

Notice of Revised Gas Transportation Charges from 1st April 2016 for East of England, London, North West and West Midlands Distribution Networks

[ECN and DN Entry Commodity unit rates revised 15.02.2016]

1. Introduction

This notice confirms the levels of the gas transportation charges that will apply from 1st April 2016 for East of England, London, North West and West Midlands distribution networks. Notice is provided two months ahead of implementation in line with the Gas Transporter Licence and Uniform Network Code obligations. *[Note: ECN and DN Entry Commodity unit rates revised 15.02.2016]*

2. Distribution Unit Transportation Charges

The average changes to distribution transportation charge levels from 1st April 2016 are shown in Table 1 below. The individual elements of the final transportation charges will change by varying degrees around these average levels, in line with the application of the existing charging methodology. The new transportation charge unit rates are shown in full in the appendix.

Table 1: Average change to Distribution Transportation Unit Charges effective from 1st April 2016

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
CHANGE IN DISTRIBUTION REVENUE	(4.3%)	(3.1%)	(1.8%)	(1.1%)	(2.8%)
SUPPLY POINT CAPACITY CHANGES	1.0%	0.6%	(0.2%)	1.9%	0.8%
AVERAGE PRICE CHANGE	(3.3%)	(2.5%)	(1.9%)	0.8%	(2.0%)

Final charges are slightly lower than the levels included in our Indicative Charge notification published in October 2015, with changes relating to finalisation of revenue forecast assumptions.

Table 2: Change from Indicative Charge publication in October 2015

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
AVERAGE PRICE CHANGE PER OCTOBER INDICATIVES	(2.8%)	(2.2%)	(1.6%)	1.1%	(1.7%)
REVENUE FORECAST UPDATES	(0.5%)	(0.2%)	(0.4%)	(0.3%)	(0.4%)
AVERAGE PRICE CHANGE FOR FINAL CHARGES	(3.3%)	(2.5%)	(1.9%)	0.8%	(2.0%)

The principal factors that drive unit price changes are (i) movement in allowed and collectable transportation revenue, and (ii) annual changes in the level of registered supply point capacity, upon which the bulk of our charges are based.

3. Movement in allowed and collectable transportation revenue from 2015/16

The key elements of movement in transportation revenue from 2015/16 are:

- Inflationary increases
- Underlying movement in base revenue per RIIO GD-1 Final Proposals
- Impact of Ofgem's direction via the 2015 Annual Iteration Process
- 2 year lagged RPI "true-up" from 2014/15 (where actual RPI outturn was lower than the HM Treasury forecasts used for the purposes of price setting)
- 2 year lagged adjustments from 2014/15 in respect of pass through costs, incentives and over/under recovery in revenue collection
- The over recovery in 2015/16 transportation revenue arising from October 2015 SOQ positions being higher than previously anticipated

The contribution of each of these factors to the average 2.8% revenue related reduction in prices is shown in table 3 below:

Table 3: Summary Movement in Transportation Revenue from 2015/16

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
INFLATION INCREASE FROM 2015/16	0.5%	0.5%	0.5%	0.5%	0.5%
CHANGE TO BASE REVENUE PER FINAL PROPOSALS	(1.9%)	(2.7%)	(1.7%)	(3.0%)	(2.2%)
ADJUSTMENT FOR 2015 ANNUAL ITERATION	(1.2%)	(0.8%)	3.5%	(0.1%)	0.2%
2 YEAR LAGGED INFLATION TRUE UP	(1.8%)	(1.7%)	(1.7%)	(1.8%)	(1.8%)
2 YEAR LAGGED PASS THROUGH ADJUSTMENT	0.1%	0.1%	0.0%	0.2%	0.1%
2 YEAR LAGGED INCENTIVE ADJUSTMENT	(0.3%)	(0.2%)	0.3%	(0.4%)	(0.1%)
2 YEAR LAGGED OVER / UNDER RECOVERY	0.4%	2.5%	(0.7%)	3.4%	1.2%
IMPACT OF OCT-15 SOQ CHANGE	(0.1%)	(0.8%)	(1.9%)	0.1%	(0.7%)
NET MOVEMENT IN DISTRIBUTION REVENUE	(4.3%)	(3.1%)	(1.7%)	(1.0%)	(2.8%)

4. Change in Registered Supply Point Capacity

The revised prices reflect finalised demand information provided by Xoserve in respect of supply point capacity changes for the gas year commencing 1st October 2015. To establish final unit prices for the next charging year, a projection for supply point capacity changes as at October 2016 is required. These have been based on 3 year rolling historical average. The combined impact is illustrated in Table 4.

