



# **Southern Gas Networks plc**

## **Notice of**

## **LDZ Transportation Charges**

To apply from 1 April 2008

Issued 1 February 2008

## **2. LDZ TRANSPORTATION CHARGES EFFECTIVE FROM 1 OCTOBER 2007**

### **2.1 Introduction**

This publication gives notice of the LDZ transportation charges which will apply from 1 October 2007 for the use of Southern Gas Networks plc gas distribution network as required by the Network Code and Standard Special Condition A4 of the Gas Transporter Licence. The LDZ system charges and the LDZ customer charges set out in this document are 30.8% higher than the charges set at 1 October 2006. This document does not override or vary any of the statutory, licence or Network Code obligations upon Southern Gas Networks plc.

For more information on the charges set out below, contact

**pricingteam@scotiagasnetworks.co.uk**

#### **2.1.1 Network Code**

The Network Code is supported by an integrated set of computer systems called UK Link. The charges and formulae in this booklet will be used in the calculation of charges within UK Link, which are definitive for billing purposes.

There are a number of areas of the Network Code that impact upon the cost to shippers of using the transportation network, such as imbalance charges, scheduling charges, capacity over-runs and ratchets, top-up neutrality charges and contractual liability. Reference should be made to the Network Code – as modified from time to time – for details of such charges and liabilities.

#### **2.1.2 Units**

Commodity charges are expressed and billed in pence per kilowatt hour (kWh).

Capacity charges are expressed and billed in pence per peak day kilowatt hour per day.

Fixed charges are expressed and billed in pence per day.

#### **2.1.3 Invoicing**

The Xoserve Invoicing team produce and issue the invoices that are derived from the transportation charges shown within this publication. To clarify this link between pricing and invoicing, charge codes and invoice names are included in the tables.

For more information on invoicing, please contact Xoserve, the invoicing service provider, at **css.billing@xoserve.com**.

#### **2.1.4 The distribution price control formula**

Distribution transportation charges are derived in relation to a price control formula which is set by Ofgem, the gas and electricity market regulator, for the transportation of gas. This formula dictates the maximum revenue which can be earned from the transportation of gas. Should the DN operator earn more or less than the maximum permitted revenue in any formula year, then a compensating adjustment is made in the following year. Under the revised Licences the normal date for changing any of the charges will be 1 October.

Within the distribution price control revenue recovery is split between LDZ system charges and customer charges. The relative level of these charges is based on the relative level of costs of these areas of activity.

#### **2.1.5 Firm transportation**

LDZ firm transportation charges comprise LDZ capacity and commodity charges plus customer charges.

#### **2.1.6 Interruptible transportation**

Interruptible transportation is available for supply points with Annual Quantities (AQs) of over 5,860 MWh per annum.

For supply points which have been nominated by a shipper as interruptible, the shipper will not be charged the capacity element of the LDZ system charge. The commodity element of the LDZ system charge or, alternatively the optional LDZ charge if appropriate, will continue to apply. Where the transporter nominates a supply point to be interrupted for more than 15 days in a particular year (measured from 1 April to 31 March) there is a transportation charge credit. For each day of interruption over 15 days, a transportation charge credit, equivalent to 1/15 of the annual LDZ system capacity charges avoided by having interruptible rather than firm transportation is payable to the shipper. The transporter has the right to interrupt these supply points for up to 45 days each year. Appendix 2B of the LDZ Transportation Charges Statement details the business rules for interruptible supply points.

To help run the network safely and securely the Network Code defines two special types of interruptible supply points. These are NSLs and TNIs.

NSLs are supply points where specific interruption may be required to maintain the supply of gas to firm supply points in the same area.

TNIs are supply points where the transporter reserves the right to interrupt for more than 45 days each year.

A number of services related to interruptible supply points are offered:

- Allocation arrangements allow more than one shipper / supplier to supply interruptible gas to sites with AQs in excess of 58,600 MWh per annum. This flexibility of supplier enables the end user to make greater use of the competitive market and allows for alternative provision of gas during commercial interruption. Further details of this service are given in Section 2.4.2.

