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29th January 2016

Notice of Transportation Charges effective 1st April 2016

Please find attached the Notice of Transportation Charges (the 'Notice') to apply from 1st April 2016 for Wales & West Utilities. We have issued the Notice in accordance with Standard Special Condition A4 which requires us to give two months' notice of any changes to transportation charges.

We will be increasing our transportation charges, excluding Exit Capacity charges, by 2.7% from 1st April 2016. In our indicative statement published in October 2015 we predicted this to be 2.7%. The prices have been set to recover our Allowed Revenue for 2016/17 in accordance with the RIIO GD1 Price Control charging principles.

In setting prices, WWU must consider what revenue is forecast to be collected against what it is allowed to collect:

Price Adjustment Components	£m	£m
Forecast Income before price change, assuming no SOQ Reduction in October 2016		370.3
Forecast Income before price change, assuming 1.9% SOQ Reduction in October 2016	(2.7)	367.0
Forecast income assuming 2.7% price increase and 1.9% SOQ reduction in October 2016	9.7	376.7
Forecast Allowed Revenue for Year Ended 31 st March 2017	6.7	376.7

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Exit Capacity

We have set Exit Capacity charges to recover the Exit Capacity Cost Allowance published by Ofgem in their Final Proposals less the cost true up for 2014/15 and the over recovery of revenue against allowance in 2014/15 (the K Adjustment).

WWU Exit Capacity charges will increase by 12.4% (in line with 12.4% indicative increase). The increase of 12.4% is broken down as follows:

Price Adjustment Components	£m	£m
Forecast Income before price change, assuming no SOQ Reduction in October 2016		21.0
Forecast Income before price change, assuming 1.9% SOQ Reduction in October 2016	(0.2)	20.8
Forecast income assuming 12.4% price increase and 1.9% SOQ reduction in October 2016	2.6	23.4
Forecast Allowed Revenue for Year Ended 31 st March 2017	2.4	23.4

In line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges") and our licence condition, WWU must charge each exit zone relative to the costs incurred to supply gas to that exit zone from the NTS. The percentage change to Exit Capacity prices by Exit Zone are shown in the table below:

Exit Zone	Price change
SW1	47%
SW2	-11%
SW3	28%
WA1	10%
WA2	108%

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Registered Office:
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Coedkernew, Newport NP10 8FZ
Registered in England and Wales number 5046791

Allowed Revenue

Total Forecast Allowed Revenue for 2016/17, including of Exit Capacity is £400.1m. At price setting for 2015/16 the forecast allowed revenue including exit capacity was £392.4m. The movement of £7.7m comprises:

	£m	£m
Forecast Allowed Revenue 2015/16 at price setting		392.4
Increase through inflation and changed base allowance	-1.5	
Movement in Pass through	0.2	
Movement in Exit Capacity Adjustments	1.9	
Movement In Shrinkage cost adjustment (reflecting lower gas prices experienced)	-3.1	
Movement in incentive income (predominantly through Stakeholder and Discretionary Reward scores which did not impact 2014/15)	2.5	
Movement in K	7.7	
Forecast Allowed Revenue 2016/17 at price setting		400.1

Regards

Robert Wigginton
Pricing Manager

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