

# Notice of Indicative Gas Transmission Transportation Charges

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Indicative charges for 1 April 2018



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## Introduction

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This notice is issued in line with National Grid's Gas Transporters Licence in respect of the NTS ("the Licence"). The Licence requires National Grid to provide at least 150 days' notice of changes to its gas transportation charges (the 'indicative' notice). This notice is issued with respect to changes that will apply from 1 April 2018. A Notice of the actual charges will be published by 1 February 2018, to provide the two months' notice required by the Licence and Network Code obligations.

**For the avoidance of doubt all charges not mentioned in this notice are unchanged from those in the 1 October 2017 Transportation Charging Statement, available [here](#).**

This notice is split into four parts:

- **TO Charges**
  - TO Entry and Exit Commodity
  - DN Pension Deficit
  - NTS Meter Maintenance
- **SO Charges**
  - SO Entry and Exit Commodity
  - St Fergus Compression
- **Supporting Information**
- **Appendices**

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### Basis of preparing Indicative charges

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National Grid sets its charges to recover the price control allowances set by Ofgem. The current RIIO-T1 price control applies from 1 April 2013 to 31 March 2021.

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### Charging Base

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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 shorthaul decreases the volume that attract the standard commodity rates. Our forecast of the use of the shorthaul tariff has also decreased and the net effect has been to slightly increase our forecast demand used to set the commodity charges by about 1%.

The forecast demand will be revisited before confirming final prices in January 2018.



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## TO Charges

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### TO Allowed Revenues

TO Maximum allowed revenue, TO MAR (which is shared 50:50 between Entry and Exit activities) has decreased from the 2017/18 level of £847m to a level of £712m, a decrease of £135m (-16%).

The forecast TO MAR is down significantly due to an £85m decrease in Ofgem's annual adjustment factor (MOD) following the Avonmouth allowance removal and a £32m decrease in MOD due to a forecast pension scheme deficit allowance reduction following the sale of National Grid's Distribution Networks (now Cadent Gas). There is also a £14m decrease due to lower licence base revenues in 2018/19.

The TO MOD value, which adjusts for a number of items through an annual iteration of Ofgem's Price Control Financial Model (PCFM), will be confirmed by Ofgem by early December 2017.

The main uncertainties around the TO Maximum Allowed Revenue relate to the MOD term and the Network Innovation Competition Fund (NICF) value both of which will be confirmed by Ofgem in time to set final charges for April 2018.

A summary table of Allowed Revenues is shown in **Appendix 1** of this document.

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#### NTS TO Entry Commodity charge

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The NTS TO Entry Commodity charge levied on entry flows is estimated to decrease to **0.0432** p/kWh from its current rate of 0.0509 p/kWh and from an average rate for 2017/18 of 0.0516 p/kWh, representing a decrease of 15% and 16% respectively. The decrease in this rate is primarily due to the decrease in the revenue (-£47m) that we are seeking to recover from TO Entry Commodity charge.

Given the uncertainty around the TO allowed revenue and demand forecasts we have

calculated the range around the indicative rate to be between -/+15%.

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#### NTS TO Exit Commodity charge

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The TO Exit Commodity charge is expected to decrease from its current rate of 0.0235 p/kWh to **0.0201** p/kWh, a decrease of 14%, and a decrease of 14% on the 2017/18 average of 0.0235 p/kWh.

We estimate the range around this charge to be around -/+15%.

A summary of TO Commodity charges can be found in **Appendix 2**.

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#### Distribution Network (DN) Pension Deficit charge

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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 in 2009/10 prices and including inflation equates to £50.8m for 2018/19. Any update to this number

will be included in the final charges to be issued in January 2018.

The Indicative monthly and annual DN Pension Deficit charges for 2018/19 are shown in Table 1

**Table 1 DN Pensions Deficit Charges**

Distribution Network	Monthly Charge, £	Annual Charge, £m
East of England	611,672	7.34
London	356,597	4.28
North West	420,049	5.04
West Midlands	303,298	3.64
North of England	599,332	7.19
Scotland	413,871	4.97
South of England	958,541	11.50
Wales and the West	573,953	6.89

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### Metering Charges

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Meter maintenance charges will rise at the rate of inflation as in previous years, currently estimated at 3.4%.

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## SO Charges

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### SO Allowed Revenues

The SO allowed revenue has decreased by £21m from the 2017/18 level of £210m to £189m (-10%).

