

Modification 0678B

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 2.11;
 - (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) “**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);
- (j) 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;
- (k) “**Tariff Regulation Effective Date**” means 6 April 2017.

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 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_i in the formula in Special Condition 2A.5.

- (b) **“Base Maximum NTS TO (Excluding Non-TS) Revenue”** is Base Maximum NTS Transportation Owner Revenue, less Forecast NTS Meter Maintenance Revenue and Forecast Pensions Deficit 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 Allowed TS-Related NTS System Operation Revenue is divided into:

- (a) **“Allowed TS-Related NTS System Operation Entry Revenue”** being Allowed TS-Related NTS System Operation Revenue attributable (as determined by National Grid NTS) to Entry Points; and
- (b) **“Allowed TS-Related NTS System Operation Exit Revenue”** being Allowed TS-Related NTS System Operation Revenue attributable (as determined by National Grid NTS) to Exit Points.

1.5.3 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:

$$AFTSEnR_t = (0.5 * BMTOExcNTR_t) + ATSSOEnR_t - K_{En,t}$$

where for the Formula Year:

BMTOExcNTR_t is Base Maximum NTS TO (Excluding Non-TS) Revenue;

ATSSOEnR_t is Allowed TS-Related NTS System Operation Entry Revenue;

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

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

$$AFTSExR_t = (0.5 * BMTOExcNTR_t) + ATSSOExR_t - K_{Ex,t}$$

where for the Formula Year:

BMTOExcNTR_t is Base Maximum NTS TO (Excluding Non-TS) Revenue;

ATSSOExR_t is Allowed TS-Related NTS System Operation Exit Revenue;

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

and for the purposes of paragraphs 1.5.3(a) and 1.5.3(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 Formula Year t is determined as:

$$K^{TS}_{En,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

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

$$K^{TS}_{Ex,t} / (K^{TS}_{En,t} + K^{TS}_{Ex,t})$$

where

K^{TS}_{Ex,t} 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^{TS}_{Ex,t} 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:

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

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;
- F_{ty} is a factor which represents National Grid NTS's estimate of (A / B) where A is the amount of revenue (of the corresponding kind) which would be expected to be earned on average in any month in Gas Year y as a whole, and B is the amount of revenue (of the corresponding kind) which would be expected to be earned on average in any month in the part of Formula Year t which falls within 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 paragraphs 2.4, 2.6, 2.7 and 2.8;
- (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'

except that the NTS Optional Capacity Charge shall be rounded as provided in and subject to paragraph 5.2.3.

1.10 Subsequent 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, after determining a Relevant Charge for a Gas Year, to revise the rate of the Relevant Charge, 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 1.10:

- (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 if the Revision Month is the first month of the Gas Year, there is no Prior Period); 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 (and is zero where there is no 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 2.10;
- (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 Interconnection Points and Intra-System NTS Points, for each Allocation Process (including under a PARCA where applicable), 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) determine (as provided in paragraphs 1.5 and 1.6) Allowed Transmission Services Entry Revenue and Allowed Transmission Services Exit Revenue for the Gas Year;
- (b) for each Entry Point and Exit Point:
 - (i) determine Forecast Contracted Capacity;
 - (ii) on the basis of distance from, and Forecast Contracted Capacity of, every Exit Point (for an Entry Point) or Entry Point (for an Exit Point), determine Weighted Average Distance;
 - (iii) on the basis of Forecast Contracted Capacity and Weighted Average Distance, determine Weight of Cost;
- (c) on the basis of Weight of Cost, allocate Allowed Transmission Services Entry Revenue between Entry Points and Allowed Transmission Services Exit Revenue between Exit Points, to determine Entry Point Allowed Revenue for each Entry Point and Exit Point Allowed Revenue for each Exit Point;
- (d) for each Entry Point and Exit Point, divide Entry Point Allowed Revenue or Exit Point Allowed Revenue by Forecast Contracted Capacity to determine provisional reference price, and then scale to reflect the revenue shortfall implied by the multipliers and discounts and optional charges referred to below, to determine Reference Price;
- (e) 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:

- (a) 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, or

- (b) (in the case of NTS Entry Capacity) allocated in a given Gas Year (the "**allocation year**") pursuant to a PARCA

the Applicable Daily Rate of the Capacity Charge payable by Users in respect of such NTS Capacity shall be determined as the sum of:

- (c) the Reserve Price determined in respect of the relevant Capacity Allocation Type for the capacity year; and
- (d) the Premium (if any) determined under the Auction held in the auction year or (as the case may be) determined in respect of the PARCA in the allocation year.

