



SOUTHERN GAS NETWORKS plc

Notice of Changes to LDZ Transportation Charges on 1 April 2009

1. Introduction

The attached document gives notice of the LDZ transportation charges which will apply from 1 April 2009 for the use of Southern Gas Networks and is being issued now to comply with the Network Code requirement to give two month's notice of changes to the charges. The document is based on Section 2 of the published LDZ Transportation Charges Statement and follows the same paragraph and table numbering to enable easy comparison with that Statement.

The change to gas transportation charges on 1 April 2009 in Southern Gas Networks plc is a decrease of 2.7% to apply to the LDZ System Charges and the Customer Charges. The decrease compares to a forecast of a no change tariff position which was published in the Notice of Indicative Charges on 31st October. The main factors contributing to the movement to a decrease are listed below.

2. Changes since Publication of Indicative Charges

The main reasons for the movement to a decrease are a reduction in the estimate of allowed revenue in 2008/09, and a decrease in the estimated 2009/10 allowed revenue outweighing a reduction in forecasted 2009/10 collected revenue. The main elements of these changes are:

Allowed Revenue

- **2008/09:** By far the most significant movement is a decrease in the forecast shrinkage allowance due to falling wholesale gas prices.
- **2009/10:** The total allowed revenue includes the core allowed revenue for 2009/10 adjusted for RPI inflation between July-December 2004 to July-December 2008. Since the indicative tariff change was calculated the actual RPI figures for the remainder of July-December have been published – and actuals were lower than the industry forecasts used for the indicatives, thus reducing allowed revenue. The other significant movements have been a decrease in forecast shrinkage allowance and the reduction to zero of the Traffic Management Act allowance as the Ofgem re-opener is not expected to take place until 2010/11 (when the 2009/10 costs will be recovered).

Collected Revenue

- **2009/10:** The forecast SOQs from 1 October 2009 are lower than forecasted when the Indicative charges were published due to more up to date data, including the outcome of the October 2008 Xoserve AQ review, now being available.

4. Conclusion

Based on the latest projections of SOQs, volumes and revenue, the 1 April decrease of 2.7% is forecast to leave Southern Gas Networks plc neither over- nor under-recovered at the end of 2009/10.

If you have any questions about this notice please e-mail
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