

Notice of Revised LDZ Gas Transportation Charges to Apply from 1st April 2015 for East of England, London, North West and West Midlands Distribution Networks

This notice confirms the LDZ gas transportation charges that will apply from 1st April 2015 for East of England, London, North West and West Midlands Distribution Networks. Notice is provided two months ahead of the implementation date, consistent with our Licence and Network Code obligations.

The revised charges have been set to bring forecast collectable revenue (Rt) into line with the price control maximum DN allowed revenue (ARt) for the Formula Year 2015-16¹. The average change to distribution transportation charge levels from 1st April 2015 are shown in Table 1. The individual elements of the transportation charges will change by varying levels around these average changes, in line with the application of the existing charging methodology. The definitive new transportation charge rates are shown within the appendices.

Table 1. Average Change to Transportation Charges from 1st April 2015

	East of England	London	North West	West Midlands	Weighted Average ²
Average Change	3.7%	7.8%	6.3%	-0.4%	4.5%

The factors underlying the update to our charges are shown in Table 2.

Table 2 Factors underlying the Change to Unit Transportation Charges

Distribution Network	East of England	London	North West	West Midlands	Average
Change in Distribution Revenue at 2014-15 price levels	0.2%	4.5%	2.1%	-3.7%	0.9%
Forecast Inflation for 2015-16	1.8%	1.8%	1.8%	1.8%	1.8%
Change in Distribution Revenue at Outturn price levels	2.0%	6.4%	3.9%	-2.0%	2.8%
Increase in unit rates to offset capacity reduction and changes to customer base	1.7%	1.4%	2.4%	1.6%	1.8%
Average Change to DN Charges	3.7%	7.8%	6.3%	-0.4%	4.5%

The changes in distribution revenue at 2014-15 price levels comprise a range of factors including changes to core revenue relating to the tax treatment of mains & services replacement costs for 2015-16 onwards, revenue adjustments relating to exit capacity, shrinkage and non-controllable costs, incentives, changes to the cost of capital, the Totex Incentive Mechanism, and repayment of charges over-recovery brought forward from 2013-14².

¹ The derivation of Rt and ARt for 2015/16 is shown in the National Grid Distribution revenue report available at <http://www.gasgovernance.co.uk/0186reports/2015jan>

² Weighted by size of each Distribution Network

² The RIIO GD1 price control applies a two-year lag to all the main revenue adjustments and incentives together with K, the revenue adjustment factor for under-/over-recovery.

Application of Charging Methodology

There are no changes to the transportation charging methodology applicable from 1 April 2015. However, the application of the existing charging methodology in order to maintain the required Customer/LDZ System charge revenue balance and a 95/5 capacity / commodity balance for the LDZ System charge revenue, results in changes to the levels of the Customer charges and to the capacity and commodity elements of the LDZ System charges which vary from the average changes, as shown in Table 3 below. For the Customer and Standard LDZ System charges the existing charges have been adjusted uniformly by the percentage shown (subject to rounding) so as to give the new charges shown in Appendices 1A to 1D.

Table 3. Average Changes to Different Charge Types

By Charge Type	East of England	London	North West	West Midlands
LDZ System Capacity Charges	4.1%	8.4%	6.8%	-0.7%
LDZ System Commodity Charges	2.9%	7.3%	4.0%	-1.8%
Customer Charges	4.5%	8.7%	7.1%	-0.1%
LDZ Total Charges (excl. ECN)	4.2%	8.4%	6.8%	-0.6%
LDZ ECN Charges	-6.0%	-4.4%	1.0%	3.1%
Total Distribution Transportation	3.7%	7.8%	6.3%	-0.4%

The LDZ ECN charges, shown in Appendix 2, have been set with the aim of recovering the licence NTS Exit cost allowances for 2015-16, together with the NTS Exit Capacity cost adjustment and ECN charge under-/over-recovery both brought forward from 2013-14. This results in varying changes to the average level of the ECN charges for each network compared to the current ECN charges, with two networks increasing and two networks decreasing year upon year, as shown in Table 2 above. The zonal profile of the updated ECN charges has been set to match the zonal profile of actual and forecast NTS Exit capacity charges in 2015-16. Cost and recovery variances arising in Formula Year 2015-16 will be recovered / repaid in 2017-18, and so on.

