply Meter Installation**” is a Supply Meter Installation (including telemetry or datalogger) owned by National Grid NTS and installed at a NTS Supply Meter Point.

- 4.3.3 The NTS Meter Maintenance Charge (in £/year) for a Gas Year is determined by:

- (a) determining the aggregate cost, as estimated by National Grid Gas, that National Grid NTS will incur in the Gas Year in maintaining all NGNTS Supply Meter Installations; and
- (b) apportioning such estimated aggregate cost between all NGNTS Supply Meter Installations, on an equal basis or such other basis as National Grid NTS determines to be appropriate.

4.4 DN Pensions Deficit Charges

- 4.4.1 The “**DN Pension Deficit Charge**” is a charge, payable by a DN Operator to National Grid NTS, to allow National Grid NTS to recover that part of the allowance, in the Maximum NTS Transportation Owner Revenue, for the part-funding of the deficit in the NGUK Pension Scheme, that relates to pension deficit costs associated with former employees of that DN Operator.

- 4.4.2 The DN Pension Deficit Charge is determined (in £/year) for a Gas Year and for each DN Operator:

- (a) so as to reflect the Authority's decision in 2007 to allow the recovery of such pension deficit costs by such a charge to DN Operators;
- (b) by setting a fixed charge for each consecutive three-year period with an annual inflation adjustment within the three-year period; and

- (c) with a true-up adjustment (reflecting differences between actual costs and the fixed charge) following each such three-year period.

4.4.3 The DN Pension Deficit Charge is not payable by a DN Operator which (with effect from 1 April 2017) directly bears the funding costs of the deficit referred to in paragraph 4.4.1; but without prejudice to charges in respect of the true-up adjustment (as referred to in paragraph 4.4.2(c)) relating to prior periods.

4.5 Shared Supply Meter Point Administration Charges

4.5.1 “**Shared Supply Meter Point Administration Charges**” are charges payable by each Registered User of a Shared Supply Meter Point in respect of the implementation of the provisions of the Code (including without limitation TPD Section G1.7) relating to Shared Supply Meter Points, comprising a charge for establishing a Supply Meter Point as a Shared Supply Meter Point, a charge for a change in the Sharing Registered Users of a Shared Supply Meter Point, and a daily charge for the implementation of the allocation rules under TPD Section G1.7.

4.5.2 Shared Supply Meter Point Administration Charges is determined (in £ per User, or £ per Supply Meter Point per User per Day, as applicable) for a Gas Year based on the amount of the charges expected to be payable (in respect of the relevant Agency Service) by National Grid NTS to the CDSP under the DSC.

4.6 Interconnection Point Allocation Charges

4.6.1 “**Interconnection Point Allocation Charges**” are charges (comprising an initial 'set-up' charge for a User, and ongoing charges) payable by Users in respect of the implementation of the provisions of EID Section D in respect of allocation at Interconnection Points.

4.6.2 The Interconnection Point Allocation Charge is determined (in £ per User, or £ per User per Interconnection Point per Day, as applicable) for a Gas Year based on the amount of the charges expected to be payable (in respect of the relevant Agency Service) by National Grid NTS to the CDSP under the DSC.

4.7 General Non-Transmission Services Charge

4.7.1 The “**General Non-Transmission Services Charge**” is a charge in respect of system operation of the NTS (with the aim of National Grid NTS recovering Allowed Non-Transmission Services Revenue which is not recovered by the specific Non-Transmission Services Charges set out above).

4.7.2 For the purposes of this paragraph 4.7, in relation to a Gas Year:

- (a) the “**Allowed Non-Transmission Services Revenue**” is determined in accordance with paragraph 1.6 from the Allowed FY Non-Transmission Services Revenue for the Related Formula Year;
- (b) the “**Forecast Aggregate NTS Quantity**” is the sum of:
 - (i) the aggregate quantity of gas which National Grid NTS estimates will be delivered by Users to the NTS at all Entry Points in the Gas Year, excluding Excluded Storage Quantities; and

- (ii) the aggregate quantity of gas which National Grid NTS estimates will be offtaken by Users from the NTS at all Exit Points in the Gas Year, excluding Excluded Storage Quantities; and
- (c) the “**Net Allowed Non-Transmission Services Revenue**” is the Allowed Non-Transmission Services Revenue less the sum of:
 - (i) Forecast NTS Meter Maintenance Revenue (as provided in paragraph 1.5.1(e));
 - (ii) Forecast DN Pension Deficit Revenue (as provided in paragraph 1.5.1(f));
 - (iii) the revenue which National Grid NTS estimates will be derived from St Fergus Compression Charges in the Gas Year;
 - (iv) the revenue which National Grid NTS estimates will be derived from Shared Supply Meter Point Administration Charges in the Gas Year; and
 - (v) the revenue which National Grid NTS estimates will be derived from at Interconnection Point Allocation Charges in the Gas Year.

4.7.3 The General Non-Transmission Services Charge for a Gas Year (GNTSC_y, to be expressed in p/kWh) is determined as follows:

$$\text{GNTSC}_y = \text{NANTSR}_y / \text{FANQ}_y$$

where, for Gas Year y:

NANTSR_y is Net Allowed Non-Transmission Services Revenue;

FANQ_y is Forecast Aggregate NTS Quantity.

4.7.4 The General Non-Transmission Services Charge is a Commodity Charge and is payable in respect of Entry Points and Exit Points.

4.7.5 The General Non-Transmission Services Charge for a Gas Year is subject to revision within the Gas Year as provided in paragraph 4.8.

4.8 Within-year revision of certain Non-Transmission Services Charges

4.8.1 In relation to a Gas Year, if (after determining the St Fergus Compression Charge under paragraph 4.2 or the General Non-Transmission Services Charge under paragraph 4.7) National Grid NTS considers that any of its estimates made (as provided in paragraph 4.2.2 or paragraph 4.7.2 or the provisions therein referred to) for the purposes of determining either such charge is or will prove to be materially inaccurate, National Grid NTS may revise such estimates and determine and apply a revised St Fergus Compression Charge or (as the case may be) General Non-Transmission Services Charge in accordance with paragraph 1.10 and this paragraph 4.8.

4.8.2 Where National Grid NTS proposes to revise the St Fergus Compression Charge or General Non-Transmission Services Charge for a Gas Year pursuant to this paragraph 4.8, National Grid NTS shall, consistent (but subject as provided in paragraph (b) below) with the requirements of Standard Special Condition A4(2)(d) and (e):

- (a) give a first notice setting out the reasons for the revision, the proposed Revision Month and an estimate of the revised St Fergus Compression Charge or General Non-Transmission Services Charge; and
- (b) where it decides to make such revision, give notice (not less than two months before the first Day of the Revision Month, as provided in TPD Section B1.8.2(a)) setting out the Revision Month and the revised St Fergus Compression Charge or General Non-Transmission Services Charge.