

Issued 1 August 2008



Notice of LDZ Transportation
Charges for North of England
Distribution Network

To Apply from
1 October 2008

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1. LDZ TRANSPORTATION CHARGES EFFECTIVE FROM 1 OCTOBER 2008

1.1 Introduction

This publication sets out the LDZ transportation charges which apply from 1 October 2008 for the use of Northern Gas Networks Limited Network, as required by Standard Special Condition A4 of the Gas Transporter Licence. These are published separately from the NTS transportation charges, which can be found on the National Grid website. The charges are set to comply with the price control arrangements from 1 April 2008. This document does not override or vary any of the statutory, licence or Network Code obligations.

For more information on the charges set out below, contact Anna Taylor, Northern Gas Networks, 1100 Century Way, Thorpe Park Business Park, Colton, Leeds LS15 8TU

1.1.1 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.

1.1.2 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.

1.1.3 Invoicing

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

For more information on invoicing, please contact xoserve, the Invoicing Service Provider, via email at: **Css.Billing@xoserve.com**

1.1.4 The distribution transportation price control formula

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 that can be earned from the transportation of gas. Should more or less than the maximum permitted revenue be earned in any formula year, then a compensating adjustment is made in the following year.

Distribution 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 allocated to these areas of activity.

1.1.5 Firm transportation

Firm distribution transportation charges comprise LDZ capacity and commodity charges plus customer charges.

1.1.6 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 pay 47.37% of the capacity element of the LDZ standard charge. The full commodity element of the LDZ standard 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 standard capacity charge 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.

To help the transporter run the network safely and securely, the Network Code defines two special types of interruptible supply points. These are Network Sensitive Load (NSL) and Transco Nominated Interruptible (TNI).

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 1.4.2.
- 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 your gas suppliers / shippers.

1.1.7 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 with the transporter remaining cash neutral in the process.

1.1.8 Isolations and Disconnections

Where a shipper has left a Supply Meter physically connected to the Transporter's network following a UNC Isolation and Withdrawal, 12 months after the effective Withdrawal, the Transporter must take action to disable the flow of gas where the shipper has not undertaken a physical disconnection of the meter. The Transporter is permitted to pass the costs incurred in undertaking the work to the last Registered User. The Transporter will calculate the charge to the shipper on a fully absorbed time and materials basis, consistent with the charging principles set out in the Transporter's 4B Connections Charging Methodology Statement

1.1.9 Relationship of charges to price control Allowed Revenue (AR)

Following determination of the price control for the formula years 2008/9 to 2012/13, it is estimated that the AR for the NGN network for the current formula year (1 April 2008 – 31 March 2009) is £306m. This is 6.9% higher than the AR for the previous year.

The transportation charges in place prior to 1 October 2008 are estimated to recover £136m in the first 6 months of the formula year up to 30 September 2008.

Thus unit charges must be set at a level to generate £170m in the second 6 months of the formula year, so that forecast recovered revenue for Formula Year 2008/9 is £306m (£136m plus £170m). Forecast under or over recovery (K) against AR at 31 March 2009 is zero.

In addition to the regular annual overall change in the level of prices to achieve AR, this year additional changes are being made to the structure of the charges, such that 95% of annual LDZ revenues are recovered from Capacity charges and 5% from Commodity charges. (Previously 50% were recovered from Capacity charges and 50% from Commodity charges.) Customer charges remain at 30% of total charges. There is therefore no single overall percentage change to the unit charges; but, given this relative structure, charges have then been scaled to such a level that we forecast to generate £170m in the second half of the formula year.

From 1 October 2008, the annual distribution transportation charge in respect of a domestic load consuming 20,000kWh/annum is estimated to be £114 in the North East LDZ and £123 in the Northern LDZ. The difference between LDZs is a result of differing EUC Load Factors in each region.

The calculations used to determine these values also use information about the number of supply points in the network and the load bands into which they fall. This is combined with total forecast demand information for the period, which reflects expected weather conditions and any other short term factors which may influence demand.

1.2 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 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.

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.

1.2.1 Directly Connected Supply Points

The unit charges and charging functions used to calculate charges to directly connected supply points are set out in Table 1.2.1 below.

Table 1.2.1 Directly connected supply points

Invoice	Charge Code
LDZ Capacity	ZCA
LDZ Commodity	ZCO

	Firm Capacity	Interruptible Capacity	Commodity
	pence per peak day kWh per day	pence per peak day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.1262	0.0598	0.0198
73,200 to 732,000 kWh per annum	0.1168	0.0553	0.0183
732,000 kWh per annum and above	$0.5545 \times \text{SOQ}^{-0.1806}$	$0.2627 \times \text{SOQ}^{-0.1806}$	$0.1136 \times \text{SOQ}^{-0.2121}$
Subject to a minimum rate of	0.0125	0.0059	0.0017
Minimum reached at SOQ of	1,316,905,074	1,344,328,240	401,882,465

1.2.2 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 LDZ 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 1.2.2 Connected Systems

Invoice	Charge Code
ADC	891
ADC	893

	Firm Capacity pence per peak day kWh per day	Interruptible Capacity pence per peak day kWh per day	Commodity pence per kWh
Up to 73,200 kWh per annum	0.1262	0.0598	0.0198
73,200 to 732,000 kWh per annum	0.1168	0.0553	0.0183
732,000 kWh per annum and above	$0.5864 \times \text{SOQ}^{-0.1939}$	$0.2778 \times \text{SOQ}^{-0.1939}$	$0.1084 \times \text{SOQ}^{-0.2131}$
Subject to a minimum rate of	0.0125	0.0059	0.0017
Minimum reached at SOQ of	416,206,307	424,171,177	293,922,323

1.2.3 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 LDZ loads located close to the NTS or for potential new LDZ loads in a similar situation, the standard tariff can appear to give perverse economic incentives for the construction of new pipelines when LDZ 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 Anna Taylor, Northern Gas Networks, 1100 Century Way, Thorpe Business Park, Colton, Leeds LS15 8TU.

1.3 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 1.3 LDZ Customer charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ Capacity	CCA

Pence per peak day kWh per day	
Capacity charge	0.0752

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

Invoice	Charge Code
LDZ capacity	CFI

Fixed charge	pence per day
Non-monthly read supply points	23.6665
Monthly read supply points	25.1995

Invoice	Charge Code
LDZ Capacity	CCA

Pence per peak day kWh per day	
Capacity charge	0.0026

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA

Charging function	$0.0574 \times \text{SOQ}^{-0.2100}$
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1.4 Other Charges

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

1.4.1 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 another Gas Transporter.

The calculation of LDZ charges payable for shipping to CSEPs is explained in section 1.2.2.

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, including interconnectors, 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	0.1185 pence per day (£0.43 per annum)
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The invoice and charge codes are:

Invoice	Charge Code	
DM CSEP	ADU	883
NDM CSEP	ADC	894

1.4.2 Shared supply meter point allocation arrangements

An allocation service is offered for daily metered supply points with AQs of more than 58,600 MWh per annum. 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

1.4.3 Must Reads

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