2.1.5 Paragraph 2.1.4 shall not apply in respect of NTS Entry Capacity held pursuant to an Existing Registered Holding, and accordingly the Applicable Daily Rate for such NTS Entry Capacity shall be continue to be determined (where applicable) on the basis of the clearing price or reserve price for the Auction in which the NTS Entry Capacity was allocated.

2.1.6 In relation to:

- (a) Annually Allocated NTS Exit (Flat) Capacity at an Intra-System Exit Point;
- (b) NTS Exit (Flat) Capacity at an Intra-System Exit 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.

2.1.7 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.

2.1.8 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 the number of days in the Gas Year in order to be so expressed.

2.1.9 Where the value of any Reserve Price determined under this paragraph 2 or, subject to TPD Section B8.3.6, NTS Optional Capacity Charge determined under paragraph 5 would (pursuant to rounding under paragraph 1.9) be rounded down to have a value of zero, the Reserve Price or NTS Optional Capacity Charge shall be rounded up to the minimum non-zero value under paragraph 1.9.

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 |
| 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 |

| Point | Class | Basis of allocation | UNC reference | Allocation frequency | Duration |
|-------------------------|---------------|---------------------|------------------------|----------------------|----------------------------|
| | | | 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 Tariff Regulation Effective 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 Tariff Regulation Effective 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) **“Premium”** in relation to NTS Capacity:
 - (i) in respect of an Interconnection Point, has the meaning given in EID Section B2.1.5(k), but includes any mandatory minimum premium as referred to in EID Section E8.1.2;
 - (ii) which is Annually Auctioned in respect of an Intra-System Entry Point (comprising Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity), means the amount (if any) by which the applicable step price under TPD Section B2.6 or bid price (as referred to in TPD Section 2.11.3(b)) is greater than the applicable reserve price in the Auction;
 - (iii) which is allocated pursuant to a PARCA in respect of a Entry Point, means the amount (if any) by which the price of the NTS Entry Capacity (in accordance with paragraph 2.10.3) is greater than the applicable Reserve Price for the Gas Year in which such NTS Entry Capacity is allocated;
- (i) **“Forecast Contracted Capacity”** is determined in accordance with paragraph 2.5;
- (j) **“Weight of Cost”** is determined in accordance with paragraph 2.7; and
- (k) **“Weighted Average Distance”** is determined in accordance with paragraph 2.8.

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

- (a) except as provided in paragraph (b), as follows:

$$RP_{En,y} = (AR_{En,y} / NCAP_{En,y}) * RSF_{En,y}$$

where, for the Entry Point and the Gas Year:

AR_{En,y} is Entry Point Allowed Revenue;

NCAP_{En,y} is Net Forecast Contracted Capacity,

and where, for the Gas Year

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

- (b) where paragraph 2.4.3 applies, in accordance with that paragraph.

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:

- (a) except as provided in paragraph (b), as follows:

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

where, for the Exit Point and the Gas Year:

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

CAP_{Ex,y} is Forecast Contracted Capacity,

and where, for the Gas Year

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

- (b) where paragraph 2.4.3 applies, in accordance with that paragraph.

- 2.4.3 If the Reference Price for an Entry Point or Exit Point determined under paragraph 2.4.1(a) or 2.4.1(b)(a) would be zero, or if the Forecast Contracted Capacity for an Entry Point or Exit Point is zero, the Reference Price (RP_P) for such Entry Point or Exit Point (P) shall be determined, by reference to the Nearest Point (NP), as follows:

$$RP_P = RP_{NP} * AD_P / AD_{NP}$$

where the "**Nearest Point**" is the Entry Point (where P is an Entry Point) or Exit Point (where P is an Exit Point) with a non-zero Reference Price and for which the Forecast Contracted Capacity is not zero (any such Entry Point or Exit Point, P') for which the magnitude of (AD_P – AD_{P'}) is lowest (or if there is more than one such point, one of such points selected by National Grid NTS),

and where:

RP_{NP} is the Reference Price for the Nearest Point;

AD_P is the Weighted Average Distance for Entry Point or Exit Point P;

AD_{P'} is the Weighted Average Distance for Entry Point or Exit Point P'; and

AD_{NP} is the Weighted Average Distance for the Nearest Point.

