

Stuart Cook
Director Transmission
Ofgem
9 Millbank
London
SW1P 3GE

Nigel Fox
Charging and Revenue Manager

nigel.fox@uk.ngrid.com
Direct tel +44 (0)1926 656823

www.nationalgrid.com

31st July 2008

Dear Stuart,

Notice of Revised Gas Transmission Transportation Charges from 1st October 2008

In order to bring revenue recovery from transportation charges in line with National Grid's Gas Transmission Price Control's, National Grid is publishing this notice of revised transmission charges two months in advance of the changes, consistent with our Licence and Uniform Network Code obligations.

From 1st October 2008 changes will be applied to NTS charges as follows;

1. The **NTS TO Entry Commodity** charge levied on entry flows will be **0.0102** p/kWh and is broadly in line with our Indicative Notice. As specified in our Indicative Notice, the increase is primarily due to:
 - Lower than forecast revenue from entry capacity auctions. The charge set in April 2008 was based on last year's auction results, but following the latest AMSEC auctions, recovery was £45m less than anticipated. This now needs to be recovered by the NTS TO Commodity charge.
 - Changes to the TO Maximum Allowed Revenue including recently allowed increased costs associated with gas conveyed to independent systems.
2. The **NTS SO Commodity** charge as applied to both entry and exit flows will be levied at a rate of **0.0186** p/kWh, an increase of 44% from its level at April 2008. This change is outside our forecast range given in the Indicative Notice and has been primarily caused by:
 - Forecast increases in shrinkage costs impacting on the Allowed Revenue. Shrinkage costs are forecast to be higher due to our view of present forward gas prices, which are higher than foreseen at the indicative stage, and to forecast increases in Unaccounted for Gas (UAG) volumes. The UAG volumes are currently higher than in previous years. The uncertainty in shrinkage costs remains high as both volumes and wholesale gas prices are uncertain. This may necessitate consideration being given to a further change to the SO Commodity charges within this financial year.
 - The recent Price Control introduced a new term into our GT Licence, the NTS Exit Incentive, associated with the sale of NTS incremental (i.e. new) exit points, which has lead to an additional income recovered by the SO Commodity charge.

3. The **Compression** charge levied at the Total Oil Marine sub-terminal at St. Fergus will increase to **0.0185** p/kWh. This is higher than proposed at the indicative stage, largely because the current sustained rise in gas prices was not anticipated when the indicative charges were published. Should it become necessary to consider a third price change this year, the St. Fergus compression charge will also be reviewed.
4. The changes to **NTS TO Exit Capacity** charges are in the attached table. The final charges are broadly in line with those given in the Indicative Notice. The charges have been derived via our Transportation Model. The model has been updated to reflect changes in demand levels, the pipeline network, supply patterns, the expansion constant and target revenue all of which will affect exit charges. However, the following points should be noted:
 - Network changes have had a negligible impact on charges.
 - The increase in the expansion factor has effectively expanded the network thus increasing the range of exit charges albeit by a small amount.
 - An increase in allowed revenue compared to 2007/08 has increased all exit charges by the same amount, subject to the minimum charge.
 - Changes in gas flows impact significantly on exit capacity charges. The largest changes to this year's demand and supply forecasts are around the supply assumptions, in particular, there have been increases in beach at Bacton and LNG import terminals with corresponding reductions in the expected usage of LNG storage facilities. This has caused larger rises to the exit capacity charges in the North West and South West, as gas has to travel further to meet demand in these locations.

National Grid anticipates making the Transportation Model available to parties that have signed the licence agreement for the model. Details of how to obtain the model can be found on the charging section of our website¹.

For the avoidance of doubt, all other administered charges will remain the same.

Please find attached a copy of our document "Notice of Gas Transmission transportation Charges effective from 1st October 2008", which contains all of the above price changes. This document will also be available on the National Grid website www.nationalgrid.com/uk/gas/ under Charging, Transportation Charges.

If you have any questions about this Notice, or NTS charges in general, please contact myself or the Charging and Revenue Team on 01926 654633.

Nigel Fox
Charging and Revenue Manager
UK Transmission Commercial
National Grid

¹ <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>

NTS TO Exit Capacity Charges

Network	Exit Zone	Exit Charge p/pdkWh/day		
		Effective from 1 Oct 08 to 30 Sep 09	Indicative	
			from 1 Oct 09 to 30 Sep 10	from 1 Oct 10 to 30 Sep 11
East of England	EA1	0.0069	0.0055	0.0072
	EA2	0.0076	0.0062	0.0079
	EA3	0.0031	0.0016	0.0034
	EA4	0.0126	0.0111	0.0129
	EM1	0.0003	0.0001	0.0006
	EM2	0.0053	0.0038	0.0056
	EM3	0.0152	0.0137	0.0155
	EM4	0.0109	0.0094	0.0112
North of England	NE1	0.0058	0.0050	0.0068
	NE2	0.0006	0.0009	0.0015
	NE3	0.0001	0.0001	0.0001
	NO1	0.0007	0.0006	0.0014
	NO2	0.0003	0.0007	0.0009
London	NT1	0.0209	0.0194	0.0212
	NT2	0.0130	0.0116	0.0134
	NT3	0.0126	0.0111	0.0129
North West	NW1	0.0097	0.0104	0.0107
	NW2	0.0146	0.0154	0.0156
Scotland	SC1	0.0001	0.0001	0.0001
	SC2	0.0001	0.0001	0.0001
	SC4	0.0001	0.0001	0.0001
South of England	SE1	0.0157	0.0142	0.0159
	SE2	0.0209	0.0194	0.0212
	SO1	0.0159	0.0144	0.0162
	SO2	0.0236	0.0221	0.0240
Wales & the West	SW1	0.0161	0.0147	0.0165
	SW2	0.0235	0.0221	0.0238
	SW3	0.0347	0.0332	0.0350
	WA1	0.0187	0.0195	0.0197
	WA2	0.0096	0.0082	0.0101
West Midlands	WM1	0.0174	0.0171	0.0183
	WM2	0.0158	0.0144	0.0162
	WM3	0.0143	0.0128	0.0146

