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29th October 2015

Dear Martin

Notification to change Use of System Charges for 2016/17

Condition C4 5(a) of National Grid's Electricity Transmission Licence requires National Grid to give the Authority 150 days notice of any proposal to change Use of System Charges. This letter gives notice of our intention to change Use of System Charges for the 2016/17 financial year. Our Statement of Use of System Charges also includes Application Fees and Charge-Out Rates which we are also reviewing.

Transmission Network Use of System Charges

Transmission Network Use of System (TNUoS) tariffs will be amended with effect from 1 April 2016 in accordance with Section 14 of the Connection and Use of System Code (CUSC). Section 14 describes the methodology and principles by which National Grid sets tariffs for TNUoS charges to recover allowed revenue.

The transport model used to calculate TNUoS tariffs will be amended to ensure tariffs reflect:

- Changes in network topography
- Use of the network by demand as advised by Distribution Network Owners and National Grid's own forecasts
- Use of the network by generation as advised by contracted Transmission Entry Capacity and National Grid's own forecasts
- Changes to the methodology for calculating use of system tariffs approved by the Authority under CMP213 (Project Transmit)
- Expiry of licence condition C13 regarding adjustments to use of system charges for small generators

The tariff model for TNUoS tariffs will be amended to reflect:

- Latest forecast revenues for onshore Transmission Owners using licence formulae and the Price Control Financial Model Variables determined by the Authority in November.
- Anticipated payments to new and existing off-shore Transmission Owners.
- Payments to Transmission Licensees and Electricity Distribution Licensees under the Network Innovation Competition as directed by the Authority in November.

- Limits on average annual generation charges under Commission Regulation (EU) 838/2010.

Expected TNUoS tariffs for 2016/17

National Grid published an initial view of TNUoS 2016/17 tariffs in its Forecast TNUoS tariffs from 2016/17 to 2019/20 on 28 January 2015. This has been periodically updated with the latest forecast published on 29 July 2015. The next forecast is expected in early November, draft tariffs will be published by 25 December 2014 and final tariffs by 31 January 2015 in line with CUSC requirements.

Application Fees and Charge-Out Rates

Our Statement of Use of System Charges also details fees and charge-out rates for applications to connect to and/or use of system. National Grid will also review these fees and rates incorporating updated staff costs and inflation.

If you have any questions on any of the above please do not hesitate to contact Stuart Boyle (01926 655 588) or myself.

Yours sincerely

[by email]

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Cc

Catherine Williams (Ofgem)