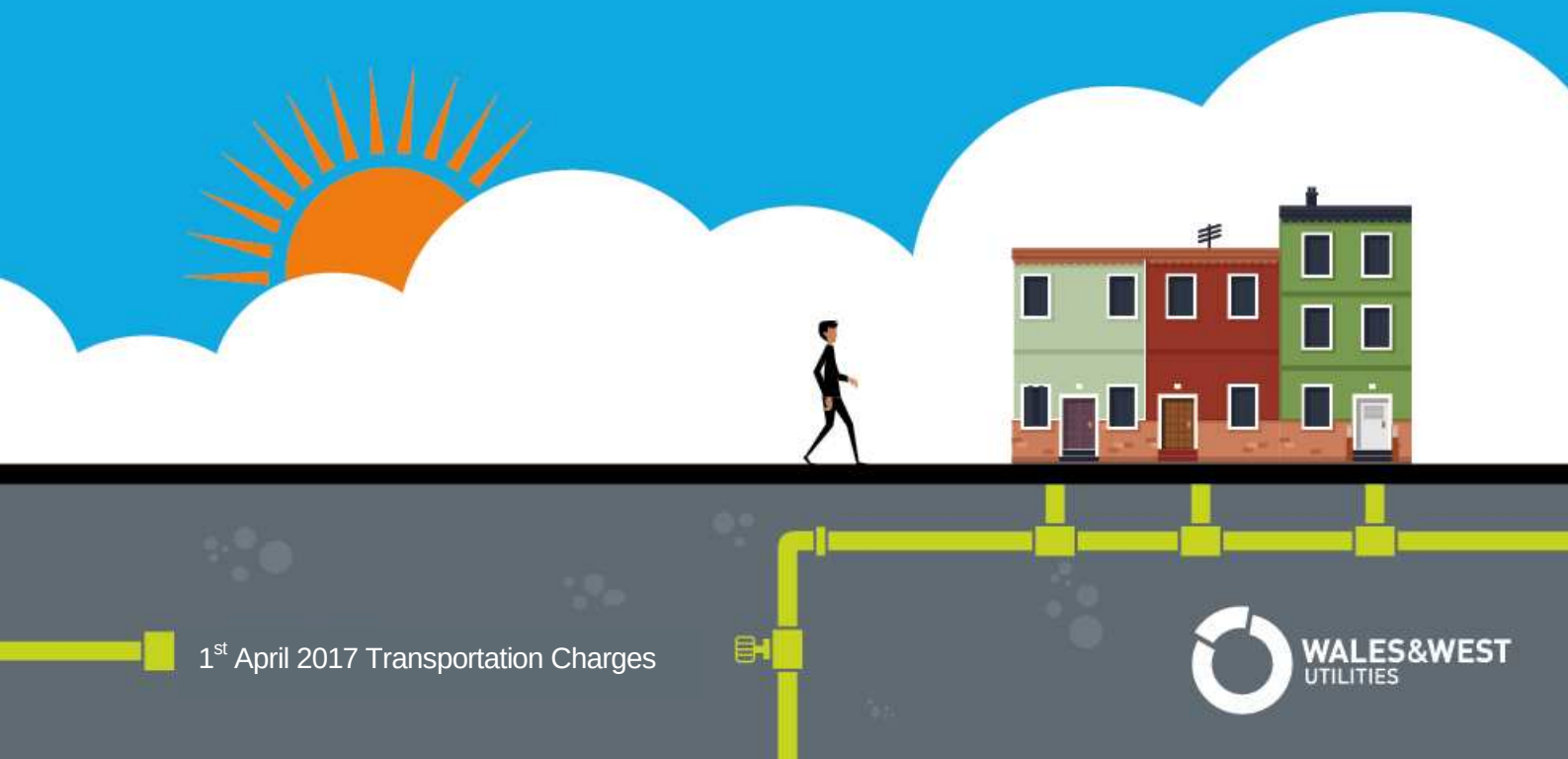
Notification of LDZ Transportation Charges

To apply from 1st April 2017
Issued 31st January 2017



WALES&WEST UTILITIES

Table of contents

Introduction

This publication sets out the Local Distribution Zone (LDZ) transportation charges which will apply from 1st April 2017 for the use of the Wales & West Utilities Ltd (WWU) Distribution Network (DN), as required by Standard Special Condition A4 of the Gas Transporter Licence. This document does not override or vary any of the statutory, licence or Uniform Network Code obligations upon WWU.

