National Grid House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

National Gas Emergency Service - 0800 111 999* (24hrs)
*calls will be recorded and may be monitored

30 January 2018

Revised NTS Charges to apply from 1 April 2018

This notice is issued in line with National Grid Gas' ("National Grid") Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code, which requires National Grid to provide at least two months' notice of changes to its gas transportation charges. This notice details changes that will apply from 1 April 2018 and follows the 'indicative notice' published on 1 November 2017 and is available at this link.

A copy of our document "**Notice of Gas Transmission Transportation Charges effective from 1 April 2018**", which contains all charges that will apply from 1 April 2018 is available on the National Grid website and at this link under 'Final Notices'. It should be read in conjunction with this note.

This note contains a summary explanation of the changes to the charges from 1 April 2018.

Charging Base

We have used our Future Energy Scenarios (FES) 2017 for the charging base for 2018/19. Overall demand for gas is forecast to decrease (in all scenarios) driven mainly by a decrease in gas for Power Generation due to decarbonisation in that sector. Our forecast has reduced by 36 TWh compared to the forecast for 2017/18 used in October 2017 final prices.

Adjustments have been made to take into account the entry and exit flows that attract the Optional Commodity ('shorthaul') tariff. Any flows utilising the shorthaul tariff decreases the volume that attract the standard commodity rates. Our forecast of the use of the shorthaul tariff has also decreased. The net effect of this has been to slightly decrease our overall forecast demand used to set the commodity charges by less than 1%.

The forecast demand will be revisited later in the year when a new set of FES data will be available for our October 2018 charging process.

This explanation of the changes to the charges is split into four parts:

- **Transmission Owner (TO) Charges**
    - TO Entry and Exit Commodity
    - DN Pensions Deficit
    - NTS Meter maintenance
- **System Operator (SO) Charges**
    - SO Entry and Exit Commodity
    - St Fergus Compression
- **Tools and Supporting Information**
- **Appendix**

TO Allowed Revenues

TO allowed revenue, which is shared 50:50 between entry and exit activities has decreased from the 2017/18 level of £847m to a level of £708m, a decrease of £139m (-16%). This is the main driver of the changes to the TO Commodity charges.

NTS TO Commodity Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on entry flows will decrease to **0.0434** p/kWh (-15%) from its current rate of 0.0509 p/kWh. This compares to the average rate of 0.0.0516 p/kWh in 2017/18.

NTS TO Exit Commodity Charge

The TO Exit Commodity rate will reduce to **0.0202** p/kWh (-14%) from its current rate of 0.0235 p/kWh. This compares to the average rate of 0.0.0235 p/kWh in 2017/18.

A summary of NTS TO Commodity charges can be found in **Table 2** of the Appendix of this document.

Distribution Network (DN) Pension Deficit charge

With the creation of Cadent Gas, and the associated ring-fencing of its pension liabilities, there are some changes to the way the DN Pension Deficit was funded from 1 April 2017. Cadent Gas pay the future Pensions Deficit costs directly and not via the DN Pensions Deficit recharge. There will be a two year period (2017/18 and 2018/19) where they will continue to fund the legacy deficit via the Pensions Deficit charge. After this, the charge will no longer apply to Cadent Gas.

DN Pension costs are estimated to be £38.7m based on 2009/10 prices and including inflation equates to £50.8m for 2018/19.

Metering Charges

Meter maintenance charges will rise by an inflationary amount as in previous years, which is 3.4%.

SO Allowed Revenues

The SO allowed revenue has decreased by £6m from the 2017/18 level of £210m to £204m (-3%).

NTS SO Commodity Charges

The NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0101** p/kWh (-5%) compared to the current rate of 0.0106 p/kWh. This compares to the average rate of 0.0.0106 p/kWh in 2017/18.

Other SO Charges

The **Compression Charge** levied at the North Sea Midstream Partners (NSMP) sub-terminal at St. Fergus is to increase from its current level of 0.0104 p/kWh to **0.0117** p/kWh, which equates to a 13%

increase. This is a change on the indicative level principally driven by a revised view of compressor fuel requirements. We have seen higher flows that initially forecast and higher gas prices.

A summary of the SO charges can be found in **Table 2** of the Appendix.

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at this link.

This includes the quarterly charge setting report which details:

- information about the components of the TO and SO allowed revenues;
- how they have changed since October's charges were set; and
- how this information in conjunction with the charging base is used to calculate charges.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Karin Elmhirst (01926 655540), karin.elmhirst@nationalgrid.com or email the charging team at box.transmissioncapacityandcharging@nationalgrid.com.

Comments & Feedback

As part of our commitment to customers, National Grid welcomes comments and feedback on the information contained in this notice. In particular, to ensure that information is provided and presented in a way that is of most use to our customers, we would welcome specific feedback on:

- The level of numeric detail provided to explain charge changes;
- The quality of the explanation given to describe and explain charge changes;
- Information that is not useful and could be omitted;
- Information that is missing that could be added.

This can be sent via email to Karin.elmhirst@nationalgrid.com

Appendix

Table 1 Forecast Allowed Revenues for Financial year 2018/19

	2017/18	2018/19	Change
TO Maximum Allowed Revenue	£847m	£708m	-£139m
SO Maximum Allowed Revenue	£210m	£204m	-£6m
Revenues to be collected from:			
NTS TO Entry Commodity	£320m	£271m	-£49m
NTS TO Exit Commodity	£148m	£126m	-£22m
NTS SO Commodity	£131m	£126m	-£5m

Table 2 Summary of Commodity Charges

NTS Charge	At October 2017	Effective from 1 April 18	Change
TO Entry Commodity	0.0509	**0.0434**	-0.0075
TO Exit Commodity	0.0235	**0.0202**	-0.0033
SO Commodity (Entry & Exit)	0.0106	**0.0101**	-0.0005
St. Fergus Compression	0.0104	**0.0117**	0.0013