- The Partial Interruption service is designed to allow shippers to reduce offtake rates at supply points (to predetermined levels agreed between the shipper and the end user) where capacity exists, so that the site remains on a part-load, where otherwise it would have been fully interrupted.

- The Interruptible Supply Point Firm Allowance (IFA) is available to all interruptible supply points. It allows a guaranteed supply of 14,600 kWh per day (this figure can be higher if the capacity is available), where this allowance is subject to normal firm transportation charges. This enables end users to maintain their critical processes when their supply is interrupted.

- Transfer of Firm Offtake Capability. This allows a shipper to release capacity allocated to a firm supply point in order to meet the requirements of an interruptible supply point during an interruption notice. This is subject to system constraints and other eligibility criteria.

Details of all the above interruption services are available from gas suppliers / shippers or from the transporter.

#### **2.1.7 Theft of gas**

The licensing regime places incentives on transporters, shippers and suppliers to take action in respect of suspected theft of gas. Certain costs associated with individual cases of theft are recovered through transportation charges. The charges reflect these requirements, with the transporter remaining cash neutral in the process.

## 2.2 LDZ System Charges

The standard LDZ system charges comprise capacity and commodity charges, with separate functions for directly connected supply points and for Connected System Exit Points (CSEPs).

Where the LDZ charges are based on functions, these functions use Supply point Offtake Quantity (SOQ) in the determination of the charges. At daily metered (DM) firm supply points the SOQ is the registered supply point capacity. For non-daily metered (NDM) supply points, the SOQ is calculated using the supply point End User Category (EUC) and the appropriate load factor. Details of EUCs and load factors are shown in Appendix 2A of the LDZ Transportation Charges Statement.

For interruptible supply points the rule set out in Section B 4.6.5 (Bottom-stop supply point capacity) of the Network Code applies in the determination of the LDZ charges.

### 2.2.1 Directly Connected Supply Points

The unit charges and charging functions used to calculate charges to directly connected supply points are set out in Table 2.2.1 below.

**Table 2.2.1 Directly connected supply points**

Invoice	Charge Code
LDZ Capacity	ZCA
LDZ Commodity	ZCO

	Capacity	Commodity
	pence per pk day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.0687	0.1834
73,200 to 732,000 kWh per annum	0.0637	0.1696
732,000 kWh per annum and above	$0.3020 \times \text{SOQ}^{-0.1806}$	$1.0523 \times \text{SOQ}^{-0.2121}$
Subject to a minimum rate of	0.0068	0.0160
Minimum reached at SOQ of	1,325,436,639 kWh	372,838,647 kWh

## 2.2.2 Connected Systems

A separate charging function for transportation to Connected System Exit Points (CSEPs) was introduced from 1 October 2000. This function reflects the view that transportation to CSEP loads typically makes less use of the distribution system than to other similar-sized loads. In the calculation of LDZ charges payable, the unit commodity and capacity charges are based on the supply point capacity equal to the CSEP peak day load for the completed development irrespective of the actual stage of development. The SOQ used is therefore the estimated SOQ for the completed development as provided in the appropriate Network Exit Agreement (NExA). For any particular CSEP, each shipper will pay identical LDZ unit charges regardless of the proportion of gas shipped. Reference needs to be made to the relevant NExA or CSEP ancillary agreement to determine the completed supply point capacity.

**Table 2.2.2 Connected Systems**

Invoice	Charge Code
ADC	891
ADC	893

	Capacity	Commodity
	pence per pk day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.0687	0.1834
73,200 to 732,000 kWh per annum	0.0637	0.1696
732,000 kWh per annum and above	$0.3194 \times \text{SOQ}^{-0.1939}$	$1.0042 \times \text{SOQ}^{-0.2131}$
Subject to a minimum rate of	0.0068	0.0160
Minimum reached at SOQ of	418,894,032 kWh	272,864,266 kWh

## 2.2.3 Optional LDZ Charge

The optional LDZ tariff is available, as a single charge, as an alternative to the standard LDZ system charges. This tariff may be attractive to large loads located close to the NTS. The rationale for the optional tariff is that, for large Network loads located close to the NTS or for potential new Network loads in a similar situation, the standard LDZ tariff can appear to give perverse economic incentives for the construction of new pipelines when Network connections are already available. This could result in an inefficient outcome for all system users.

