

To:  
Shippers, Suppliers, Customers, Transmission and  
Transportation System Owners and other Interested  
Parties

Nick Reeves  
Commercial Analyst  
National Grid Transmission

[nick.reeves2@uk.ngrid.com](mailto:nick.reeves2@uk.ngrid.com)  
Direct tel +44 (0)1926 653248

[www.nationalgrid.com](http://www.nationalgrid.com)

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Dear Colleague

## **Indicative User Pays Charges for Modification Proposals 0333 and 0333A**

### **1. Introduction**

National Grid NTS has been asked to provide an indicative view of the unit price for the User Pays Charges associated with Modification Proposal 0333 - Update of the default System Marginal Buy Price and System Marginal Sell Price and the alternate Modification Proposal 0333A. In response to this request, this letter seeks to provide an indicative view of the unit price for the User Pays Charges using more up to date cost and imbalance information.

It is important to note that the information provided within this letter is purely for indicative purposes and does not in any way seek to specify the formal User Pays Charges that will apply should Modification Proposal 0333 or 0333A be implemented.

The following provides an overview of the relevant information stated within both Modification Proposals;

### **2. User Pays Information Contained within Modification Proposals 0333 and 0333A**

#### ***“Proposed charge(s) for application of Users Pays charges to Shippers***

*Both Modification Proposals 0333 and 0333A propose that the charge for the application of Users Pays charges to Shippers should be a one-off charge levied upon the day of implementation to Shipper Users based upon their individual proportion of the previous 365 days gross imbalance energy.*

#### ***Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve***

*Xoserve’s Rough Order of Magnitude (ROM) states that Xoserve costs are likely to be at least £205k but probably not more than £227k. There are no ongoing costs expected to be associated with this modification.”*

#### ***Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification***

*Modification Proposal 0333 proposes that the implementation costs are recovered 100% from Shipper Users.*

*Modification Proposal 0333A proposes that the implementation costs are recovered 75% from Gas Transporters and 25% from Shipper Users."*

### 3. Indicative User Pays Charges

#### Gross Imbalance Energy

To provide up to date indicative charges, this letter assumes that either Modification Proposal 0333 or 0333A was implemented on 1<sup>st</sup> February 2011. In line with the User Pays sections of both Modification Proposals the previous 365 days gross imbalance energy referenced within this letter therefore ranges from 1<sup>st</sup> February 2010 to 31<sup>st</sup> January. During this period the gross imbalance energy was 27,092,209,537 kWh comprising of 13,407,642,081 kWh at SMP Sell (long) and -13,684,567,456 kWh at SMP Buy (buy).

#### Xoserve Costs

As stated above, Xoserve's Rough Order of Magnitude (ROM), dated 16<sup>th</sup> December 2010, states that Xoserve costs are likely to be at least £205k but probably not more than £227k.

#### Indicative User Pays unit Charge

Using the above information, the indicative unit cost for the User Pays Charges for Modification Proposals 0333 and 0333A can be calculated as follows

	<u>Probably no less than</u>	<u>Probably no more than</u>
Modification Proposal 0333	0.00076 p/kWh	0.00084 p/kWh
	7.56675 £/GWh	8.37879 £/GWh
Modification Proposal 0333A	0.00019 p/kWh	0.00021 p/kWh
	1.89169 £/GWh	2.09470 £/GWh

As an example, if a Shipper has contributed 5% to the total gross imbalance energy stated above over the previous 365 the User Pays Charge will be calculated as follows;

5% of total gross imbalance energy between 1/02/2010 and 31/01/11 = 1,354,610,477kWh

Example Individual Shipper User Pays Charge for Modification Proposal 0333;

- Probably no less than £10,295 (calculated as 1,354,610,477kWh x 0.00076 p/kWh)
- Probably no more than £11,379 (calculated as 1,354,610,477kWh x 0.00084 p/kWh)

Example Individual Shipper User Pays Charge for Modification Proposal 0333A;

- Probably no less than £2,574 calculated as (1,354,610,477kWh x 0.00019 p/kWh)
- Probably no more than £2,845 calculated as (1,354,610,477kWh x 0.00021 p/kWh)

### 4. Next Steps

The Final Modification Report for Modification Proposal 0333 and 0333A is now with the Authority for a decision.

Upon implementation of either Modification, Xoserve will calculate the actual User Pays Charges and invoice each Shipper User in line with the User Pays section of the relevant Modification Proposal and the associated Agency Charging Statement.

Finally, if you have any questions with regards to Modification Proposal 0333 or anything included within this letter please contact me using the details above.

Yours sincerely

Nick Reeves