Table 4: Impact of Projected Supply Point Capacity Changes to Final Charges

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
OCTOBER 2015 CHANGE 12 MONTH IMPACT FROM APR-16 TO MAR-17	(0.9%)	(1.5%)	2.7%	(2.5%)	(0.5%)
OCTOBER 2016 PROJECTION (3 YEAR AVERAGE) 6 MONTH IMPACT FROM OCT-16 TO MAR-17	(1.5%)	(1.3%)	(2.6%)	(1.6%)	(1.8%)
COMBINED IMPACT TO PRICES SOQ REDUCTION DRIVES UNIT PRICE INCREASE	1.0%	0.6%	(0.2%)	1.9%	0.8%

5. Charging Methodology

There are no charging methodology changes that impact on the structure of the charges from April 2016. However, under the existing charging methodology there is a requirement to target pre-set splits of revenue recovery between LDZ System and LDZ Customer charges, and a 95:5 recovery split between LDZ System Capacity and Commodity charges. These are confirmed in Table 5 below:

Table 5: Confirmation of targeted revenue splits through implementation of final charges

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM REVENUE	70.5%	68.1%	73.7%	74.0%
LDZ CUSTOMER REVENUE	29.5%	31.9%	26.3%	26.0%
LDZ CAPACITY REVENUE	95.0%	95.0%	95.0%	95.0%
LDZ COMMODITY REVENUE	5.0%	5.0%	5.0%	5.0%

Additionally, the LDZ ECN charges are set to recover the sum of the following three elements:

- The 2016-17 Licence allowance for NTS Exit capacity costs;
- ECN K over/under recovery from 2014/15 and;
- The Exit Capacity cost adjustment between actual and allowed costs for 2014/15

The application of the charging methodology means that the changes to the individual elements of the transportation charges will vary from the average level, as shown in Table 6 below.

Table 6: Summary Unit Price Changes by Charge Type

CHARGE TYPE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
LDZ SYSTEM CAPACITY CHARGES	(3.3%)	(2.6%)	(2.8%)	1.0%	(2.2%)
LDZ SYSTEM COMMODITY CHARGES	(3.9%)	(2.7%)	(0.6%)	(1.7%)	(2.4%)
CUSTOMER CHARGES	(3.0%)	(3.1%)	(2.8%)	1.2%	(2.3%)
TOTAL LDZ CHARGES (EXCL ECN)	(3.2%)	(2.8%)	(2.7%)	0.9%	(2.3%)
LDZ ECN CHARGES	(4.7%)	3.8%	7.1%	(1.5%)	1.7%
AVERAGE OVERALL CHANGE	(3.3%)	(2.5%)	(1.9%)	0.8%	(2.0%)

The transportation charge rates from 1st April 2016 are shown in full in the appendix.

6. Impact of changes

Table 6 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 1, have different proportional impacts by load category. In particular, the ECN charges, for which the unit rate does not vary by load size, make up a larger proportion of the total transportation charge for larger loads and so, depending on the direction and magnitude of change in the ECN charges necessary to match the 2016-17 licence allowance, this will lead to overall charge increases for larger loads that vary from the overall average change.

Table 7: Average Price Change for Loads of Varying Size

AQ BAND (kWh)	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	NGGD
0 – 73,200	(3.3%)	(2.5%)	(2.1%)	0.8%	(2.1%)
73,200 – 732,000	(3.4%)	(2.3%)	(1.7%)	0.8%	(1.9%)
732,000 - 5,861,000	(3.5%)	(2.1%)	(1.1%)	0.6%	(1.7%)
>5,861,000	(3.5%)	(1.8%)	0.3%	0.4%	(1.5%)
AVERAGE OVERALL CHANGE	(3.3%)	(2.5%)	(1.9%)	0.8%	(2.0%)

If you have any questions or comments regarding this notice please contact me at the address below.

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APPENDIX: TRANSPORTATION CHARGE RATES FROM 1 APRIL 2016
LDZ SYSTEM CAPACITY (DIRECT CONNECTS & CSEPS)

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCA	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1701	0.1904	0.2046	0.1823
73,200 TO 732,000 KWH PER ANNUM	0.1358	0.1697	0.1704	0.1642
732,000 KWH PER ANNUM AND ABOVE	$0.8675 \times \text{SOQ}^{\wedge -0.2155}$	$1.0845 \times \text{SOQ}^{\wedge -0.2133}$	$1.3444 \times \text{SOQ}^{\wedge -0.2483}$	$2.0129 \times \text{SOQ}^{\wedge -0.2817}$
SUBJECT TO A MINIMUM RATE OF	0.0166	0.0186	0.0189	0.0179

LDZ SYSTEM COMMODITY (DIRECT CONNECTS & CSEPS)

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCO	PENCE PER KWH			
UP TO 73,200 KWH PER ANNUM	0.0243	0.0284	0.0277	0.0280
73,200 TO 732,000 KWH PER ANNUM	0.0193	0.0252	0.0232	0.0250
732,000 KWH PER ANNUM AND ABOVE	$0.1535 \times \text{SOQ}^{\wedge -0.2376}$	$0.1633 \times \text{SOQ}^{\wedge -0.2147}$	$0.2010 \times \text{SOQ}^{\wedge -0.2586}$	$0.3359 \times \text{SOQ}^{\wedge -0.2911}$
SUBJECT TO A MINIMUM RATE OF	0.0021	0.0023	0.0024	0.0024