The charge is calculated using the function below:

Invoice	Charge Code
ADU	881

  

Pence per peak day kWh per day
$902 \times [(\text{SOQ})^{-0.834}] \times D + 772 \times (\text{SOQ})^{-0.717}$

where: (SOQ) is the Registered Supply Point Capacity, or other appropriate measure, in kWh per day and D is the direct distance, in km, from the site boundary to the nearest point on the NTS. Note that ^ means "to the power of ..."

Further information on the optional LDZ tariff can be obtained from the pricing team at [pricingteam@scotiagasnetworks.co.uk](mailto:pricingteam@scotiagasnetworks.co.uk)

## 2.3 LDZ Customer Charges

For supply points with an AQ of less than 73,200 kWh per annum, the customer charge is a capacity charge.

For supply points with an AQ between 73,200 and 732,000 kWh per annum, the customer charge is made up of a fixed charge which depends on the frequency of meter reading, plus a capacity charge based on the registered supply point capacity (SOQ).

For supply points with an AQ of over 732,000 kWh per annum, the customer charge is based on a function related to the registered supply point capacity (SOQ).

**Table 2.3 LDZ Customer charges**

### Up to 73,200 kWh per annum

Invoice	Charge Code
Capacity	CCA
	pence per peak day kWh per day
Capacity charge	0.0625

### 73,200 kWh up to 732,000 kWh per annum

Invoice	Charge Code
Capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	21.5209
Monthly read supply points	22.9151

Invoice	Charge Code
Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0024

### 732,000 kWh per annum and above

Invoice	Charge Code
Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0523 \times \text{SOQ}^{-0.2100}$

## 2.4 Other Charges

Other Charges include administration charges at Connected System Exit Points, Shared Supply Meter Points and Interconnectors.

### 2.4.1 Connected System Exit Points

A CSEP is a system point comprising one or more individual exit points which are not supply meter points. This includes connections to a pipeline system operated by a Gas Transporter other than Southern Gas Networks plc.

The calculation of LDZ charges payable for shipping to CSEPs is explained in section 2.2.2.

There is no customer charge payable for connected systems, however separate administration processes are required to manage the daily operations and invoicing associated with CSEPs for which an administration charge is made.

The administration charge which applies to CSEPs containing NDM and DM sites is:

#### CSEP administration charge

Charge per supply point	0.1534 pence per day (£0.56 per annum)
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The invoice and charge codes are:

	Invoice	Charge Code
DM CSEP	ADU	883
NDM CSEP	ADC	894

### 2.4.2 Shared supply meter point allocation arrangements

An allocation service for daily metered supply points with AQs of more than 58,600 MWh per annum is available. This allows up to four (six for VLDMCs) shippers / suppliers to supply gas through a shared supply meter point.

The allocation of daily gas flows between the shippers / suppliers can be done either by an appointed agent or by the transporter.

The administration charges which relate to these arrangements are shown below. Individual charges depend on the type of allocation service nominated and whether the site is telemetered or non-telemetered.

The charges are (expressed as £ per shipper per supply point):

Invoice	Charge Code
ADU	883

#### Agent Service

	Telemetered	Non-telemetered
Set-up charge	£107.00	£183.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£2.96

#### Transporter Service

	Telemetered	Non-telemetered
Set-up charge	£107.00	£202.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£3.05

### 2.4.3 Must Reads

From the 1<sup>st</sup> April 2008 Must Reads are no longer a transportation service and charges for Must Reads services will be shown in the Agency Charging Statement.