Our final transportation price change will be an average decrease of 3.7% comprising:

<table>
<tr><th colspan="3">Transportation Income</th></tr>
<tr><td colspan="3">Final: -3.7%
(Indicative: -2.3%)</td></tr>
<tr><th colspan="2">Capacity</th><th>Commodity</th></tr>
<tr><td>System</td><td>Customer</td><td rowspan="2">Final: -14.7%
(Indicative: +52.7)*</td></tr>
<tr><td>Final: -3.3%
(Indicative: -2.9%)</td><td>Final: -3.3%
(Indicative: -2.6%)</td></tr>
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* The reduction in commodity rate between indicative and final price setting is driven by revised forecasts of collected revenue based on throughput up to January 2017.

The prices have been set to recover our Allowed Revenue for 2017/18 in accordance with the RIIO GD1 Price Control charging principles and the apportionment of charges as set out in Uniform Network Code (UNC) Section Y.

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

For more information on the charges set out below, contact the Pricing and Regulation Manager, Robert Wigginton, on 02920 278838.

Uniform Network Code (UNC)

UNC is supported by an integrated set of computer systems currently referred to as UK Link (Post Project Nexus Go- Live this will be the UK Link replacement system, SAP). The charges and formulae in this booklet will be used in the calculation of charges within UK Link, which are definitive for billing purposes up to Project Nexus Go live.

There are a number of areas of the UNC that impact upon the cost to Shippers of using the transportation network, such as imbalance charges, scheduling charges, capacity over-runs and ratchets, top-up neutrality charges and contractual liability. Reference should be made to the UNC – as modified from time to time – for details of such charges and liabilities. The UNC and related documents can be found on the Joint Office of Gas Transporters website (www.gasgovernance.co.uk).

Invoicing

The Xoserve Invoicing team produce and issue the invoices that are derived from the transportation charges shown within this publication. To clarify the link between pricing and invoicing, charge codes and invoice names are included in the tables.

For more information on invoicing, please contact Xoserve, the invoicing service provider, via e-mail at css_billing@xoserve.com.

Distribution Price Control Formula – RIIO GD1

Distribution charges are derived in relation to a price control formula set by Ofgem within the RIIO framework. This formula dictates the maximum revenue that can be earned from the transportation of gas. Should the DN operator earn more or less than the maximum permitted revenue in any formula year, a compensating adjustment is made two years hence. Under the revised Licences the normal date for changing any of the charges will be 1 April annually.

Within the Network price control, revenue recovery is split between LDZ system charges and LDZ customer charges. The relative level of these charges is based on the relative level of costs of these areas of activity. LDZ exit capacity charges recover the costs passed through from National Grid (Transmission).

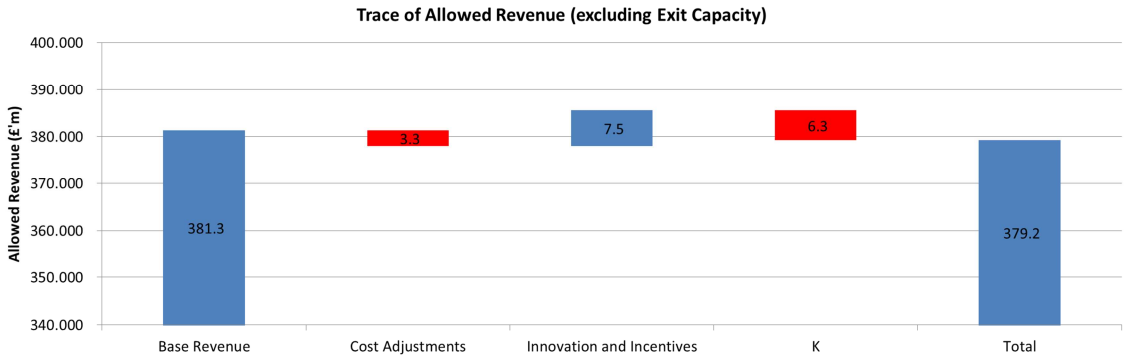
The prices levied for 2017/18 are done in accordance with the current forecast maximum allowed revenue for both transportation income and exit capacity income.