The forecast SO Maximum Allowed Revenue (MAR) reflects a £13m decrease in external costs, mainly due to reduced shrinkage costs, and a £7m reduction in K (the over or under recovery from t-2) due to larger over-collection in 2016/17 compared to 2015/16.

As in the case of the TO MOD term, the SO MOD value (currently forecast at -£0.1m) adjusts for a number of SO items through an annual iteration of Ofgem's Price Control Financial Model (PCFM) and will be confirmed by Ofgem in by early December 2017.

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### NTS SO Commodity Charges

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The Indicative level of the NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0093** p/kWh compared to the current rate of 0.0106 p/kWh (-12%) and from an average rate for 2017/18 of 0.0106 p/kWh (-12%). This decrease in rate is driven principally by the change in SO revenue to be collected.

The main uncertainty around this charge is the value of shrinkage costs and the SO MOD

term. To reflect this we estimate a variation of -30% / +30% around our indicative SO Commodity rate.

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### Other SO Charges

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The **St. Fergus Compression** charge will decrease compared to current level. The compression costs at St. Fergus are decreasing by £2.7m due to a reduction in flows expected at this terminal compared to the high levels seen last year.

The St. Fergus Compression charge levied at the North Sea Midstream Partners (NMSP) sub-terminal at St. Fergus is expected to decrease from its current level of 0.0104 p/kWh to an Indicative level of **0.0091** p/kWh, a decrease of 13%. We estimate the range on this charge to be -30% / +30% on our forecast of the St. Fergus Compression charge.

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

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## Supporting Information

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Guidance and supporting charge setting information will be made available on the National Grid website at <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

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### NTS TO Exit Capacity charges

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NTS Exit Capacity charges are normally updated once a year from 1 October.

The latest published indicative Exit Capacity charges for 2018/19 were published on 1 May 2017 and utilised for user commitment in the 2017 Exit Capacity Application Window. These can be found at the following [link](#) under Final Notices.

To account for the revised TO allowed revenue for 2018/19 in the indicative TO Exit Commodity rate, a revised view of TO Exit Capacity charges for 2018/19 has been calculated and used in this charge setting process. For reference these can be found in Appendix 3 of this document, however, they do not replace those rates that were published on 1 May 2017 and utilised for user commitment in the 2017 Exit Capacity Application Window.

There will be an opportunity to discuss these changes at a subsequent NTS Charging Methodology Forum (NTSCMF), details of which can be found at <https://www.gasgovernance.co.uk/ntscmf>

If you are unable to attend NTSCMF or would prefer to obtain information about our charges via a different route, please let us know by contacting:  
[box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com).

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### Getting in touch

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If you have any other questions about gas transportation charges or feedback about how we present and explain the charges in this document, please contact Hayley Burden (01926 656972) or Karin Elmhirst (01926 655540) or email the Transmission charging team at [box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com).

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### Other Information

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Further information on the methods and principles on which Transmission transportation charges are derived is set out in Uniform Network Code (UNC) – Transportation Principal Document, Section Y – Charging Methodologies. A copy of the UNC can be found at [www.gasgovernance.co.uk/TPD](http://www.gasgovernance.co.uk/TPD).

Details of National Grid and its activities can be found on the National Grid Internet site at <https://www.nationalgrid.com/uk>

An electronic version of this publication can be found on our web site and via this [link](#).

Our updated [long term revenue forecasts](#) will be published on our website before the end of November 2017.

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## Appendix 1

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### Allowed Revenues used for Charge Setting

	£m		
	2017/18	2018/19 at Apr 18 Indicative	Change
TO Maximum Allowed Revenue	847	712	-135
SO Maximum Allowed Revenue	210	189	-21
NTS TO Entry Commodity	320	273	-47
NTS TO Exit Commodity	148	127	-21
NTS SO Commodity (Entry & Exit)	131	117	-14
St. Fergus Compression	16.2	13.5	-2.7



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## Appendix 2

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### Summary of Commodity Charges

The table below summarises the Indicative changes to the Commodity charges being made in April 2018. A comparison between the current and average Commodity rate during 2017/18 and the April 2018 indicative is also provided.

