

## SCOTLAND GAS NETWORKS plc

### Indicative Notice of Change to Transportation Charges on 1st April 2014

#### 1.0 Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1<sup>st</sup> April 2014, in line with our Gas Transporter Licence requirement to provide 150 days notice of such proposals. The definitive notice of distribution transportation charges from 1<sup>st</sup> April 2014 will be published by 1st February 2014, in accordance with the two months notice requirement within the UNC.

#### 2.0 Indicative Transportation Charges 1st April 2014

The levels of charges have been constructed based on the latest available forecasts of the Allowed and Collected Revenues, which are still subject to change.

The table below shows the make up of the overall indicative price changes including revenue associated with NTS Exit Capacity charges. It should be noted that the changes are driven by a combination of price control allowances, inflation and impact of reduced peak daily demand.

**Table 1.0 Overall Average Indicative Transportation Price Change from 1<sup>st</sup> April 2014**

Indicative Price Change Elements April 14	
Opening Base Revenue	-2.8%
Base Revenue Adjustment	-0.6%
Assumed RPI Movement	3.3%
K Impact	2.0%
Income Shortfall	2.0%
<b>Indicative Average Price Change 1<sup>st</sup> April 2014</b>	<b>3.9%</b>

- The Base Revenue reflects the opening base revenue (PUt) outlined in Ofgems Final Proposals for 2014/15.
- The Base Revenue adjustment made through MODt reflects a cost of debt forecast of 2.71% for 2014/15.
- The assumed movement in inflation for 2013/2014 (3.1%) and 2014/15 (2.9%) has been calculated using the RIIO-GD1 license formula and the August 2013 Treasury Forecast.
- For April 14 there is no K adjustment as the forecasted under/over recovery from 2013/14 is subject to a two year lag and will be recovered in 2015/16. The K impact reflects that the charges for 2014/15 need to recover the movement in K from -£5.4m incorporated in April 13 charges to zero for this charging period.
- The income shortfall is predominantly due to the latest view of October 13 SOQ's being lower than assumed, as well as adjusting for a forecasted reduction in October 14.

Indicative charge units relating to LDZ charges can be found in Appendix 1.0. The table below outlines the indicative price change by individual charge type.

**Table 2.0 Indicative Average Price Change by Charge Type**

Charge Type	Indicative Price Change April 14
LDZ Charges	3.9%
NTS Exit Capacity Charges	-22.6%
<b>Overall Charges</b>	<b>3.9%</b>

### 3.0 Uncertainties Impacting on April 14 Final Transportation Charges

At this stage there are still uncertainties which may cause the actual change in the charges, which will be published on 1st February 2014, to be different from the indicative change.

The major uncertainties are:-

- The final impact of Legacy Price Control Adjustments.
- The change from the assumed forecast level of Cost of Debt to the November actual.
- The change from the current forecast level of inflation (RPI) for 2013/14 and 2014/15 to the levels stated in the November 13 Treasury Forecast.
- The level of future supply point capacity and numbers.

### 4.0 Distribution Network (NTS) Exit Capacity Charges (ECN)

Following the implementation of Uniform Network Code Modification 0195AV industry arrangements for the charging of NTS Exit Capacity costs changed on the 1<sup>st</sup> October 2012. National Grid Transmission invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DN will invoice gas shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges).

#### 4.1 Exit Capacity Indicative Charges (ECN) from April 2014

Table 3.0 below shows the indicative charge rates set to recover the 2014/15 NTS Exit Capacity cost allowance for Scotland.

**Table 3.0. April 14 Indicative NTS Exit Capacity (ECN) Charge Rates**

Exit Zone	Charge Rate (p/kWh/d)
SC01	0.0001
SC02	0.0003
SC04	0.0001
LC	0.0086
LO	0.0091
LT	0.0087
LW	0.0085
LS	0.0020

**Assumptions relating to the calculation of the indicative ECN charges:**

- The charge rates in Table 3.0 reflect the allowance proportioned to the costs based on the National Grid NTS Exit Capacity price change on 1<sup>st</sup> October 2013 for the period March to September 2014. The indicative October 2014 rates for the period October 14 to March 14, published on 1<sup>st</sup> May 2013.
- Each Shipper's ECN charge has been calculated based on the total exit zone registered capacity (SOQ) as of 1 October.
- The ECN charges reflect the current view of capacity bookings for the period 1<sup>st</sup> April 2014 to the 31<sup>st</sup> March 2015.

**5.0 April 14 Indicative LDZ System Entry Commodity Charge**

The LDZ System Entry Commodity charge rates reflect 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 no sites located within Scotland Gas Networks.

**6.0 Methodology Changes**

There are currently no amendments to transportation charging methodology that will impact on charges for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

SGN are aware of new DN entry points that are progressing through their engineering development these may require new DN entry rates to be published within the charging period.

**If you have any queries or require any further details on this notice please contact us at**  
[pricingteam@sgn.co.uk](mailto:pricingteam@sgn.co.uk)

## Appendix 1 – Indicative Unit Charges From 1<sup>st</sup> April 2014

### LDZ System Capacity Charges- Directly Connected Supply Points and Connected Systems

Charge Band (kWh/annum)	Capacity p/peak day kWh/day
Up to 73,200	0.2036
73,200 to 732,000	0.1835
>732,000	$1.1840 \times \text{SOQ}^{-0.2338}$

### LDZ System Commodity Charges- Directly Connected Supply Points and Connected Systems

Charge Band (kWh/annum)	Commodity p/kWh
Up to 73,200	0.0267
73,200 to 732,000	0.0241
>732,000	$0.1960 \times \text{SOQ}^{-0.2597}$

### LDZ Customer Capacity Charges

Charge Band (kWh/annum)	Capacity p/peak day kWh/day
Up to 73,200	0.1139
73,200 to 732,000	0.0036
>732,000	$0.0765 \times \text{SOQ}^{-0.21}$

### LDZ Customer Fixed Charges- 73,200 to 732,000 kWh/annum

Type of Supply Point	p/day
Non-monthly read supply points	31.4452
Monthly read supply points	33.4823

### CSEP Administration Charge

Charge per supply point	0.0935 pence per day (£0.34 per annum)
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Please note that the CSEP administration charge is calculated by Xoserve and is outside of the RIIO-GD1 price control settlement.