- 2.4.4 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 2.9.2, 2.9.3, and 2.9.4;
- (iii) on the assumption that Users elect for the NTS Optional Capacity Charge (as provided in paragraph 5) where it is likely to be economic to do so (and on

the basis that revenues in respect of the NTS Optional Capacity Charge are Transmission Services Revenue in accordance with paragraph 5.2.2);

- (iv) on the basis of Net Forecast Contracted Capacity at each Entry Point and Forecast Contracted Capacity at each Exit Point; and
- (v) disregarding any 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 amount determined in accordance with the methodology (“**FCC Methodology**”) set out in paragraphs 2.5.3 to 2.5.5 to represent the average amount (in kWh/Day) of NTS Capacity forecast to 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, determine in accordance with the FCC Methodology for all NTS Points 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 the indicative values for the following four Gas Years, and together with a statement of how the FCC Methodology was applied to determine such values.

2.5.3 For each Gas Year (Y), Forecast Contracted Capacity at each NTS Point will be determined, at the time (“**reference time**”) in Gas Year Y-1 specified in paragraph 2.5.2(a), for Gas Year Y and on an indicative basis for each of Gas Years Y+1 to Y+4.

2.5.4 For each of Gas Years Y to Y+4, subject to paragraph 2.5.6, Forecast Contracted Capacity at a NTS Entry Point or (as the case may be) NTS Exit Point shall be:

- (a) except in the case of a NTS/LDZ Offtake, whichever is the greatest of the following quantities:
 - (i) the average (in accordance with paragraph 2.2.3) of the sum for all Users of the Registered NTS Entry Capacity or (as the case may be) Registered NTS Exit (Flat) Capacity held at that NTS Point for Gas Year Y-2, excluding NTS Capacity for which the Applicable Daily Rate of the Capacity Charge is zero;

- (ii) the amount calculated as the aggregate for all Days in Gas Year Y-2 of the quantities delivered or (as the case may be) offtaken by all Users at that NTS Point, divided by the number of Days in Gas Year Y-2;
 - (iii) the amount calculated as the forecast quantity to be delivered or (as the case may be) offtaken in the relevant Gas Year at the NTS Point as shown in the 'updated forecast' in the supporting information to the Ten Year Statement ('Updated Forecast') published in Y-1, subject to paragraph 2.5.5, divided by the number of Days in the relevant Gas Year;
 - (iv) the average (in accordance with paragraph 2.2.3) of the sum for all Users of the amount of NTS Entry Capacity or (as the case may be) NTS Exit (Flat) Capacity reserved at the reference time pursuant to a PARCA (as provided in Section B1.17.7) for the relevant Gas Year;
 - (v) in the case of an Entry Point, the average (in accordance with paragraph 2.2.3) of the sum for all Users of the Existing Registered Holdings at that NTS Point;
- (b) in the case of a NTS/LDZ Offtake, the average (in accordance with paragraph 2.2.3) of the Registered NTS Exit (Flat) Capacity held at the reference time by the DN Operator at the NTS/LDZ Offtake for the relevant Gas Year, excluding NTS Capacity for which the Applicable Daily Rate of the Capacity Charge is zero.

2.5.5 For the purposes of paragraph 2.5.4(a)(iii):

- (a) in relation to the Bacton IP ASEP and Bacton UKCS ASEP, in relation to a Gas Year, the forecast quantity (in the Updated Forecast) for such Gas Year (being a combined aggregate quantity for both ASEPS) shall be divided between the two Entry Points in proportion to the quantities determined (for Gas Year Y-2) under paragraph 2.5.4(a)(i);
- (b) in relation to Entry Points in respect of 'onshore fields' in relation to a Gas Year, the forecast quantity (in the Updated Forecast) for such Gas Year (being a combined aggregate quantity for all such Entry Points) shall be divided between all such Entry Points in proportion to the quantities determined (for Gas Year Y-2) under paragraph 2.5.4(a)(i) for each Entry Point.

