



SCOTLAND GAS NETWORKS plc

Notice of Changes to LDZ Transportation Charges on 1 April 2010

1. Introduction

The accompanying document, “**Scotland Gas Networks Notice of LDZ Transportation Charges Effective from 1 April 2010**” gives notice of the LDZ transportation charges which will apply from 1 April 2010 for the use of Scotland 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 2010 in Scotland Gas Networks plc is equivalent to overall increase of 7.2%. The implementation of DNPC05 with effect from 1 April 2010 means that in order to achieve the revised proportions for the recovery of revenue from the LDZ System Charges and the Customer Charges the increase in the LDZ System Charges is greater than this, at just over 9%, offset by a lower increase in the Customer Charges of 3%.

The overall increase of 7.2% compares to an estimated increase of 4.2% which was published in the Notice of Indicative Charges on 2nd November 2009. The main factors contributing to the larger increase are listed below.

2. Changes since Publication of Indicative Charges

The main reasons for the additional increase in charges since the publication of the Indicatives are an increase in estimated 2010/11 allowed revenue and a decrease in forecasted 2010/11 collected revenue.

Allowed Revenue

The 2010/11 allowed revenue forecast has increased mainly due to increases in the formula rates adjustment and the mains replacement forecasts.

Collected Revenue

The SOQs from 1 October 2010 are now expected to be lower than when the Indicative charges were published.

3. Conclusion

Based on the latest projections of SOQs, volumes and revenue, the 1 April 2010 increase of 7.2% overall is forecast to leave Scotland Gas Networks plc neither over- nor under-recovered at the end of formula year 2010/11.

If you have any questions about this notice please e-mail pricingteam@sgn.co.uk