

William Duff
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

31 May 2024

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

Dear William

The Annual Quarterly Auctions for Entry and Exit Capacity for Interconnection Points (IPs) are due to be held during August 2024 for capacity from 1st October 2024 to 30th September 2025.

National Gas is publishing this Notice of NTS Transportation Charges providing at least one months' notice in advance of the Annual Quarterly Auctions, consistent with our Licence obligations.

Capacity reserve prices for the 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](#)¹ (Transportation owner revenue restriction). The revenues used in the calculations are those from the Price Control Financial Model ([PCFM](#)) Ofgem published 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.

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 anticipated and therefore part of the charge setting process.

¹ 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.

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 the methodology results in a mixture of over and under recovery across future years. This is the smoothing effect working through over time under the methodology that UNC0796² introduced in 2022.

Reserve Prices

The reserve prices for the Entry Annual Quarterly IP Auction are detailed in Table 1.

Final Exit prices for Capacity auctions applicable from 1st October 2024 are detailed in Table 2, and will apply to the following:

- Exit Annual Yearly IP Capacity Auctions,
- Exit Annual Quarterly IP Capacity Auctions,
- Exit Rolling Monthly IP Capacity Auctions,
- Exit Rolling Day Ahead IP Capacity Auctions,
- Within Day IP Capacity Auctions for Exit Capacity.

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

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

The suite of values to cover the transparency on the charges and 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 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.

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

Yours sincerely

Liz Ferry
Head of Markets

Table 1 – **Entry** Reserve Price for Interconnection Points for IP Annual Quarterly Auctions

EU Interconnector Points (IPs)	From 1 Oct 2024 to 30 Sep 2025 Pence per kWh per day
Bacton IP	0.1308

Table 2 – **Exit** Reserve Price for Interconnection Points for IP Annual Quarterly Auctions

Offtake Point	Type of Offtake	From 1 Oct 2024 to 30 Sep 2025 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 Entry and Exit for Gas Years 2025/26 to 2028/29 can be found in our Information Provision document, available [here](#) under NTS Charging Supporting Information.