

Notice of Revised LDZ Gas Transportation Charges to Apply from 1st April 2013 for East of England, London, North West and West Midlands Distribution Networks

This notice confirms the LDZ gas transportation charges that will apply from 1st April 2013 for East of England, London, North West and West Midlands Distribution Networks. Notice is provided two months ahead of the implementation date, consistent with our Licence and Network Code obligations.

The average changes to distribution transportation charge levels from 1st April 2013 are shown in Table 1. The individual elements of the transportation charges will change by varying levels around these average changes, in line with the application of the existing charging methodology. The definitive new transportation charge rates are shown in the appendices.

Table 1. Average Change to Transportation Charges from 1st April 2013

	East of England	London	North West	West Midlands
Average Change	11.8%	8.9%	12.7%	5.9%

Reasons for Increases to Transportation Charges

The revised charges have been set so as to bring charges into line with the forecast price control Maximum Allowed Revenue (MAR) for the period April 2013 to March 2014.

The factors underlying the increase in charges are shown in Table 2 below.

Table 2. Factors Underlying Changes

By Factor	East of England	London	North West	West Midlands
1. Maximum Allowed revenue Change (at constant prices)	4.5%	0.4%	2.3%	1.1%
2. Forecast Inflation for 2013-14	2.7%	2.7%	2.7%	2.7%
3. Impact of income shortfall in 2012-13	0.7%	2.3%	4.0%	-1.5%
4. October 2012 and October 2013 SOQ Changes	3.8%	3.5%	3.7%	3.6%
Total Change to Transportation Unit Charges	11.8%	8.9%	12.7%	5.9%

Notes

1. This is the change in the Maximum Allowed Revenue (MAR), including NTS Exit Cost allowances on a full year basis, at constant price levels i.e. excluding inflation.
2. The inflation assumed is that set out within the Licence for determining the MAR. If actual inflation for 2013/14 turns out to be different there will be a true-up in the derivation of the MAR, and thus charge levels, for 2015/16.
3. This reflects, for three of the networks, both the effect of the existing charges being below the level of the MAR for 2012/13 and the impact of the forecast under-recovery

taken forward, so increasing the MAR for 2013/14. For West Midlands network the existing charges are slightly above the level of MAR for 2012/13 giving a forecast small over-recovery for this year, so reducing the MAR for 2013/14.

4. The impact of the Annual Quantity (AQ) Review has led to reductions in the capacity (SOQ) determined for Supply Points in recent years. At October 2012 the average reduction across the networks in the SOQ levels, and thus transportation capacity income, was 4.6% and a further 3% reduction has been assumed for October 2013. In order to maintain revenue levels with the SOQ reductions, a corresponding increase in the unit transportation rates is required.

Application of Charging Methodology

The only charging methodology change applicable from 1 April 2013 is the introduction of a DN Entry commodity charge for distributed gas, approved through UNC Modification 0391. The DN Entry commodity charge rates for the three new Distributed Gas entry points currently expected to commence flowing gas during 2013/14 are shown in Appendix 3. The forecast level of transportation revenue (positive or negative) relating to distributed gas entry flows in 2013/14 is very small and so has had negligible impact on the level of the other transportation charges.

The application of the existing charging methodology in respect of maintaining the appropriate Customer/LDZ System charge revenue balance and a 95/5 capacity/commodity balance for the LDZ System charge revenue based on the forecast data for 2013/14 results in changes to the levels of the Customer charges and to the capacity and commodity elements of the LDZ System charges which vary from the average changes, as shown in Table 3 below. For the Customer and Standard LDZ System charges the existing charges have been adjusted uniformly by the percentage shown (subject to rounding) so as to give the new charges shown in Appendices 1A to 1D.

Table 3. Average Changes to Different Charge Types

By Charge Type	East of England	London	North West	West Midlands
LDZ System Capacity Charges	13.5%	10.4%	15.0%	8.0%
LDZ System Commodity Charges	9.1%	6.2%	7.6%	3.3%
Customer Charges	14.6%	11.1%	15.7%	8.7%
LDZ ECN Charges	-16.2%	-14.2%	-7.3%	-17.5%

The LDZ ECN charges, shown in Appendix 2, have been set with the aim of recovering the revised NTS Exit cost allowances as referenced in Ofgem's open letter of 25 January 2013¹. This has resulted in a reduction in the average level of the ECN charges for each network compared to the current ECN charges, as shown in Table 3 above. The ECN zonal charges have been set so as to reflect the revised NTS Exit capacity charge rates applicable from 1 April 2013. Although the NTS Exit charge rates may change again at October 2013, the new ECN charges are expected to remain unchanged until April 2014. If the actual NTS Exit costs turn out to be different from the set allowances there will be a true-up in the derivation of the MAR, and thus charge levels, for 2015/16.

¹ Ofgem open letter of 25th January:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=476&refer=Networks/GasDistr/RIIO-GD1/ConRes>

Impact of Changes

Table 4 shows the estimated impact of the changes to transportation charges for typical loads of different sizes. This varies across the load categories since the changes to the individual charge types, as shown in Table 3, have different proportional impacts by load category. For example, the ECN charges, where the unit rate does not vary by load size, make up a larger proportion of the total transportation charge for larger loads and so the ECN charge reductions lead to smaller charge increases overall for larger loads.

