

All Shippers & Interested Parties

31 May 2024

RE: Notice of NTS Annual Yearly (Entry and Exit) Interconnection Point (IP) Reserve Prices

Dear Industry Participant

The Annual Yearly Auctions for NTS Entry and Exit Capacity at Interconnection Points will be held during July 2024 for capacity from 1st October 2024 to 30th September 2039.

National Gas is publishing this Notice of change to NTS Transportation Charges to provide at least one month in advance of the next Annual Yearly Auctions, consistent with our Licence obligations.

Reserve prices for the Annual Yearly and Annual Quarterly auctions have been calculated in accordance with UNC TPD Section Y and using revenues in line with Part A of Special Condition [2.1](#)<sup>1</sup> (Transportation owner revenue restriction). The revenues used in the calculations are those from the Price Control Financial Model ([PCFM](#)) Ofgem published in May 2024.

The essence of the methodology to calculate Transmission Services Entry and Exit target revenues is to take a proportion of the revenues from the PCFM across two Regulatory periods (April to March) to calculate a revenue target for the Gas or Tariff Year (October to September) that crosses them. This, implemented as part of [UNC0796](#), smooths some of the revenue volatility that would otherwise impact the Reserve Prices. This means that in some years tariffs may be set to over or under recover relative to the Regulatory Revenues from the PCFM in any given year.

For the Regulatory Year ending March 2025, the tariffs calculated would result in a small over recovery relative to the Allowed Revenues.

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<sup>1</sup> In accordance with Special Condition 2.1.4 the Authority provides consent where an over recovery in setting NTS Transportation Owner charges occurs following the applicable charging methodology in the Uniform Network Code.

### Revenue determination and estimated recovery

As the methodology following the UNC to create the Gas Year target revenue to be recovered using the allowed revenue from the regulatory years it spans as inputs, this results in the anticipated collection, all else being equal, being an under or over recovery compared to the Allowed Revenue for the Regulatory Year that ends in the Gas year for which prices are being set. Here the Licence required Ofgem to provide its [consent](#) for any over recovery that is anticipated and therefore part of the charge setting process.

To help illustrate this the table below provides some useful information on the anticipated revenue collection that underpins the charges being set.

#### *Transportation Owner (TO) Revenues and recovery estimates*

£m	Final	Indicative			
	Apr24- Mar25	Apr25- Mar26	Apr26- Mar27	Apr27- Mar28	Apr28- Mar29
TO FY Target Revenue	893.7	1166.4	1201.4	1237.5	1274.6
TO FY Forecast Recovery	896.2	1166.9	1223.6	1220.6	1281.8
TO Entry Recovery Forecast Variance	-19.6	24	16.3	-16.1	8.3
TO Exit Recovery Forecast Variance	22.1	23.5	5.9	-0.8	-1.0
Net Anticipated TO Recovery Variance	2.5	0.5	22.2	-16.9	7.3

For the values in the table above:

- These are a combination of the relevant Entry and Exit Capacity Revenues and Meter Maintenance revenues attributable to TO revenue recovery per the Licence.
- Recovered revenue forecasts are estimates over time following the same methodology and shows an over collection in FY25.
- To provide Indicative values for years 26/27, 27/28 and 28/29 we have used the Allowed Revenue from the previous year +3%.

As can be seen, for the Regulatory Year ending March 2025, the tariffs calculated would result in a small net TO over recovery (c.£2.5m) relative to the Allowed Revenues and following this methodology results in a mixture of over and under recovery positions across future years. This is the smoothing effect working through over time under the methodology that UNC0796<sup>2</sup> introduced in 2022.

<sup>2</sup> <https://www.gasgovernance.co.uk/0796>

### IP Entry Capacity Reserve Prices

The reserve prices for the Entry Capacity Annual Yearly IP Auction are detailed in Table 1 below. (These prices will apply to the Entry Annual Quarterly IP Auction.)

### IP Exit Capacity Reserve Prices

The reserve prices for the Exit Capacity Annual Yearly IP Auction are detailed in Table 2 below. (These prices will apply to the Exit Annual Quarterly IP Auction.)

NTS large price steps for a Capacity Annual Yearly IP (Entry and Exit) auction will be the greater of 5% of the applicable reserve price and 0.0001 p/kWh/day.

The transparency data on charges and the values that underpin them, in accordance with the EU Tariff Code, is to be published before the end of August 2024. In the meantime, National Gas will be looking to host a webinar that will provide an opportunity for National Gas to talk through the charges, including the revenue values that underpin them along with an update on key changes to how specific inputs have been calculated.

**Table 1** Reserve Prices Interconnection Points (IPs) for the Entry Annual Yearly and Entry Annual Quarterly auctions, Pence per kWh per day

EU Interconnector Points (IPs)	1 Oct 24 Pence per kWh per day
Bacton IP	0.1308

**Table 2** Reserve Prices, Interconnection Points (IPs) for the Exit Annual Yearly and Exit Annual Quarterly auctions, Pence per kWh per day

Offtake Point	Type of Offtake	1 Oct 24 Pence per kWh per day
Bacton (exit) IP	INTERCONNECTOR	0.0265
Moffat (Irish Interconnector)	INTERCONNECTOR – FIRM, EXIT ONLY	0.0265

For information, indicative prices for Gas Years 2025/26 to 2028/29 can be found in our Information Provision document, available [here](#) under NTS Charging Supporting Information.

### Future engagement

As part of our ongoing commitment to keep Stakeholders informed on charges and charging developments, National Gas is planning a webinar on **25 June 2024 at 1pm** to talk through the Transmission Services and Indicative General Non-Transmission Services charges published on 31 May. We will cover the key drivers of the charges and the methodology that informs the changes over time. If you'd like to know more of the detail or get an overview of the drivers of the charges, there will be something for you in this session. There will also be an opportunity to ask questions as part of the session. Please click [here](#) to register your interest for this event and a MS Teams link will be sent nearer the time.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact our charging team at [Box.NTSGasCharges@nationalgas.com](mailto:Box.NTSGasCharges@nationalgas.com)

Yours sincerely

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