

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT**SECTION Y – CHARGING METHODOLOGIES****PART B – DN TRANSPORTATION CHARGING METHODOLOGY****The Gas Distribution Transportation Charging Methodology****7. LDZ System Entry Commodity Charge**

7.1 LDZ System Entry commodity charges are payable in respect of gas delivered to the LDZ System at LDZ System Entry Points. For each LDZ System Entry Point the charge is a fixed unit commodity charge applicable to all gas delivered to the LDZ System. The unit rate may vary by LDZ System Entry Point and may be positive, resulting in a charge, or negative, resulting in a credit.

7.2 The LDZ System Entry commodity charge will be determined for each LDZ System Entry Point as the summation of the unit rates in respect of [the items in 7.2.1 and 7.2.2 \(below\) minus the prevailing TO Exit \(Flat\) and SO Commodity Charges as published in the National Grid NTS Transportation Statement.](#)

7.2.1 Opex Costs

- (a) The unit rate will be determined in respect of the forecast operating costs incurred by the DN associated with the provision or operation of:
 - (i) the entry facilities related to the LDZ System Entry Point; and
 - (ii) any network assets which have been provided for, or are operated solely for, the management of gas flows from LDZ System Entry Points. Where such network assets are provided or operated solely for the management of flows from one LDZ System Entry Point then the forecast operating costs will be wholly allocated to that LDZ System Entry Point. Where such network assets are provided or operated for the management of flows from more than one LDZ System Entry Point then the forecast operating costs will be appropriately allocated between each relevant LDZ System Entry Point in proportion to the estimated cost causality.
- (b) The unit rate will be determined as Forecast operating costs / Forecast entry gas flow, expressed as pence per kWh.
- (c) The unit rate will be re-determined periodically to take account of changes to the forecast operating costs and forecast gas entry flows. In the intervening period between such redeterminations, the unit rate may be determined for a period by reference to the previously determined unit rate and the application of an appropriate RPI inflation factor reflecting the change in RPI since the last determination.

7.2.2 DN Usage Credit

(a) The DN Usage credit unit rate will be determined as the sum of the unit rates in respect of:

(i) ECN Credit

(A) The unit rate in respect of the ECN Credit for a LDZ System Entry Point will reflect the deemed saving in the cost of booked NTS Exit Capacity for the DN due to the forecast availability of gas flows at the LDZ System Entry Point leading to deemed lower levels of booked NTS Exit Capacity than otherwise.

(B) The unit rate is based on the average LDZ ECN charge for the whole DN multiplied by a Dependability Factor and then converted into a commodity equivalent charge. The Dependability Factor is set at a level which is equivalent to the load factor for the LDZ System Entry Point so that in the practice these figures cancel each other out in the calculation of the unit rate credit.

(C) The average LDZ ECN charge for the DN is calculated as:

$$\text{Average LDZ ECN} = \frac{\sum_{\text{all } z} [ECN_z \times SOQ_z]}{\sum_{\text{all } z} [SOQ_z]}$$

where:

ECN_z is the LDZ ECN charge in zone z;

SOQ_z is the forecast Supply Point capacity in zone z; and

means the sum across all NTS Exit Zones z within the DN.

(D) From this the unit rate credit, expressed as p/kWh, in respect of ECN Credit is equivalent to the numerical value of the average LDZ ECN charge, expressed as p/pdkWh/day and is independent of the flow characteristics at each LDZ System Entry Point, i.e. an average LDZ ECN charge of X p/pdkWh/day will lead to a unit rate in respect of ECN Credit of X p/kWh for each LDZ System Entry Point within that DN.

(ii) LDZ System Credit

(A) The unit rate credit in respect of LDZ system usage reflects the notional typical reduced usage of the LDZ System tiers by gas delivered into the LDZ System from the LDZ System Entry Point relative to that for gas delivered into the LDZ System from NTS/LDZ Offtakes. The credit is calculated individually for each LDZ System Entry Point and is dependent on the Highest Utilisation Tier for gas from the LDZ System Entry Point.

(B) The Highest Utilisation Tier is defined as the higher (in terms of

pressure) of:

- (1) the tier at which gas enter into the LDZ from the LDZ System Entry Point;
 - (2) the tier which gas from the LDZ System Entry Point is, via within-network compression, moved to (this is not applicable for gas which is not subject to within-network compression).
- (C) The tiers which are considered for the purposes of paragraph 7.2.2(a)(ii)(B) are (in descending order of pressure):
- (1) Local Transmission System (LTS);
 - (2) Intermediate Pressure System (IPS);
 - (3) Medium Pressure System (MPS);
 - (4) Low Pressure System (LPS).
- (D) The unit rate credit in respect of LDZ System usage is then determined as the sum of the Utilisation Rates for the tiers having higher pressure than the applicable Highest Utilisation Tier, as follows:

<u>Highest Utilisation Tier</u>	<u>Unit Rate Credit</u>
LTS	Zero
IPS	LTS Utilisation Rate
MPS	IPS Utilisation Rate plus LTS Utilisation Rate
LPS	MPS Utilisation Rate plus IPS Utilisation Rate plus LTS Utilisation Rate

- (E) The Utilisation Rate for each of the tiers is determined from the analysis of LDZ System utilisation used to determine the Standard LDZ System commodity charging functions, as set out in the methodology for determining the Standard LDZ System Charges. The Utilisation Rate for a tier is calculated as:

$$\text{Utilisation Rate} = 20 \times \text{Unit Commodity Cost for tier}$$

where:

the Unit Commodity Cost is the Commodity Cost of utilising the tier based upon the LDZ System commodity charges being targeted to recover 5% of the LDZ System charge revenue and where the Commodity Costs are scaled by a constant multiplicative factor such that the sum of the Commodity Costs for the four tiers referred to in paragraph 7.2.2(a)(ii)(C) is equal

to the LDZ System commodity charge rate for the 0 to 73.2 MWh/a charging band referred to in paragraph 4.7.1.

- (F) In this manner the unit rates in respect of the LDZ System credits should always be consistent with the Standard LDZ System commodity charges applicable for the same period.

- 7.3 The overall LDZ System Entry commodity charge may be positive (a charge) or negative (a credit) depending on the relative magnitude of the unit rates in respect of Opex Costs, ~~and~~ DN Usage Credit [and NTS TO Exit \(Flat\) and SO Commodity Charges](#).