



SOUTHERN GAS NETWORKS plc

Notice of Changes to LDZ Transportation Charges on 1 April 2010

1. Introduction

The accompanying document, “**Southern Gas Networks Notice of LDZ Transportation Charges Effective from 1 April 2010**” gives notice of the LDZ transportation charges which will apply from 1 April 2010 for the use of Southern Gas Networks and is being issued now to comply with the Network Code requirement to give two month’s notice of changes to the charges. The document is based on Section 2 of the published LDZ Transportation Charges Statement and follows the same paragraph and table numbering to enable easy comparison with that Statement.

The change to gas transportation charges on 1 April 2010 in Southern Gas Networks plc is equivalent to overall increase of 7.8%. The implementation of DNPC05 with effect from 1 April 2010 means that in order to achieve the revised proportions for the recovery of revenue from the LDZ System Charges and the Customer Charges the increase in the LDZ System Charges is greater than this, at 10.6%, offset by a lower increase in the Customer Charges of 1%.

The overall increase of 7.8% compares to an estimated increase of 10.9% which was published in the Notice of Indicative Charges on 2nd November 2009. The main factors contributing to the reduction in the increase are listed below.

2. Changes since Publication of Indicative Charges

The main reasons for the reduction in the size of the increase on 1 April are decreases in estimated allowed revenues, in 2009/10 and 2010/11, outweighing a reduction in forecasted 2010/11 collected revenue.

The main elements of these changes are:

Allowed Revenue

The main factor causing a decrease in forecasted allowed revenue across 2009/10 and 2010/11 are changes in the mains and services replacement allowance. This is primarily due to continued work to scope out the 2010/11 programme, and updated forecasts for 2009/10.

Collected Revenue

The SOQs from 1 October 2010 are forecasted to be lower than when the Indicative charges were published, causing a reduction in forecasted 2010/11 collected revenue.

3. Conclusion

Based on the latest projections of SOQs, volumes and revenue, the 1 April 2010 overall increase of 7.8% is forecast to leave Southern Gas Networks plc neither over- nor under-recovered at the end of formula year 2010/11.

If you have any questions about this notice please e-mail pricingteam@sgn.co.uk