

31 July 2023

RE: Notice of Revised NTS Charges to apply from 1 October 2023

This notice is issued in line with National Gas' Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code, which requires National Gas to provide at least two months' notice of changes to its gas transportation charges. This notice details The General Non-Transmission Services Charges and St Fergus Compression Charge that will apply from 1 October 2023.

A copy of our document "Notice of Gas Transmission Transportation Charges effective from 1 October 2023", which contains all charges that will apply from 1 October 2023 is available on the National Gas website <https://www.nationalgas.com/charging/transmission-system-charges> and should be read in conjunction with this note.

The charges included in this notice are calculated in accordance with Section Y of the Uniform Network Code.

General Non-Transmission Services Charges

The final General Non-Transmission Services Charge for October 2023 is set at **0.0533** p/kWh. The indicative values for Gas Years 24-25 to 27-28 are contained in the table below.

	Final	Future Year Indicatives			
	Oct 23 – Sep 24	Oct 24 – Sep 25	Oct 25 – Sep 26	Oct 26 – Sep 27	Oct 27 – Sep 28
General Non-Transmission Services Charges (p/kWh)	0.0533	0.0125	0.0309	0.0209	0.0295

Rates are set to recover revenues within a Regulatory Year (April to March) with charges applying for a Gas Year (October to September). As a result of the timing of when costs are permitted to be reconciled into the Allowed Revenues, this has driven most of the increase for October 2023. The increase has been somewhat mitigated by use of the revenue deferral mentioned below. In addition to the variances of Allowed Revenues across Regulatory Years, that charges applicable for a Gas Year also contributes to the changes year to year. National Gas will continue to engage with Stakeholders on how we plan to address this future year volatility:

- National Gas will propose a UNC change for 2024 to update the methodology to accommodate a form of revenue smoothing that will reduce some of the potential volatility into charges.

- Review and consider further structural changes into the future that will look at the most volatile component (shrinkage) and how and when these costs are recovered, such that the time between incurring costs to recovery is minimised.

Please note: the charges for Gas Year 2023–24 are based upon the System Operator (SO) allowed revenues determined through the Price Control Financial Model (PCFM) as at May 2023. These values take into account a decision by National Gas Transmission for a deferral of £100m of allowed revenues from 2023–24 to 2024–25 to support some revenue smoothing and helping to reduce the October 2023 rate from what it would otherwise be. Future year indicative prices use the same base PCFM including a more up to date view of Shrinkage costs. Further details on revenues can be found in the Supporting Information part of this notice.

St Fergus Compression Charge

The Compression Charge levied at the North Sea Midstream Partners (NSMP) sub-terminal at St. Fergus is set at **0.0152** p/kWh.

Supporting Information

The revenue values used in the production of the prices in this notice are shown below. The values used for setting the prices applicable from October 2023 use the PCFM (Price Control Financial Model) extract that are based on the PCFM published by Ofgem in May 2023¹. This revenue value also includes a deferral of £100m of allowed revenue from FY24 to FY25.

For years beyond April 2023 – March 2024, an updated forecast of Shrinkage Costs has been used, based on the average forecast of shrinkage costs over the previous 6 months for years FY25 and FY26. To provide indicative values for years 26/27 and 27/28 we have used the allowed revenue from the previous year +3%.

In addition to the SO revenues in the linked PCFM extract, the table below shows the values for Non-Transmission Services which considers a forecast of Non-Obligated Exit Capacity that is recovered as a Transmission Services charge.

Allowed Revenues used for calculation of prices:

	Apr 23 – Mar 24	Apr 24 – Mar 25	Apr 25 – mar26	Apr 26 – Mar 27	Apr 27 – Mar 28
NTS System Operation Revenue (£m)	826.5m	492.9m	408.5	420.8	433.4
Non-Transmission Services Revenue (£m)	816.2m	482.7	398.4	410.7	423.4

¹ <https://www.ofgem.gov.uk/publications/republication-riio-gt2-price-control-financial-model-following-annual-iteration-process-2022>

National Gas hosted a webinar² on 27th July to highlight the key inputs and drivers behind the General Non-Transmission Charges. The material illustrates how adjustments to revenues are accommodated over time and the latest view on Shrinkage costs, the dominant driver of the changes to the revenues and charges. The webinar raises the challenges for the charging arrangements without changes to the Licence and review of UNC provisions, which we will be engaging on further with Customers and Stakeholders.

National Gas will be publishing the Transportation Models used to calculate the Transmission Services and General Non-Transmission Services prices for October 2023 on the National Gas website at <https://www.nationalgas.com/charging/transmission-system-charges>

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

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact our charging team at Box.NTSGasCharges@nationalgrid.com

² <https://www.nationalgas.com/charging/transmission-system-charges> (Materials available under ‘NTS Charging Supporting Information’)