

## Indicative Gas Transportation Charges from 1 April 2014 for East of England, London, North West and West Midlands Distribution Networks

### 1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2014 for East of England, London, North West and West Midlands distribution networks in line with the GT Licence requirement to provide 150 days' notice of such proposals. The notice of the definitive distribution transportation charges from 1 April is expected to be published by 1 February, in line with the two months' notice requirement within each Network Code.

### 2. Indicative Distribution Transportation Charges

The average changes to distribution transportation charge levels from 1<sup>st</sup> April 2014 are shown in Table 1. The indicative 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 indicative new transportation charge rates are shown in full in the appendix.

**Table 1. Average Change to Transportation Unit Charges from 1<sup>st</sup> April 2014**

Distribution Network	East of England	London	North West	West Midlands	Average (weighted by DN size)
Average Change	-0.3%	1.0%	-1.1%	2.8%	0.3%

The indicative level of change to the transportation charges is lower than was shown in the mid-October Revenue Report as was explained at the recent Distribution Charging Methodology Forum. This is due to an updated assessment of the level of supply point capacity reductions from 1<sup>st</sup> October 2013 which indicates that these were smaller than previously estimated.

Due to the estimated reductions in supply point capacity, and other changes to the customer base, for next year compared to this year, the average level of distribution transportation charges per supply point (£/annum) is forecast to be 2% lower for 2014/15 compared to 2013/14 at outturn price levels and 5% lower at 2013 price levels, as shown by Table 2 below.

**Table 2 Factors underlying the Change to Unit Transportation Charges**

Distribution Network	East of England	London	North West	West Midlands	Average
Change in Distribution Revenue at 2013/14 price levels	-5.6%	-4.3%	-6.7%	-3.0%	-5.1%
Forecast Inflation for 2014/15	3.1%	3.1%	3.1%	3.1%	3.1%
<b>Change in Distribution Revenue at Outturn price levels</b>	<b>-2.5%</b>	<b>-1.2%</b>	<b>-3.6%</b>	<b>0.1%</b>	<b>-2.0%</b>
Increase in unit rates to offset capacity reduction and changes to customer base	2.2%	2.2%	2.5%	2.7%	2.3%
<b>Average Change to DN Charges</b>	<b>-0.3%</b>	<b>1.0%</b>	<b>-1.1%</b>	<b>2.8%</b>	<b>0.3%</b>

### 3. Methodology Changes

There are no methodology changes which will impact on the structure of the charges from April 2014.

Under the existing charging methodology there is a requirement to target a particular split of revenue from the LDZ System and LDZ Customer charges, and a 95:5 split of revenue from the LDZ System capacity and commodity charges. In addition the level of the LDZ ECN charges is set to recover the Licence allowance for the pass-through of NTS Exit capacity costs. The application of the existing methodology means that the indicative changes to the individual elements of the transportation charges will vary from the average level, as shown below. The indicative transportation charge rates from 1<sup>st</sup> April 2014 are shown in full in the appendix.

**Table 3: Average Change to each Element of the Indicative Transportation Charges**

Distribution Network	East of England	London	North West	West Midlands
LDZ System capacity charges	-0.7%	0.8%	-2.2%	2.8%
LDZ System commodity charges	2.8%	0.2%	5.0%	2.0%
LDZ Customer charges	-0.9%	0.7%	-1.6%	2.5%
<b>LDZ charges average change</b>	<b>-0.6%</b>	<b>0.8%</b>	<b>-1.7%</b>	<b>2.7%</b>
ECN "exit pass-through" charges	4.9%	4.8%	5.8%	4.1%
<b>Average overall change</b>	<b>-0.3%</b>	<b>1.0%</b>	<b>-1.1%</b>	<b>2.8%</b>

### 4. Uncertainties impacting on level of Definitive Charges for 1<sup>st</sup> April 2014

There are still some uncertainties which will impact on the determination of the definitive transportation charges for application from 1<sup>st</sup> April 2014, which will be published on 1<sup>st</sup> February 2014. The key uncertainties are:

#### a) Estimation of the demand portfolio for 2014/15

The definitive impact of the supply point capacity reductions from 1<sup>st</sup> October 2013 on income levels will not be known until all the October invoices are sent out. These will

give a better picture of the level of income which is being obtained with the existing charges from October onwards. In addition there are potential changes to the customer base, in terms of new supply points, existing supply points ceasing or reducing their gas usage, and potential changes to the peak capacity requirements for larger, daily-metered, loads which need to be taken into account.

**b) Inflation**

The indicative charges have been based on forecast inflation of 3.1% for 2014/15. The definitive inflation factor underlying the maximum allowed revenue for each network will be known later in November.

**c) Price Control Financial Model (PCFM) impact on allowed revenue for 2014/15**

As part of the price control arrangements, the PCFM is run each November by Ofgem and the outcome impacts on the maximum allowed revenue for the following year. The operation of the PCFM this November is expected to reflect variation in the allowance for the cost of debt and take account of legacy impacts from the previous price control period. The indicative charges have been based on a forecast impact of the PCFM; the actual impact is expected to be known in December and so will be taken into account in setting the definitive transportation charges for 1<sup>st</sup> April 2014.