2.5.6 If (at the time of determining Forecast Contracted Capacity values for a Gas Year) National Grid NTS considers that, in relation to a particular NTS Point:

- (a) the rules in paragraph 2.5.4 cannot properly be applied, or
- (b) the application of those rules would give a result which substantially fails to reflect the amount of NTS Capacity expected to be allocated (as referred to in paragraph 2.5.1(a)) to Users at the NTS Point then National Grid NTS shall:
 - (i) determine the Forecast Contracted Capacity on such basis as it considers appropriate in the circumstances; and
 - (ii) include, with the details published under paragraph 2.5.2(b), an explanation of why it considered that paragraph (a) or (b) applied and of the basis on which it determined Forecast Contracted Capacity.

2.6 NTS Point Allowed Revenue

2.6.1 The “**Entry Point Allowed Revenue**” ($AR_{En,y}$, in £) for an Entry Point for a Gas Year is determined as follows:

$$AR_{En,y} = NATSEnR_y * WC_{En,y}$$

where, for the Entry Point and Gas Year:

$NATSEnR_y$ is Net Allowed Transmission Services Entry Revenue; and

$WC_{En,y}$ is the Weight of Cost.

2.6.2 The “**Exit Point Allowed Revenue**” ($AR_{Ex,y}$, in £) for an Exit Point for a Gas Year is determined as follows:

$$AR_{Ex,y} = ATSExR_y * WC_{Ex,y}$$

where, for the Entry Point and Gas Year:

$ATSExR_y$ is Allowed Transmission Services Exit Revenue; and

$WC_{Ex,y}$ is the Weight of Cost.

2.7 Weight of Cost

2.7.1 The Weight of Cost ($WC_{En,y}$) for an Entry Point for a Gas Year is determined as follows:

$$WC_{En,y} = (NCAP_{En,y} * AD_{En}) / \sum_{En} (NCAP_{En,y} * AD_{En})$$

Where, for the Entry Point and Gas Year:

$NCAP_{En,y}$ is Net Forecast Contracted Capacity;

AD_{En} is Weighted Average Distance,

and where

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

2.7.2 The Weight of Cost ($WC_{Ex,y}$) for an Exit Point for a Gas Year is determined as follows:

$$WC_{Ex,y} = (CAP_{Ex,y} * AD_{Ex}) / \sum_{Ex} (CAP_{Ex,y} * AD_{Ex})$$

where for the Exit Point and Gas Year:

$CAP_{Ex,y}$ is Forecast Contracted Capacity;

AD_{Ex} is Weighted Average Distance,

and where

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

2.8 Weighted Average Distance

- 2.8.1 The Weighted Average Distance (in kilometres) for an Entry Point (En) for a Gas Year is determined as follows:

$$AD_{En,y} = \sum_{Ex} (CAP_{Ex,y} * D_{Ex}) / \sum_{Ex} CAP_{Ex,y}$$

where:

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

and where for the Gas Year and for each Exit Point;

$CAP_{Ex,y}$ is the Forecast Contracted Capacity; and

D_{Ex} is the distance from the Entry Point (En) to that Exit Point.

- 2.8.2 The Weighted Average Distance (in kilometres) for an Exit Point (Ex) for a Gas Year is determined as follows:

$$AD_{Ex,y} = \sum_{En} (CAP_{En,y} * D_{En}) / \sum_{En} CAP_{En,y}$$

where:

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

and where, for the Gas Year and for each Entry Point:

$CAP_{En,y}$ is the Forecast Contracted Capacity; and

D_{En} is the distance (in kilometres) from the Exit Point (Ex) to that Entry Point.

- 2.8.3 The distances between Entry Points and Exit Points will be determined from a matrix of distances established by National Grid NTS (assuming an unconstrained NTS):
- initially established not later than 31 May in Gas Year 2018/2019; and
 - updated for each subsequent Gas Year if necessary (to take account of new NTS Points or other changes in the NTS) no later than when National Grid NTS initiates (by sending the relevant invitation to Users) the first Auction or Allocation Process relating to such Gas Year to be held in the preceding Gas Year,

and available to Users (without charge) from National Grid NTS upon application and upon such terms as National Grid NTS may specify.

