



## SCOTLAND GAS NETWORKS plc

### Indicative Notice of Proposed Changes to Transportation Charges on 1 April 2010

#### 1. Charges from 1 April 2010

The indicative change to gas transportation charges on 1 April 2010, in Scotland Gas Networks, is an increase of 4.2%.

This is because allowed revenue is forecasted to be higher in 2010/11 than in 2009/10, mainly due to an increase in Core Allowed Revenue and positive movements in the Pass Through items and Incentives. There is also a steady downward trend in supply point SOQs which tends to reduce collected revenue.

#### 2. Uncertainties

At this stage there are still some uncertainties which will probably cause the actual charges, which will be published on 1 February 2010 to take effect on 1 April 2010, to differ from the indicative charges.

For example, the current forecast of the shrinkage allowance is based on prevailing gas prices. In view of the volatility in wholesale gas prices it is very likely that the shrinkage allowance will change before 1 February. It is also likely that some of the incentives will change between October 2009 and 1 February 2010.

It should be noted that no allowance has been included for the Traffic Management Act (TMA) re-opener in 2010/11 – however this assumption will be reviewed again before the actual charges are set. Finally definitive, as supposed to forecast, RPI data will be available for the actual 2010/11 charges calculation – which may result in further movement from the indicative charges.

#### 3. Possible Rebalancing of Charges (DNPC05)

A proposal by the DNs to change the split of revenue recovery between the LDZ system and customer charges from the current national-based split to a more cost reflective network basis is being consulted on at the moment and, if not vetoed by Ofgem, may be implemented on 1 April 2010. Therefore two indicative charges documents have been provided – one showing the indicative charges according to the existing national split, the other showing the indicatives restructured to the proposed 71.2:28.8 split for Scotland Network. To enable Users to compare easily the indicative charges with the current charges - the documents contain sections **2.2 “LDZ System Charges”** and **2.3 “LDZ Customer Charges”** of the Network Transportation Charges Statement.

#### 4. Other Charges

The “Other Charges” in section 2.4 of the Charges Statement comprise the CSEPs Admin charge and admin charges for Shared Supply Meter Points (SSMPs). The CSEPs Admin charge is increasing by a small amount (2p per supply point per annum), and the admin charges for SSMPs are under review and may change before the publication of the final charges on 1 February 2010.

## **5. Final Notice of Changes to the Level of Charges**

Final notice of any changes to the charges on 1 April 2010 will be given no later than 1 February 2010 in line with the two months' notice of price changes required by the Network Code.