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

**Steve Armstrong**

Pricing & Margin Manager

National Grid Gas Distribution

National Grid House

Warwick, CV34 6DA

Phone: 01926 655834

Email: [steve.armstrong@nationalgrid.com](mailto:steve.armstrong@nationalgrid.com)

**APPENDIX: INDICATIVE TRANSPORTATION CHARGE RATES FROM 1 APRIL 2014****EAST OF ENGLAND DN****LDZ System Capacity (Direct Connects and CSEPs)**

	<b>Capacity</b>
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1691
73,200 to 732,000 kWh per annum	0.1349
732,000 kWh per annum and above	$0.8620 \times \text{SOQ}^{-0.2155}$
Subject to a minimum rate of	0.0165

**LDZ System Commodity (Direct Connects and CSEPs)**

	<b>Commodity</b>
	pence per kWh
Up to 73,200 kWh per annum	0.0246
73,200 to 732,000 kWh per annum	0.0194
732,000 kWh per annum and above	$0.1545 \times \text{SOQ}^{-0.2376}$
Subject to a minimum rate of	0.0021

**Customer Charges**

Up to 73,200 kWh per annum

<b>Invoice</b>	<b>Charge Code</b>
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0934

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

<b>Invoice</b>	<b>Charge Code</b>
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	27.3609
Monthly read supply points	29.1332

<b>Invoice</b>	<b>Charge Code</b>
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0031

732,000 kWh per annum and above

<b>Invoice</b>	<b>Charge Code</b>
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0662 \times \text{SOQ}^{-0.2100}$

**LONDON DN****LDZ System Capacity (Direct Connects and CSEPs)**

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1820
73,200 to 732,000 kWh per annum	0.1623
732,000 kWh per annum and above	$1.0369 \times \text{SOQ}^{-0.2133}$
Subject to a minimum rate of	0.0177

**LDZ System Commodity (Direct Connects and CSEPs)**

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0275
73,200 to 732,000 kWh per annum	0.0245
732,000 kWh per annum and above	$0.1578 \times \text{SOQ}^{-0.2147}$
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	0.1151

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	36.3293
Monthly read supply points	38.6825

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	$0.0885 \times \text{SOQ}^{-0.2100}$

**NORTH WEST DN****LDZ System Capacity (Direct Connects and CSEPs)**

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1977
73,200 to 732,000 kWh per annum	0.1646
732,000 kWh per annum and above	$1.2981 \times \text{SOQ}^{-0.2483}$
Subject to a minimum rate of	0.0183

**LDZ System Commodity (Direct Connects and CSEPs)**

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0269
73,200 to 732,000 kWh per annum	0.0225
732,000 kWh per annum and above	$0.1945 \times \text{SOQ}^{-0.2586}$
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	0.0927

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	26.2759
Monthly read supply points	27.9782

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	$0.0638 \times \text{SOQ}^{-0.2100}$

**WEST MIDLANDS DN****LDZ System Capacity (Direct Connects and CSEPs)**

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1823
73,200 to 732,000 kWh per annum	0.1641
732,000 kWh per annum and above	$2.0124 \times \text{SOQ}^{-0.2817}$
Subject to a minimum rate of	0.0179

**LDZ System Commodity (Direct Connects and CSEPs)**

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0289
73,200 to 732,000 kWh per annum	0.0258
732,000 kWh per annum and above	$0.3463 \times \text{SOQ}^{-0.2911}$
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	0.0859

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	27.1675
Monthly read supply points	28.9271

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	$0.0657 \times \text{SOQ}^{-0.2100}$

**FOR ALL DNS**

Indicative CSEP Administration Charge is 0.0935 p/day/supply point

All other administration charges and the Optional LDZ charge are expected to be unchanged.

# **INDICATIVE DN ECN CHARGES FROM 1<sup>ST</sup> APRIL 2014**

<b>Distribution Network</b>	<b>Exit Zone</b>	<b>ECN Charge p/pdkWh/d</b>
<b>East of England</b>	EA1	0.0063
	EA2	0.0063
	EA3	0.0015
	EA4	0.0129
	EM1	0.0001
	EM2	0.0050
	EM3	0.0185
	EM4	0.0128
<b>London</b>	NT1	0.0223
	NT2	0.0126
	NT3	0.0126
<b>North West</b>	NW1	0.0188
	NW2	0.0256
<b>West Midlands</b>	WM1	0.0183
	WM2	0.0152
	WM3	0.0104

## **INDICATIVE DN ENTRY COMMODITY CHARGES/CREDITS FOR DISTRIBUTED GAS**

<b>Distribution Network</b>	<b>Distributed Gas Entry Point</b>	<b>Entry Commodity Rate (p/kWh)</b>	<b>Charge/ Credit</b>
East of England	Adnams Brewery, Southwold	0.2093	Charge
East of England	Lindholme, Doncaster	-0.0453	Credit
North West	Bredbury park, Stockport	0.0936	Charge
North West	Granox, Widnes	-0.0621	Credit
West Midlands	Blackmore park, Malvern	-0.0576	Credit

DN Entry commodity charges/credits for other new Distributed Gas sites which may start operation during 2014/15 will be published closer to the start-up date for each site.