Impact of Changes

Table 4 shows the estimated impact of the changes to transportation charges for typical loads of different sizes. This varies across the load categories since the changes to the individual charge types, as shown in Table 2, have different proportional impacts by load category. In particular, the ECN charges, for which the unit rate does not vary by load size, make up a larger proportion of the total transportation charge for larger loads and so, depending on the direction and magnitude of change in the ECN charges necessary to match the 2015-16 licence allowance, this will lead to overall charge increases for larger loads that vary from the overall average change.

Table 4. Average Changes to Charges for Loads of Different Sizes

Annual Consumption	East of England	London	North West	West Midlands
0-73 MWh	3.8%	7.9%	6.4%	-0.4%
73-732 MWh	3.4%	7.5%	6.1%	-0.4%
732-5,861 MWh	3.1%	7.2%	5.8%	-0.3%
Over 5,861 MWh	2.5%	6.5%	4.8%	0.0%

The changes to the level of the distribution transportation charges for a typical domestic load consuming 13,500 kWh/annum are shown in Table 5³. Note that this consumption level is consistent with that used in our previous Notice of April 2014 Charges, being in line with Ofgem's Typical Domestic Consumption Value (TDCV)⁴ for a medium-sized domestic load but does not assume any reduction in peak demand. Taking actual and projected reduction in peak demand into account, we estimate that this would reduce the annual domestic bill by around £3.

Table 5. Distribution Transportation Charges for a Constant Domestic Load of 13,500kWh

Annual Charge	East of England*	London	North West	West Midlands
Current	£122.89	£138.40	£126.10	£129.72
From April 2015	£126.55	£149.36	£134.22	£130.28
% Change	3.0%	7.9%	6.4%	0.4%

* For East of England DN, the East Anglia LDZ load factor is used and hence the total percentage change differs from that shown in the 0-73 MWh band in Table 4.

Note that these estimates are based on the average ECN rate for each network and therefore do not reflect a particular location within each network. Load Factors used for calculating April 2015 charges are those implemented in October 2014.

Charges for DN-Embedded Entry Points

The DN Entry commodity charge rates for current and new Distributed Gas entry points expected to flow gas during 2015-16 are shown in Appendix 3. The forecast level of transportation revenue (positive or negative) relating to distributed gas entry flows in 2015-16 is very small and so has negligible impact on the level of the other transportation charges.

Optional LDZ System Charge and Other Charges

The Optional LDZ System Charge and other charges for all networks are shown in Appendix 4.

³ Note that the average domestic charges published within the UNC0186 revenue reports, available at <http://www.gasgovernance.co.uk/0186reports/2015jan> assume a typical domestic load consuming 15,300 kWh per year and exclude ECN charges, for consistency with ECC analysis.

⁴ https://www.ofgem.gov.uk/sites/default/files/docs/decisions/tdcv_decision_letter_final_2.pdf Constant domestic load of 13,500kWh, consistent with 31st January 2014 Revised Transportation Charges. Our latest estimate for peak load reductions is 2.48% (average) in 2015/16 and would reduce bill impact by £2.53-£3.73 across our networks.

If you have any questions about this notice, please contact the charging team.

David Chalmers

Pricing & Shrinkage Manager
National Grid Gas Distribution
Hinckley Operational Centre
Brick Kiln Lane
Hinckley, LE10 0NA
Phone: 07833 293690
Email: David.w.chalmers@nationalgrid.com

Michael Lapper

Pricing Specialist
National Grid Gas Distribution
Hinckley Operational Centre
Brick Kiln Lane
Hinckley, LE10 0NA
Phone: 07917 722287
Email: Michael.lapper@nationalgrid.com

LDZ GAS TRANSPORTATION CHARGES TO APPLY FROM 1st APRIL 2015**Appendix 1A: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES
FOR EAST OF ENGLAND NETWORK****LDZ System Charges****LDZ System Capacity (Direct Connects and CSEPs)**

	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1759
73,200 to 732,000 kWh per annum	0.1404
732,000 kWh per annum and above	$0.8971 \times \text{SOQ}^{-0.2155}$
Subject to a minimum rate of	0.0172

LDZ System Commodity (Direct Connects and CSEPs)

	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0253
73,200 to 732,000 kWh per annum	0.0201
732,000 kWh per annum and above	$0.1595 \times \text{SOQ}^{-0.2376}$
Subject to a minimum rate of	0.0022

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0976

73,200 kWh up to 732,000 kWh per annum

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	28.6187
Monthly read supply points	30.4725

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0032

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0692 \times \text{SOQ}^{-0.2100}$