NTS TO Exit Capacity Charges continued

NTS Sites	Exit Charge p/pdkWh/day		
	Effective	Indicative	
		from 1 Oct 09	from 1 Oct 10
Abengoa	-	-	0.0015
AM Paper	0.0110	0.0117	0.0119
Baglan Bay PG	0.0076	0.0061	0.0079
Barking PG	0.0129	0.0114	0.0132
BP Grangemouth	0.0001	0.0001	0.0001
BP Saltend HP	0.0001	0.0001	0.0001
Bridgewater Paper	0.0164	0.0176	0.0177
Brigg PG	0.0042	0.0027	0.0045
Brimsgate PG	0.0143	0.0128	0.0146
Brunner Mond	0.0143	0.0150	0.0150
Connahs Quay PS	0.0160	0.0173	0.0173
Corby PS	0.0108	0.0093	0.0111
Coryton PG	0.0132	0.0117	0.0135
Cottam PG	0.0051	0.0036	0.0054
Damhead Creek	0.0126	0.0111	0.0129
Deeside PS	0.0163	0.0176	0.0176
Didcot PS	0.0192	0.0178	0.0196
Goole Glass	0.0033	0.0024	0.0042
Grain Gas	0.0126	0.0111	0.0129
Great Yarmouth	0.0009	0.0001	0.0012
Hays Chemicals	0.0151	0.0161	0.0161
ICI Runcorn	0.0180	0.0193	0.0193
Immingham PG	0.0003	0.0001	0.0006
Keadby PS	0.0044	0.0035	0.0053
Kemira Ince CHP	0.0177	0.0189	0.0189
Kings Lynn PS	0.0061	0.0046	0.0064
Langage PG	0.0325	0.0310	0.0328
Little Barford PS	0.0122	0.0108	0.0126
Longannet	0.0001	0.0001	0.0001
Marchwood	0.0245	0.0230	0.0248
Medway PS	0.0125	0.0110	0.0128
Peterborough PS	0.0080	0.0065	0.0083
Peterhead PG	0.0001	0.0001	0.0001
Phillips Seal Sands	0.0001	0.0001	0.0010
Rocksavage PG	0.0180	0.0193	0.0193
Rosecote PS	0.0018	0.0025	0.0027
Rye House PS	0.0147	0.0132	0.0150
Saltend	0.0001	0.0001	0.0001
Sappi Paper Mill	0.0098	0.0105	0.0107
Seabank Power	0.0225	0.0210	0.0228
Seabank Power Module II	0.0242	0.0227	0.0245
Sellafield PS	0.0001	0.0006	0.0008
Shotton Paper	0.0161	0.0173	0.0173
Spalding PG	0.0065	0.0050	0.0068
Stallingborough PS	0.0012	0.0001	0.0015
Staythorpe	0.0028	0.0013	0.0082
Sutton Bridge PS	0.0073	0.0059	0.0077
Teesside BASF	0.0001	0.0001	0.0010

NTS TO Exit Capacity Charges (continued)

NTS Sites	Exit Charge p/pdkWh/day		
	Effective	Indicative	
		from 1 Oct 09	from 1 Oct 10
Teesside Hydrogen	0.0001	0.0001	0.0010
Teesside PS	0.0006	0.0001	0.0016
Terra Billingham	0.0006	0.0001	0.0016
Terra Severnside	0.0241	0.0226	0.0244
Thornton Curtis PG	0.0003	0.0001	0.0006
Zeneca	0.0001	0.0001	0.0010

Interconnectors			
Bacton Interconnector	0.0009	0.0001	0.0012
Moffat	0.0001	0.0001	0.0001

Storage Sites			
Avonmouth LNG	0.0241	0.0227	0.0245
Barton Stacey	0.0228	0.0213	0.0231
Cheshire	0.0139	0.0146	0.0146
Dynevor Arms LNG	0.0093	0.0078	0.0096
Fleetwood	-	-	0.0100
Garton	0.0001	0.0001	0.0001
Glenmavis	0.0001	0.0001	0.0001
Hatfield Moor	0.0038	0.0029	0.0047
Holehouse Farm	0.0151	0.0163	0.0164
Hornsea	0.0001	0.0001	0.0011
Partington	0.0137	0.0144	0.0147
Rough	0.0001	0.0001	0.0001