

Scotland Gas Networks
Indicative Notice of Change to
Transportation Charges from
1st April 2017



SGN

Your gas. Our network.

Contents

1 Introduction.....	3
2 Indicative Distribution Transportation Charges 1 st April 2017.....	3
3 Uncertainties Impacting April 2017 Final Transportation Charges.....	3
4 Distribution Network (NTS) Exit Capacity Charges (ECN)	4
5 April 2017 LDZ Indicative System Entry Commodity Charge	5
6 Methodology Changes.....	5

1 Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1st April 2017, in line with our Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The definitive notice of distribution transportation charges from 1st April 2017 will be published by 1st February 2017, in accordance with the two months' notice requirement within the UNC.

2 Indicative changes to Distribution Transportation Charges on 1st April 2017

The average change to charge levels from 1st April 2017 is forecast to be a decrease of 6.9%.

The levels of charges have been constructed based on the latest available forecasts of the 2017/18 Allowed and Collected Revenues, which are still subject to change. The key movements of the indicative price change which includes revenue associated with NTS Exit Capacity charges are set out below:

- The year on year impact on Base Revenue as stated at Final Proposals adjusted to reconcile 2015/16 RPI forecast to the actual position and the value directed by Ofgem's Annual Iteration Process (-3.9%).
- The inflationary impact on 2017/18 revenue (2.7%);
- The impact of 2015/16 actual pass through costs (compared to allowances) and incentives, which are on a two year lag (0.1%);
- The adjustment relating to the £9.2m over recovery of revenue in 2015/16 (k), which has been subject to a two year lag (-3.5%);
- The collected revenue position reflecting the latest view of October 2016 SOQ's being higher than assumed. No SOQ reduction has been assumed in October 2017 due to the proposed implementation of fixed SOQ charging under Nexus (-2.3%).

3 Uncertainties Impacting April 2017 Final Transportation Charges

At this stage there are still uncertainties which may cause the actual change in the charges, which will be published by 1st February 2017, to be different from the indicative change.

The major uncertainties are:-

- The final determination of the adjustment required to base revenue for 2017/18 through the Annual Iteration Process, incorporating the November 2016 Cost of Debt actual.
- Updated inflation (RPI) for 2017/18 to the defined levels as stated in the November 2016 Treasury Forecast.
- The level of future supply point capacity and numbers.

4 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 1st 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) 1st April 2017

The change to charge levels from 1st April 2017 is forecast to reflect a decrease of 18.8%.

Please note that the revenue associated with these charges in Scotland is relatively low (£0.6m) therefore small changes in revenue can result in significant movements in year on year percentage price change.

Assumptions relating to the calculation of the indicative ECN charges:

- The charge rates shown in Table 1 reflect the allowance proportioned to the costs based on the National Grid NTS Exit Capacity price change on 1st October 2016 for the period April to September 2017. The indicative October 2017 rates for the period October 2017 to March 2018, published on the 29th April 2016.
- Each Shipper's ECN charge calculated based on the current view of total exit zone registered capacity.
- The ECN charges reflect the current view of capacity bookings from 1st April 2017 to the 31st March 2018.

Table 1 below shows the indicative charge rates set to recover the 2017/18 NTS Exit Capacity base allowance, 2015/16 K carried forward and cost allowance adjustments for Scotland.

Exit Zone	ECN Charge Rate (p/peak day/kWh/day)
SC01	0.0002
SC02	0.0006
SC04	0.0004
LC	0.0005
LO	0.0005
LT	0.0005
LW	0.0005
LS	0.0035

Table 1: April 2017 Indicative NTS Exit Capacity (ECN) Charge Rate

5 April 2017 LDZ Indicative 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 nineteen sites located within Scotland Gas Networks.

Site Name	Distributed Gas Entry Commodity Rate (p/kWh)
Grissan Girvan	0.0003 (credit)
Mains of Keithnick	0.0655 (credit)
Grissan Riverside*	0.0541 (credit)
Charlesfield St Boswells	0.0657 (credit)
Alderston Mains Farm	0.0662 (credit)
Dunnswood Road	0.0661 (credit)
East Memus Farm	0.0661 (credit)
Edge Farm East Kilbride	0.0542 (credit)
Moray Hill Farm Moray	0.0541 (credit)
PeaceHill Farm	0.0540 (credit)
Peterhead	0.0542 (credit)
Tambowie Farm	0.0542 (credit)
Oban LNG Medium Pressure	0.0368 (credit)
Campbeltown LNG Low Pressure	0.1192 (credit)
Thurso LNG Medium Pressure	0.0436 (credit)
Wick LNG Medium Pressure	0.0458 (credit)
Skeddoway Farm	0.0661 (credit)
Strathcathro	0.0541 (credit)
Tornagrain	0.0541 (credit)

*- previously referred to as Grissan Dufftown

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.

6 Methodology Changes

There are currently no amendments to transportation charging methodology that will impact on charges for the period 1st April 2017 to 31st March 2018.

If you have any queries or require any further details on this notice please contact us at

pricingteam@sgn.co.uk

Appendix: Indicative Unit Charge Rates from 1st April 2017

The average change to the charge rates shown below is a forecast decrease of 6.9%.

These charge rates have been balanced in line with industry requirements to reflect the required proportions between Capacity (95%) and Commodity (5%) revenue. They have also been adjusted to maintain the agreed revenue split between System Charges (71.2%) and Customer Charges (28.8%).

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

Charge Band (kWh/annum)	Capacity p/peak day kWh
Up to 73,200	0.1959
73,200 to 732,000	0.1764
>732,000	$1.1387 \times \text{SOQ}^{-0.2338}$
Subject to a minimum rate	0.0087

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

Charge Band (kWh/annum)	Commodity p/kWh
Up to 73,200	0.0268
73,200 to 732,000	0.0240
>732,000	$0.1962 \times \text{SOQ}^{-0.2597}$
Subject to a minimum rate	0.0012

LDZ Customer Capacity Charges

Charge Band (kWh/annum)	Capacity p/peak day kWh/day
Up to 73,200	0.1101
73,200 to 732,000	0.0036
>732,000	$0.0741 \times \text{SOQ}^{-0.21}$

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

Supply Point Type	p/day
Non-monthly read supply points	30.4184
Monthly read supply points	32.3891

CSEP Administration Charge

Charge per supply point	0.0755 p/day (£0.28 per annum)
-------------------------	--------------------------------

Please note that the CSEP administration charge is calculated by Xoserve and is outside of the RIIO-GD1 price control settlement and are only applicable up until the implementation of the UK Link Replacement.