Distribution Price Control Formula – Transportation Income

	Final Price Setting	Indicative Price Setting
Price Adjustment Components	**£m**	**£m**
Forecast Collected Transportation Income before price change	394.0	382.8
Assumed SOQ reduction in year*	(0.0)	(0.0)
Reduction required from changing prices	(14.2)	(5.9)
Forecast Allowed Revenue for Year Ended 31st March 2018	379.2	376.9

*Historically an SOQ reduction has been effective from October annually which must be factored into any price change. Following the implementation of Project Nexus charges will be levied on a fixed SOQ for the charging year. It is anticipated that no significant revisions between current SOQs and those which will be used post Project Nexus go live.

The forecast transportation revenue allowance for 2017/18 comprises:



The main changes to allowed revenue between Indicative and Final price setting were:

1. HM Treasury forecast for RPI published in November 2016 was higher than that published in August.
2. Final Annual Iteration Adjustment Direction of £17.2m, including the impact of the direction made for Agency Service Costs.
3. Direction to release £0.3m to the consumer reflecting the net recovery from Theft of Gas during 2015/16.

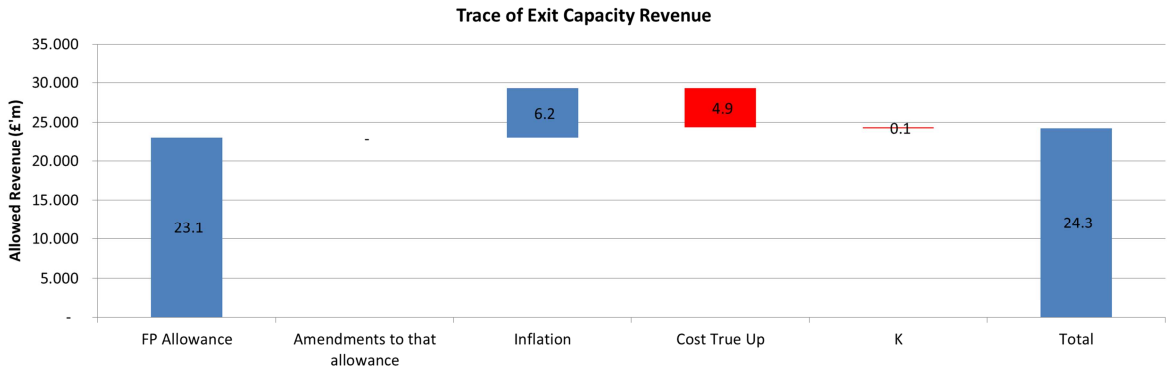
Distribution Price Control Formula – Exit Capacity

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 2015/16 and the over recovery of revenue against allowance in 2015/16 (the K Adjustment).

WWU Exit Capacity charges will decrease by 1.1% (1.0% indicative decrease). The decrease is required to collect the forecast allowed revenue:

	Final Price Setting	Indicative Price Setting
Price Adjustment Components	**£m**	**£m**
Forecast Collected Transportation Income before price change	24.5	24.3
Assumed SOQ reduction in year*	0.0	0.0
Reduction required from changing prices	(0.2)	(0.3)
Forecast Allowed Revenue for Year Ended 31st March 2018	24.3	24.0

The forecast Exit Capacity revenue allowance for 2017/18 comprises:



Theft of Gas

The licensing regime places incentives on Transporters, Shippers and Suppliers to take action in respect of suspected theft of gas. Certain costs associated with individual cases of theft are recovered through transportation charges. The charges reflect these requirements, with the Transporter not gaining or losing financially when taking one year with another.

The total transportation income for 2017/18 has been decreased by £0.3m in respect of net recoveries made in 2015/16.

LDZ System Charges

The standard LDZ system charges consist of capacity and commodity charges with separate functions for directly connected supply points and for Connected System Exit Points (CSEPs). As set out in DNPC08, with effect from 1 April 2012 the separate functions for CSEPs ceased and the same charges apply to CSEPs as to directly connected supply points.

Where the LDZ charges are based on functions, these functions use Supply Point Off take Quantity (SOQ) in the determination of the charges. At daily metered (DM) supply points the SOQ is the registered supply point capacity. For non-daily metered (NDM) supply points, the SOQ is calculated using the supply point End User Category (EUC) and the appropriate load factor. Details of EUCs and load factors are shown in Appendix 2A of the full Charging Statement published annually in March.

