

PART B – DN TRANSPORTATION CHARGING METHODOLOGY

The Gas Distribution Transportation Charging Methodology

Replace current section “8” within UNC TPD Section Y Part B – DN TRANSPORTATION CHARGING METHODOLOGY with the following:

8. Customer Charges

Customer charges reflect Supply Point costs, primarily costs relating to service pipes and emergency work relating to service pipes and supply points. The customer charge methodology is based on an attribution of the costs across Supply Points grouped into a number of consumption bands.

The costs are made up of three cost pools, which are reflected in the charge as follows:

(a) Costs associated with the replacement of service pipes;

These costs are split into two categories:

- (i) those for Supply Points with an AQ below 73.2MWh (“Category 1”); and
- (ii) those for Supply Points with an AQ of 73.2 MWh or above (“Category 2”).

The percentage split of the costs into the two categories is based on the average split of service replacement expenditure between costs for relaying and transferring domestic services (assumed to relate to Supply Points in Category 1) and the equivalent costs for non-domestic services (assumed to relate to Supply Points Category 2). A unit charge rate, expressed as £/Supply Point, is determined for each category by dividing the cost for the category by the number of Supply Points within the category. ~~If this results in a unit rate for Category 1 which is below that of the unit rate for Category 2 then an average unit rate, calculated over both categories combined, is determined and used for both categories.~~

(b) Costs associated with the emergency service;

A single unit rate, expressed as £/Supply Point, is determined and used for all Supply Points by dividing the total costs associated with the provision of the emergency service by the total number of Supply Points;

(c) Asset-related Costs

Asset-related costs are the cost associated with provision of the Domestic Load Connection Allowance for new connections and the cost of business rates for the network. A single unit rate, expressed as £/Supply Point, is determined and used for all Supply Points by dividing the total asset-related cost by the total number of Supply Points.

For all three of the cost pools for each of the two categories, the unit rates relating to each cost pool are summed to determine a single unit rate, expressed as £/Supply Point.

The unit rates for the two categories are scaled by a single multiplicative scaling factor such that, based on the target revenue for the Customer charges and the forecast number of Supply Points, the forecast revenue which would be recovered from application of the resulting charge rates equates to the target revenue.