Charge p/kWh	% Change...				
	Oct 17 (Current)	Average 2017/18	April 2018 Indicative	to current	to Average 2017/18
NTS TO Entry Commodity	0.0509	0.0516	0.0432	-15%	-16%
NTS TO Exit Commodity	0.0235	0.0235	0.0201	-14%	-14%
NTS SO Commodity (Entry & Exit)	0.0106	0.0106	0.0093	-12%	-12%
St. Fergus Compression	0.0104	0.0103	0.0091	-13%	-12%

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## Appendix 3

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### Revised view of NTS Exit Capacity charges for 2018/19

Offtake	p/kWh/d
ABERDEEN	0.0001
AIR_PRODUCTS	0.0003
ALREWAS_EM	0.0139
ALREWAS_WM	0.0139
AM_PAPER	0.0163
APACHE	0.0001
ARMADALE	0.0001
ASPLEY	0.0176
ASSELBY	0.0001
AUDLEY_NW	0.0196
AUDLEY_WM	0.0196
AUSTREY	0.0132
AVONMOUTH_LNG	0.0244
AYLESBEARE	0.0326
BACTON_BAIRD	0.0001
BACTON_Deborah	0.0001
BACTON_OT	0.0001
BACTONBBLINT	0.0001
BACTONINT	0.0001
BAGLAN_BAY_PG	0.0032
BALDESBY	0.0039
BALGRAY	0.0001
BARKING_PG	0.0091
BARROW_BAINS	0.0047
BARROW_BS	0.0047
BARROW_GATEWAY	0.0047
BARTON_STACEY_(MRS)	0.0217
BATHGATE	0.0001
BILLINGHAM_ICI	0.0011
BISHOP_AUCKLAND	0.0033
BISHOP_AUCKLAND_TEST_FACILITY	0.0033
BLABY	0.0097
BLACKROD	0.0161
BLYBOROUGH	0.0001
BP_GRANGEMOUTH	0.0001
BP_KINNEIL	0.0001
BP_SALTEND_HP	0.0001
BRAISHFIELD_A	0.0236

BRAISHFIELD_B	0.0236
BRIDGEWATER_PAPER	0.0244
BRIGG_PG	0.0010
BRIMSDOWN_PG	0.0097
BRINE_FIELD_PS	0.0003
BRISLEY	0.0001
BROXBURN	0.0001
BRUNNER_MOND	0.0203
BURLEY_BANK	0.0030
BURNHERVIE	0.0001
CALDECOTT	0.0068
CAMBRIDGE	0.0047
CARESTON	0.0001
CARRINGTON_PS	0.0196
CAYTHORPE_(MRS)	0.0001
CENTRAX	0.0356
CHESHIRE_(MRS)	0.0203
CHOAKFORD	0.0392
CIRENCESTER	0.0197
COCKENZIE_PS	0.0001
COFFINSWELL	0.0359
COLDSTREAM	0.0001
CONNAHS_QUAY_PS	0.0249
CORBRIDGE	0.0001
CORBY_PS	0.0064
CORYTON_PG	0.0094
CORYTON_PG_2	0.0094
COTTAM_PG	0.0001
COWPEN_BEWLEY	0.0009
CRAWLEY_DOWN	0.0220
DAMHEAD_CREEK	0.0070
DEESIDE_PS	0.0249
DIDCOT_PS	0.0171
DOWLAIS	0.0060
DRAKELOW_PS	0.0134
DROINTON_OT	0.0153
DRUM	0.0001
DYFFRYN_CLYDACH	0.0031
DYNEVOR_ARMS_LNG	0.0053
EASINGTON&ROUGH_TERMINAL	0.0001
EASTON_GREY	0.0203
ECCLESTON	0.0236
ELTON	0.0022
ENRON_(BILLINGHAM)	0.0011

EVESHAM	0.0153
EYE	0.0035
FARNINGHAM	0.0099
FARNINGHAM_B	0.0099
FIDDINGTON	0.0145
FORDOUN CNG STATION	0.0001
GANSTEAD	0.0001
GARTON_(MRS)	0.0001
GILWERN	0.0074
GLASGOFOREST	0.0001
GLENMAVIS	0.0001
GLENMAVIS_LNG	0.0001
GOOLE_GLASS	0.0001
GOSBERTON	0.0011
GRAIN_GAS	0.0070
GREAT_WILBRAHAM	0.0035
GREAT_YARMOUTH	0.0001
GUYZANCE	0.0001
HARDWICK	0.0128
HATFIELD_MOOR_(MRS)	0.0001
HATFIELD_POWER_STATION	0.0001
HAYS_CHEMICALS	0.0210
HILLTOP_FARM	0.0209
HOLEHOUSE_FARM_(MRS)	0.0209
HOLMES_CHAPEL	0.0211
HORNDON	0.0091
HORNSEA_(MRS)	0.0001
HUMBLETON	0.0001
HUME	0.0001
ICI_RUNCORN	0.0246
ILCHESTER	0.0274
IMMINGHAM_PG	0.0001
IPSDEN	0.0168
IPSDEN_2	0.0168
KEADBY_BS	0.0001
KEADBY_PS	0.0001
KELD	0.0059
KEMIRAINCE_CHP	0.0241
KENN	0.0339
KINGS_LYNN_PS	0.0001
KINKNOCKIE	0.0001
KIRKSTEAD	0.0001
LANGAGE_PG	0.0392
LANGHOLM	0.0001