Directly Connected Supply Points and CSEPs

The unit charges and charging functions used to calculate charges to directly connected supply points and CSEPs are set out below.

Charge codes used

Directly Connected Loads		CSEPs	
Invoice	Charge Code	Invoice	Charge Code
LDZ Capacity	ZCA	ADC Capacity	891
LDZ Commodity	ZCO	ADC Commodity	893

LDZ System Charges

Charge Band (kwh/annum)	Capacity p/peak day kWh/day	Commodity p/kwh
Up to 73,200 kWh per annum	0.1874	0.0252
73,200 to 732,000 kWh per annum	0.1626	0.0220
732,000 kWh per annum and above	1.4559 x SOQ ^ -0.2513	0.2555 x SOQ ^ -0.2775
Subject to a minimum rate of	0.0138	0.0018
Minimum reached at SOQ of	112,497,763	56,935,300

CSEP charging

In the calculation of the LDZ charges payable, the unit commodity and capacity charges are based on the supply point capacity equal to the CSEP peak day load for the completed development irrespective of the actual stage of development. The SOQ used is therefore the estimated SOQ for the completed development as provided in the appropriate Network Exit Agreement (NExA). For any particular CSEP, each shipper will pay identical LDZ unit charges regardless of the proportion of gas shipped. Reference needs to be made to the relevant NExA or CSEP ancillary agreement to determine the completed supply point capacity.

Optional LDZ Charge

The optional LDZ tariff is available, as a single charge, as an alternative to the standard LDZ system charges. This tariff may be attractive to large loads located close to the NTS. The rationale for the optional tariff is that, for large Network loads located close to the NTS or for potential new Network loads in a similar situation, the standard LDZ tariff can appear to give perverse economic incentives for the construction of new pipelines when Network connections are already available. This could result in an inefficient outcome for all system users.

The charge is calculated using the function below:

Invoice	Charge Code
ADU	881

Pence per peak day kWh per day
$902 \times [(SOQ)^{\wedge -0.834}] \times D + 772 \times (SOQ)^{\wedge -0.717}$

Where: (SOQ) is the Registered Supply Point Capacity, or other appropriate measure, in kWh per day and D is the direct distance, in km, from the site boundary to the nearest point on the NTS. Note that ^ means “to the power of”.

Further information on the optional tariff can be obtained from the Pricing and Regulation Manager, Robert Wigginton, on 02920 278838.

LDZ Customer Charges

For supply points with an AQ of less than 73,200 kWh per annum, the customer charge is a capacity charge.

For supply points with an AQ between 73,200 and 732,000 kWh per annum, the customer charge is made up of a fixed charge which depends on the frequency of meter reading, plus a capacity charge based on the registered supply point capacity (SOQ).

For supply points with an AQ of over 732,000 kWh per annum, the customer charge is based on a function related to the registered supply point capacity (SOQ).

The unit charges and charging functions used to calculate customer charges to directly connected supply points are as follows:

LDZ Customer Capacity Charge

Charge Code	CCA
Charge Band (kWh/annum)	p/peak day kWh/day
Up to 73,200	0.0992
73,200 to 732,000	0.0039
>732,000	$0.0783 \times SOQ^{-0.2100}$

In addition to the above, the following fixed charge applies to supply points with an AQ between 73,200 and 732,000

Charge Code	CFI
Supply Point fixed charge	Fixed Charge pence/day
Non-monthly read	30.8323
Monthly read	32.8297

Exit Capacity

Following the implementation of Uniform Network Code Modification 0195AV, industry arrangements for the charging of NTS Exit Capacity costs changed on 1st October 2012. National Grid Transmission will invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DNs will invoice shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges). Ofgem have set an allowance for WWU to recover costs associated with NTS Exit Capacity charges.

Invoice	Charge Code
Capacity: Directly Connected Supply Points	ECN
Capacity: Connected Systems	C04
Capacity: Unique Sites	901

Exit Zone	Pence per peak day kWh per day
SW1	0.0119
SW2	0.0177
SW3	0.0256
WA1	0.0172
WA2	0.0068

Other Charges

Other Charges include administration charges at Connected System Exit Points, Shared Supply Meter Points and Interconnectors.