Appendix 1B: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR LONDON NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1955
73,200 to 732,000 kWh per annum	0.1742
732,000 kWh per annum and above	$1.1135 \times \text{SOQ}^{-0.2133}$
Subject to a minimum rate of	0.0191

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0292
73,200 to 732,000 kWh per annum	0.0259
732,000 kWh per annum and above	$0.1678 \times \text{SOQ}^{-0.2147}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.1241

73,200 kWh up to 732,000 kWh per annum

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	39.1602
Monthly read supply points	41.6968

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0043

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0954 \times \text{SOQ}^{-0.2100}$

Appendix 1C: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR NORTH WEST NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.2105
73,200 to 732,000 kWh per annum	0.1753
732,000 kWh per annum and above	$1.3828 \times \text{SOQ}^{-0.2483}$
Subject to a minimum rate of	0.0194

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0279
73,200 to 732,000 kWh per annum	0.0233
732,000 kWh per annum and above	$0.2021 \times \text{SOQ}^{-0.2586}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0991

73,200 kWh up to 732,000 kWh per annum

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	28.1025
Monthly read supply points	29.9231

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0030

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0683 \times \text{SOQ}^{-0.2100}$

Appendix 1D: STANDARD LDZ SYSTEM AND CUSTOMER CHARGE RATES FOR WEST MIDLANDS NETWORK

LDZ System Charges

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1805
73,200 to 732,000 kWh per annum	0.1625
732,000 kWh per annum and above	$1.9926 \times \text{SOQ}^{-0.2817}$
Subject to a minimum rate of	0.0177

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0285
73,200 to 732,000 kWh per annum	0.0254
732,000 kWh per annum and above	$0.3415 \times \text{SOQ}^{-0.2911}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0857

73,200 kWh up to 732,000 kWh per annum

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	27.1055
Monthly read supply points	28.8612
Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0029

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	$0.0655 \times \text{SOQ}^{-0.2100}$

Appendix 2: LDZ ECN CHARGES FOR ALL NETWORKS

East of England DN	LDZ ECN Rate (p/pdkWh/d)
EA1	0.0058
EA2	0.0057
EA3	0.0015
EA4	0.0120
EM1	0.0003
EM2	0.0043
EM3	0.0174
EM4	0.0119
London DN	
NT1	0.0209
NT2	0.0122
NT3	0.0116
North West DN	
NW1	0.0189
NW2	0.0258
West Midlands DN	
WM1	0.0187
WM2	0.0153
WM3	0.0114

Appendix 3: DN ENTRY COMMODITY CHARGES / CREDITS FOR DISTRIBUTED GAS FOR ALL NETWORKS

Distribution Network	Distributed Gas Entry Point	Entry Commodity Charge (p/kWh)	Charge / Credit
East of England	Adnams Brewery, Southwold	0.2118	Charge
	Lindholme, Doncaster	-0.0486	Credit
	Beccles, Sotterley	-0.0573	Credit
	Chear Fen Farms, Chittering	-0.0756	Credit
	Holkham, Norfolk	0.0005	Charge
	Redbourne Road, Hibaldstow	-0.0709	Credit
	Grange Farm, Spridlington	-0.0521	Credit
	West Fen Farm, March	-0.0605	Credit
	Lanketts Grove	-0.0037	Credit
	Raynham Farm	0.0035	Charge
	Bonby	-0.0026	Credit
	Mepal	-0.0787	Credit
	Horsey Toll	-0.0043	Credit
	Moreston Point	-0.0043	Credit
	Wardentree Lane	-0.0043	Credit
	Metheringham IP	-0.0610	Credit
	Metheringham LTS	0.0025	Charge
	Methwold	0.0005	Charge
	Swaffham	0.0005	Charge
North West	Bredbury Park, Stockport	0.0896	Charge
	Granox, Widnes	-0.0697	Credit
West Midlands	Minworth Sewage Works	-0.0084	Credit

Appendix 4: OPTIONAL LDZ SYSTEM AND OTHER CHARGE RATES FOR ALL NETWORKS

Optional LDZ Charge

Invoice	Charge Code
ADU	881

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

Other Charges

CSEP Administration Charge

Charge per supply point	0.0910 pence per day
-------------------------	----------------------

	Invoice	Charge Code
DM CSEP	ADU	883
NDM CSEP	ADC	894

Shared supply meter point allocation arrangements

Agent Service – ADU 883

	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- ADU 883

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

End