LAUDERHILL	0.0001
LEAMINGTON_SPA	0.0122
LITTLE_BARFORD_PS	0.0082
LITTLE_BURDON	0.0027
LITTLETON_DREW	0.0213
LOCKERBIE	0.0001
LONGANNET	0.0001
LOWER_QUINTON	0.0144
LUPTON	0.0090
LUXBOROUGH_LANE	0.0094
MAELOR	0.0229
MALPAS	0.0219
MAPPOWDER	0.0295
MARCHWOOD	0.0239
MARKET_HARBOROUGH	0.0082
MATCHING_GREEN	0.0085
MEDWAY_PS	0.0071
MELKINTHORPE	0.0050
MICKLE_TRAFFORD	0.0234
MILFORD_HAVEN_REFINERY	0.0001
MILWICH	0.0161
MOFFAT	0.0001
NETHER_HOWCLEUGH	0.0001
Palm Paper	0.0001
PANNAL	0.0024
PARTINGTON	0.0196
PARTINGTON_LNG	0.0196
PAULL	0.0001
PEMBROKE_PG	0.0001
PETERBOROUGH_PS	0.0040
PETERHEAD_PG	0.0001
PETERS_GREEN	0.0087
PETERS_GREEN_SOUTH_MIMMS	0.0087
PHILLIPS_SEAL_SANDS	0.0003
PICKERING	0.0001
PITCAIRNGREEN	0.0001
PUCKLECHURCH	0.0223
RAWCLIFFE	0.0001
ROCKSAVAGE_PG	0.0246
ROOSECOTE_PS	0.0047
ROSS_SW	0.0110
ROSS_WM	0.0110
ROUDHAM_HEATH	0.0001
ROYSTON	0.0058



RUGBY	0.0108
RYE_HOUSE_PS	0.0102
SALTEND	0.0001
SALTFLEETBY	0.0001
SALTWICK_PC	0.0001
SALTWICK_VC	0.0001
SAMLESBURY	0.0144
SAPPIPAPERMILLCHP	0.0149
SEABANK_LDZ	0.0246
SEABANK_POWER_phase_II	0.0245
SEABANK_POWER_phase1	0.0223
SEAL SANDS TGPP	0.0003
SELLAFIELD_PS	0.0097
SEVERNSIDE_ICI	0.0243
SHORNE	0.0087
SHOTTON_PAPER	0.0248
SHUSTOKE	0.0146
SILK_WILLOUGHBY	0.0001
SOUTRA	0.0001
SPALDING_PG	0.0016
SPALDING_PG_2	0.0016
ST_FERGUS_BS	0.0001
ST_FERGUS_OT	0.0001
ST_FERGUS_SEGAL	0.0001
STALLINGBOROUGH	0.0001
STAYTHORPE	0.0034
STRANRAER	0.0001
STRATFORD_UPON_AVON	0.0138
STUBLACH	0.0203
SUTTON_BRIDGE	0.0021
SUTTON_BRIDGE_PS	0.0019
TATSFIELD	0.0120
TEESSIDE_BASF	0.0003
TEESSIDE_HYDROGEN	0.0003
THORNTON_CURTIS_(KILLINGHOLME)	0.0001
THORNTON_CURTIS_LDZ	0.0001
THRINTOFT	0.0048
TILBURY_PS	0.0090
TOW_LAW	0.0057
TOWTON	0.0003
TRAFFORD_PS	0.0196
TUR_LANGTON	0.0084
WALESBY	0.0001
WARBURTON	0.0193

WEST_BURTON_PS	0.0001
WEST_WINCH	0.0001
WESTON_POINT	0.0246
WETHERAL	0.0019
WHITWELL	0.0081
WILLINGTON_PS	0.0151
WINKFIELD_NT	0.0192
WINKFIELD_SE	0.0192
WINKFIELD_SO	0.0192
WYRE_PS	0.0135
YELVERTON	0.0001
ZENECA	0.0011

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