Table 4. Average Changes for Loads of Different Sizes

Annual Consumption	East of England	London	North West	West Midlands
0-73 MWh	12.4%	9.5%	13.2%	6.8%
73-732 MWh	11.1%	8.6%	11.9%	5.9%
732-5,861 MWh	9.9%	8.1%	10.4%	5.2%
Over 5,861 MWh	7.7%	6.7%	7.5%	3.2%

The changes to the level of the distribution transportation charges for a typical domestic load consuming 16,500 kWh/annum are shown in Table 5 below. Note that these estimates now include the ECN charge reflecting the pass through of the NTS Exit costs and so may not be comparable to previous published figures.

Table 5. Distribution Transportation Charges for a Typical Domestic Load

Annual Charge	East of England	London	North West	West Midlands
Current	£133.69	£153.79	£141.40	£145.67
From April 2013	£150.28	£168.33	£160.03	£155.51
% Change	12.4%	9.5%	13.2%	6.8%

Note that these estimates are based on the average ECN rate for each network and therefore do not reflect a particular location within each network. For East of England DN, the East Anglia LDZ load factor is assumed.

This document will also be available on the National Grid web site at <http://www.nationalgrid.com/uk/Gas/Charges/NoticeofChange/>

If you have any questions about this notice, please contact me.

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LDZ GAS TRANSPORTATION CHARGES TO APPLY FROM 1st APRIL 2013**Appendix 1A: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES
FOR EAST OF ENGLAND NETWORK****LDZ System Charges****LDZ System Capacity (Direct Connects and CSEPs)**

	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1703
73,200 to 732,000 kWh per annum	0.1359
732,000 kWh per annum and above	$0.8683 \times \text{SOQ}^{-0.2155}$
Subject to a minimum rate of	0.0166

LDZ System Commodity (Direct Connects and CSEPs)

	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0239
73,200 to 732,000 kWh per annum	0.0189
732,000 kWh per annum and above	$0.1503 \times \text{SOQ}^{-0.2376}$
Subject to a minimum rate of	0.0020

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0942

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	27.6057
Monthly read supply points	29.3939

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0031

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0668 \times \text{SOQ}^{-0.2100}$

Appendix 1B: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR LONDON NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1805
73,200 to 732,000 kWh per annum	0.1609
732,000 kWh per annum and above	$1.0282 \times \text{SOQ}^{-0.2133}$
Subject to a minimum rate of	0.0176

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0274
73,200 to 732,000 kWh per annum	0.0244
732,000 kWh per annum and above	$0.1575 \times \text{SOQ}^{-0.2147}$
Subject to a minimum rate of	0.0022

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.1144

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	36.0935
Monthly read supply points	38.4314

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0040

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0879 \times \text{SOQ}^{-0.2100}$

Appendix 1C: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR NORTH WEST NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.2020
73,200 to 732,000 kWh per annum	0.1682
732,000 kWh per annum and above	$1.3267 \times \text{SOQ}^{-0.2483}$
Subject to a minimum rate of	0.0187

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0256
73,200 to 732,000 kWh per annum	0.0214
732,000 kWh per annum and above	$0.1852 \times \text{SOQ}^{-0.2586}$
Subject to a minimum rate of	0.0022

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0942

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	26.6904
Monthly read supply points	28.4195

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0029

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0648 \times \text{SOQ}^{-0.2100}$

Appendix 1D: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR WEST MIDLANDS NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1773
73,200 to 732,000 kWh per annum	0.1596
732,000 kWh per annum and above	$1.9574 \times \text{SOQ}^{-0.2817}$
Subject to a minimum rate of	0.0174

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0283
73,200 to 732,000 kWh per annum	0.0253
732,000 kWh per annum and above	$0.3394 \times \text{SOQ}^{-0.2911}$
Subject to a minimum rate of	0.0023

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0838

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	26.4939
Monthly read supply points	28.2099

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0028

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0641 \times \text{SOQ}^{-0.2100}$

Appendix 2: LDZ ECN CHARGES FOR ALL NETWORKS

East of England DN	LDZ ECN Rate (p/pdkWh/d)
EA1	0.0061
EA2	0.0061
EA3	0.0014
EA4	0.0123
EM1	0.0001
EM2	0.0048
EM3	0.0176
EM4	0.0122
London DN	
NT1	0.0207
NT2	0.0123
NT3	0.0117
North West DN	
NW1	0.0183
NW2	0.0232
West Midlands DN	
WM1	0.0173
WM2	0.0144
WM3	0.0108

**Appendix 3: DN ENTRY COMMODITY CHARGES / CREDITS FOR
DISTRIBUTED GAS FOR ALL NETWORKS**

Distribution Network	Distributed Gas Entry Point	Entry Commodity Charge (p/kWh)	Charge / Credit
East of England	Adnams Brewery, Southwold	0.2030	Charge
North West	Bredbury Park, Stockport	0.0908	Charge
West Midlands	Blackmore Park, Malvern	-0.0559	Credit

Appendix 4: OPTIONAL LDZ SYSTEM AND OTHER CHARGE RATES FOR ALL NETWORKS

Optional LDZ Charge

Invoice	Charge Code
ADU	881

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

Other Charges

CSEP Administration Charge

Charge per supply point	0.0986 pence per day
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	Invoice	Charge Code
DM CSEP	ADU	883
NDM CSEP	ADC	894

Shared supply meter point allocation arrangements

Agent Service – ADU 883

	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- ADU 883

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

End