Connected System Exit Points

A CSEP is a system point comprising one or more individual exit points which are not supply meter points. This includes connections to a pipeline system within the Wales & West Network but operated by a Gas Transporter other than Wales & West Utilities.

There is no customer charge payable for connected systems, however separate administration processes are required to manage the daily operations and invoicing associated with CSEPs, including interconnectors, for which an administration charge is made.

The administration charge which applies to CSEPs containing NDM and DM sites is:

CSEP administration charge

Charge per supply point	0.0755 pence per day (£0.30 per annum)

The invoice and charge codes are:

	Invoice	Charge Code
DM CSEP	ADU	883
NDM CSEP	ADC	894

Please note that the CSEP administration charge is calculated by Xoserve and will cease to be levied by the Gas Transporters following the go live of the UK link replacement system under Project Nexus, planned for 1st June 2017.

Shared supply meter point allocation arrangements

An allocation service for daily metered supply points with AQs of more than 58,600 mWh per annum is available. This allows up to four (six for Very Large Daily Metered Customers, those with an AQ of more than 1,465,000 mWh/annum) shippers / suppliers to supply gas through a shared supply meter point.

The allocation of daily gas flows between the shippers / suppliers can be done either by an appointed agent or by the transporter.

The administration charges which relate to these arrangements are shown below. Individual charges depend on the type of allocation service nominated and whether the site is telemetered or non-telemetered.

The charges are (expressed as £ per shipper per supply point):

Invoice	Charge Code
ADU	883

Agent Service

	Telemetered	Non-telemetered
Set-up charge	£107.00	£183.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£2.96

Transporter Service

	Telemetered	Non-telemetered
Set-up charge	£107.00	£202.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£3.05

LDZ System Entry

DN Entry Commodity Charge/credit

DN Entry Commodity charges reflect the costs of receiving gas from an entry point at a lower pressure tier than the NTS. The charge/credit will differ according to the amount of gas entering the network system, the pressure tier at which the gas enters the system and the operational costs resulting from the entry point.

The charge, which comprises the following three elements, is an adjustment to the full transportation charge:

i. **Lower System Usage**: For the gas received from this source the Shippers will get a credit in recognition that the gas has entered the network at a lower pressure tier, thus using less of the network system. hu

ii. **Avoidance of Exit Capacity**: The Shipper will receive a credit for the avoidance of exit capacity charges as they have not taken gas which has entered the Wales & West network through the National Transmission offtake point.

iii. **Operational Costs:** The Shipper will be charged an operational cost, principally maintenance, relating to the equipment owned and operated by the Gas Distribution Network.

The sum of the above three components may result in either a credit or a debit to the Shipper. The table below gives the entry commodity unit price for all known sites within the Wales & West Network set to operate during 2017/18.

LDZ System Entry Commodity Charge/Credit by DN Entry point

Site Name	GEMINI Name	Alias	LDZ System Entry Commodity Charge (p/kWh) Forecasted prices effective 1 April 2017
BROMHAM HOUSE FARM	BROMOS		-0.0679 (Credit)
CANNINGTON BIOMETHANE	CANNOS		-0.0712 (Credit)
BISHOPS CLEEVE BIOMETHANE	CLEEOS	Grundon Landfill / Wingmoor Farm	-0.0539 (Credit)
ENFIELD BIOMETHANE	ENFDOS		-0.0250 (Credit)
FIVE FORDS BIOMETHANE	FIVEOS		0.0086 (Charge)
FRADDON	FRADOS	Penare Farm	-0.0545 (Credit)
FROGMARY BIOMETHANE	FROGOS		-0.0593 (Credit)
GREAT HELE BIOMETHANE	HELEOS	Nadder Lane	-0.0250 (Credit)
HELSCOTT FARM	HELSOS		-0.0679 (Credit)
ROTHERDALE	ROTHOS	Vale Green 2	-0.0361 (Credit)
SPRINGHILL BIOMETHANE	SPNGOS		-0.0250 (Credit)
SPITTLES FARM	SPITOS	Bearley Farm	-0.0679 (Credit)
AVONMOUTH WESSEX	WESXOS	Wessex Water	-0.0779 (Credit)
WILLAND	WILLOS		-0.0679 (Credit)
WYKE FARM	WYKEOS		-0.0712 (Credit)
LORDS MEADOW	TBC	Crediton	-0.0679 (Credit)
PENNANS FARM	TBC		-0.0679 (Credit)