CUSTOMER CHARGES (CAPACITY)

	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CCA	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.0947	0.1203	0.0963	0.0867
73,200 TO 732,000 KWH PER ANNUM	0.0031	0.0042	0.0029	0.0029
732,000 KWH PER ANNUM AND ABOVE	$0.0671 \times \text{SOQ}^{\wedge -0.2100}$	$0.0925 \times \text{SOQ}^{\wedge -0.2100}$	$0.0664 \times \text{SOQ}^{\wedge -0.2100}$	$0.0663 \times \text{SOQ}^{\wedge -0.2100}$

CUSTOMER CHARGES (FIXED)

73,200 TO 732,000 KWH PER ANNUM	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CFI	PENCE PER DAY			
NON-MONTHLY READ SUPPLY POINTS	27.7583	37.9505	27.3224	27.4368
MONTHLY READ SUPPLY POINTS	29.5564	40.4087	29.0925	29.2139

ECN CHARGES FROM 1ST APRIL 2016 [REVISED 15.02.2016]

DISTRIBUTION NETWORK	EXIT ZONE	PENCE / PEAK DAY KWH / DAY
EAST OF ENGLAND	EA1	0.0059
	EA2	0.0057
	EA3	0.0018
	EA4	0.0113
	EM1	0.0006
	EM2	0.0046
	EM3	0.0162
	EM4	0.0113
LONDON	NT1	0.0215
	NT2	0.0125
	NT3	0.0123
NORTH WEST	NW1	0.0207
	NW2	0.0268
WEST MIDLANDS	WM1	0.0181
	WM2	0.0149
	WM3	0.0120

DN ENTRY COMMODITY CHARGES / CREDITS FOR DISTRIBUTED GAS FROM 1ST APRIL 2016 [REVISED 15.02.2016]

NETWORK	DISTRIBUTED GAS ENTRY POINT	ENTRY COMMODITY RATE PENCE / KWH	CREDIT / CHARGE
EAST OF ENGLAND	ADNAMS BREWERY SOUTHWOLD	0.2163	CHARGE
EAST OF ENGLAND	BECCLES, SOTTERLEY	-0.0541	CREDIT
EAST OF ENGLAND	CHEAR FEN FARMS, CHITTERING	-0.0715	CREDIT
EAST OF ENGLAND	FAIRFIELDS FARM, WORMINGFORD	-0.0005	CREDIT
EAST OF ENGLAND	GRANGE FARM, SPRIDLINGTON	-0.0489	CREDIT
EAST OF ENGLAND	HOLKHAM, NORFOLK	0.0010	CHARGE
EAST OF ENGLAND	LANKETTS GROVE	-0.0032	CREDIT
EAST OF ENGLAND	LINDHOLME, DONCASTER	-0.0489	CREDIT
EAST OF ENGLAND	MANOR FARM, ALDERTON	-0.0646	CREDIT
EAST OF ENGLAND	MEPAL	-0.0715	CREDIT
EAST OF ENGLAND	METHERINGHAM MP / IP	-0.0516	CREDIT
EAST OF ENGLAND	METHWOLD	0.0010	CHARGE
EAST OF ENGLAND	NORTH MOOR FARM, CROWLE	-0.0468	CREDIT
EAST OF ENGLAND	PICKENHAM AIRFIELD	0.0010	CHARGE
EAST OF ENGLAND	RAYNHAM FARM	0.0045	CHARGE
EAST OF ENGLAND	REDBOURNE ROAD, HIBALDSTOW	-0.0667	CREDIT
EAST OF ENGLAND	WARDEN TREE LANE	-0.0038	CREDIT
EAST OF ENGLAND	WELBECK COLLIERY, MEDEN VALE	-0.0682	CREDIT
NORTH WEST	BREDBURY PARK, STOCKPORT	0.0115	CHARGE
NORTH WEST	DAVYHULME, URMSTON	-0.0606	CREDIT
NORTH WEST	GRANOX, WIDNES	-0.0695	CREDIT
WEST MIDLANDS	GRINDLEY HOUSE FARM	-0.0613	CREDIT
WEST MIDLANDS	HAMPTON BISHOP	-0.0088	CREDIT
WEST MIDLANDS	HIGHWOOD FARM, BRINKLOW	-0.0025	CREDIT
WEST MIDLANDS	MINWORTH SEWAGE WORKS	-0.0081	CREDIT

OPTIONAL LDZ CHARGE FOR ALL NETWORKS

	ALL NETWORKS
CHARGE CODE: 881	<i>PENCE PER PEAK DAY KWH PER DAY</i>
OPTIONAL LDZ FUNCTION	$902 \times [(SOQ)^{-0.834}] \times D + 772 \times (SOQ)^{-0.717}$

OTHER CHARGES FOR ALL NETWORKS

CSEP ADMINISTRATION CHARGE	
CHARGE PER SUPPLY POINT	0.0829 PENCE PER DAY

	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 TO 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 TO SHIPPER TRANSFER CHARGE	£126.00	£210.00
DAILY CHARGE	£2.55	£3.05