Southern Gas Networks

Notice of LDZ Transportation Charges

Effective from 1 April 2013

Issued 1st February 2013

2.1 Introduction

This publication gives Notice of the LDZ transportation charges expected to apply from 1 April 2013 for the use of Southern Gas Networks gas distribution network, as required by Standard Special Condition A4 of the Gas Transporter Licence. This document does not override or vary any of the statutory, licence or Network Code obligations upon Southern Gas Networks.

For more information on the charges set out in this document, please contact via email:- **pricingteam@scotiagasnetworks.co.uk**.

2.2 LDZ System Charges

The standard LDZ system charges consist of capacity and commodity charges. Currently there are separate functions for directly connected supply points and for Connected System Exit Points (CSEPs), but, as was set out in DNPC08, with effect from 1 April 2012 the separate functions for CSEPs ceased and the same charges apply to CSEPs as to directly connected supply points.

Where the LDZ charges are based on functions, these functions use Supply Point Off take Quantity (SOQ) in the determination of the charges. At daily metered (DM) 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 full Charging Statement.

2.2.1 Directly Connected Supply Points and CSEPs

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

Table 2.2.1 Charge codes

Directly Connected		CSEPs	
Invoice	**Charge Code**	**Invoice**	**Charge Code**
LDZ Capacity	ZCA	ADC Capacity	891
LDZ Commodity	ZCO	ADC Commodity	893

Table 2.2.1 Charges

	Capacity	Commodity
	pence per pk day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.1962	0.0329
73,200 to 732,000 kWh pa	0.1557	0.0258
732,000 kWh pa and above	$2.0441 \times SOQ^{-0.2970}$	$0.3914 \times SOQ^{-0.3129}$
Subject to a minimum rate of	0.0040	0.0008
Minimum reached at SOQ of	1,280,000,000 kWh	347,000,000 kWh

2.2.2 CSEPs Charging

In the calculation of the LDZ charges payable for CSEPs, 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.

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
$902 \times [(SOQ)^{-0.834}] \times D + 772 \times (SOQ)^{-0.717}$

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 via email at **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
Capacity charge	0.0904

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

Invoice	Charge Code
LDZ Capacity	CFI

Fixed charge	Pence per day
Non-monthly read	31.12
Monthly read supply	33.14

Invoice	Charge Code
LDZ Capacity	CCA

	Pence per peak day kWh per day
Capacity	0.0035

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA

	Pence per peak day kWh per
Charging	$0.0756 \times SOQ^{-0.2100}$

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.

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	0.0986 pence per day (£0.36 per annum)

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 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**
Setup charge	**£107.00**	**£183.00**
Shipper-shipper transfer charge	**£126.00**	**£210.00**
Daily charge	**£2.55**	**£2.96**

Transporter Service

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

2.4.3 LDZ System Entry Commodity Charge.

The new methodology relating to Distributed Gas Charging Arrangements as set out in Uniform Network Code Modification 0391 and approved by Ofgem in September 2012, will be implemented from 1st April 2013. This new distribution transportation charge, the LDZ System Entry Commodity Charge, reflects the operating costs associated with the entry of the distributed gas and the benefits in terms of deemed NTS Exit and distribution network usage. The rate associated with the LDZ System Entry Commodity Charge is calculated on a site by site basis. There are currently two sites located within Southern Gas Networks.

Site Name	LDZ System Entry Commodity Rate
	Pence per Kwh
Didcot Biomass	0.0780 (credit)
Poundbury Biomass	0.0834 (credit)

2.4.4 Distribution Network (NTS) Exit Capacity Charge (ECN).

Following the implementation of Uniform Network Code Modification 0195AV industry arrangements for the charging of NTS Exit Capacity costs changed on the 1st October 2012. National Grid Transmission will invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DNs will invoice gas shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges). Ofgem have set an allowance for Southern Gas Networks to recover costs associated with NTS Exit Capacity charges.

The South East Local Distribution Zone.

The Local Transmission System in the South East LDZ is highly integrated with customers being supplied by a number of SGN's offtakes at various times throughout the gas year. One of the consequences of this integration is the capacity which is booked at the NTS Offtake into Exit Zone SE2 facilitates gas to flow through to customers located in Exit Zone SE1 in order to operate the network efficiently. Exit charges are now based on the capacity booked at NTS Offtakes supplying LDZ exit zones and are then charged using the nominated or calculated SOQ to Shippers in the respective Exit Zone. In the SE LDZ there are two Exit zones, SE1 and SE2. In Exit zone SE2 the capacity booked by SGN with NTS (and the associated charges) is greater than the capacity used in SE2, therefore customers would have to pay higher charges than the actual capacity used within this exit zone. We consider that this is an unintended consequence of the change in the charging methodology and in order to overcome this issue Southern Gas Networks have aggregated all of the NTS exit capacity charges in the SE LDZ (Exit Zones SE1 and SE2) which will result in the ECN charges being calculated using the same ECN rate within these two exit zones reflecting the fact that all NTS exit points provide the required capacity.

The ECN charges for Southern Gas Networks are detailed in Table 2.4.4 (a) below:-

Table 2.4.4 (a)

Exit Zone	Capacity Pence per peak day kWh per day
SO1	0.0149
SO2	0.0290
SE1	0.0151
SE2	0.0151