

## **Notice of Revised LDZ Gas Transportation Charges to Apply from 1st October 2010 for West Midlands Distribution Network**

This notice confirms the LDZ gas transportation charges which will apply from 1st October 2010 for West Midland Distribution Networks. Notice is provided two months ahead of the implementation date, consistent with our Licence and Network Code obligations.

National Grid Distribution has decided to reduce gas distribution transportation charges for West Midlands DN by 4% from 1 October 2010.

The reduction in transportation charges is being made with the aim of avoiding over-recovery against Maximum Allowed Revenue for 2010/11 which we forecast will occur otherwise. When the current charges were determined in January 2010 for implementation from 1 April 2010 the charges were set so as to recover transportation revenue in line with the Maximum Allowed Revenue. The Allowed Revenue level was estimated based on the best information available at the time.

Since January 2010 there have been two key changes leading to the expectation of over-recovery in West Midlands DN:

1. During January we forecast under-recovery for 2009/10 so to carry forward the under-recovery value into the forecast 2010/11 Maximum Allowed Revenue. Certainty over the final level of the under-recovery position is not obtained until after the Formula Year and the forecast is based on the best information available at that time. However, we now expect a smaller under-recover from that estimated when charges were set in January 2010. Consequently, this revision has reduced our forecast of the Maximum Allowed Revenue for 2010/11.
2. The level of mains and service replacement work expected to be undertaken in West Midlands has been reduced from the level forecast when charges were set in January 2010. The revised replacement workload has lead to a reduction in the Mains and Services Replacement expenditure adjustment (MSRA) factor and hence to Maximum Allowed Revenue for West Midlands DN.

There is still uncertainty around the final impact of these factors, alongside other factors including shrinkage and the AQ Review outcome, on the revenue position for 2010/11. Accordingly, we consider it prudent to reduce transportation charge levels in this network from October 2010 so as to aim to avoid over-recovery for the year.

With the charge reduction in West Midlands DN we expect collectable revenue in this network to be slightly below the Maximum Allowable Revenue for 2010/11. For East of England, London and North West networks we expect to be in line or to under-recover against Maximum Allowable Revenue with the existing charges. Charges in East of England, London and North West will not be changed at October.

The charge reduction from October 2010 for West Midlands network will be applied uniformly across both the Standard LDZ System and Customer charges. The CSEP Administration Charge, other administration charges and the Optional LDZ Charge are unchanged.

The definitive LDZ transportation charges to apply from 1st October 2010 are available on the National Grid web site at

<http://www.nationalgrid.com/uk/Gas/Charges/NoticeofChange/>

If you have any questions about this notice, please contact me or Stephen Marland, Pricing Manager, tel: 01926 656912, email: [stephen.a.marland@uk.ngrid.com](mailto:stephen.a.marland@uk.ngrid.com)

**Steve Armstrong**

Pricing & Margin Manager

National Grid Gas Distribution

National Grid House

Warwick, CV34 6DA

Phone: 01926 655834

Email: [steve.armstrong@uk.ngrid.com](mailto:steve.armstrong@uk.ngrid.com)