2.9 Reserve Price

- 2.9.1 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:
- 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 2.9.2;

- (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 2.9.3; 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 2.9.4;

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.

2.9.2 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).

2.9.3 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%.

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

- (a) for Storage Site Points, 50%; and
- (b) for LNG Importation Terminal Points, zero (0%).

2.10 Further pricing terms

2.10.1 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.

2.10.2 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).

2.10.3 The price (for the year of allocation) of NTS Entry Capacity allocated pursuant to a PARCA will be determined in accordance with the prevailing Entry Capacity Release Methodology Statement.

2.11 NTS Entry Capacity Retention Charge

2.11.1 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, 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 Subsequent 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:

$$\text{SFCC}_y = \text{EC}_y / \text{EQ}_y$$

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 less Forecast NOCC ADQ; 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 less Forecast NOCC ADQ; 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.
- (d) “**Forecast NOCC ADQ**” is the aggregate quantity which National Grid NTS estimates will be counted in the Gas Year as Applicable Daily Quantity in accordance with TPD Section B8 (and for which, pursuant to that section, NTS Optional Capacity Charges will be payable in substitution for General Non-Transmission Service Charges) pursuant to NOCC Elections.

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 Subsequent 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.

5 NTS OPTIONAL CAPACITY CHARGE

5.1 General

5.1.1 A User may elect to pay charges ("**NTS Optional Capacity Charges**") determined in accordance with this paragraph 5 in substitution (in whole or part) for Capacity Charges and General Non-Transmission Services Charges, subject to and in accordance with TPD Section B8.

5.1.2 NTS Optional Capacity Charges comprise:

- (a) charges ("**NTS Optional Capacity Entry Charges**") in respect of an amount of NTS Entry Capacity at an Aggregate System Entry Point excluding Storage Site Points; and
- (b) charges ("**NTS Optional Capacity Exit Charges**") in respect of an amount of NTS Exit (Flat) Capacity at a NTS System Exit Point excluding Storage Site Points and NTS/LDZ Offtakes.

5.2 Determination of charge

5.2.1 For a Gas Year, and a Specified Entry Point and Specified Exit Point (each as defined and determined under TPD Section B8):

- (a) the Applicable Daily Rate (in p/kWh/Day) of the NTS Optional Capacity Entry Charge is determined as:

$$(D * RP_{En}) / (AD_{En} * SUF)$$

- (b) the Applicable Daily Rate (in p/kWh/Day) of the NTS Optional Capacity Exit Charge is determined as:

$$(D * RP_{Ex}) / (AD_{Ex} * SUF)$$

where

D is the distance (in accordance with TPD Section B8.1.2(d) from the Specified Exit Point to the Specified Entry Point in km, or 0.1km if greater; and

RP_{En} is the Reserve Price (for Annually Allocated NTS Capacity) for the Specified Entry Point for the Gas Year

RP_{Ex} is the Reserve Price (for Annually Allocated NTS Capacity) for the Specified Exit Point for the Gas Year

AD_{En} is the Weighted Average Distance for the Specified Entry Point for the Gas Year

AD_{Ex} is the Weighted Average Distance for the Specified Exit Point for the Gas Year

SUF is the System Utilisation Factor in accordance with paragraph 5.2.4.

5.2.2 The NTS Optional Capacity Charge will be treated as a Transmission Services Charge, and revenue derived from the NTS Optional Capacity Charge will be treated as Transmission Services Revenue.

5.2.3 Notwithstanding paragraph 1.9.1, when National Grid NTS notifies the Applicable Daily Rate (p/kWh/Day) of the NTS Optional Capacity Charge to a User, such rate shall be rounded to 6 decimal places for the purposes of notification to a User of the NTS Optional Capacity Charge.

5.2.4 The "**System Utilisation Factor**" for a Gas Year is calculated for the NTS as a whole as:

- (a) the sum of Forecast Contracted Capacity for the Gas Year for all NTS Points, divided by
- (b) the sum of the Obligated Entry Capacity (for all Entry Points) and Baseline NTS Exit (Flat) Capacity (for all Exit Points).