

Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

Wales & West House  
Spooner Close  
Celtic Springs  
Coedkernew  
Newport NP10 8FZ  
T. 029 2027 8500  
F. 0870 1450076  
www.wwutilities.co.uk

Tŷ Wales & West  
Spooner Close  
Celtic Springs  
Coedcernyw  
Casnewydd NP10 8FZ

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### LDZ System Entry Commodity Charge for Distributed Gas

#### Context

Entry Commodity Charges will be introduced from 1<sup>st</sup> April 2013. The new charge, to be levied on Shippers, reflects the costs of receiving gas from an entry point at a lower pressure tier. The charge will differ according to the amount of gas entering the network system, the pressure tier at which the gas enters the system and the operational costs resulting from the entry point.

#### Charge Details

The charge was consulted upon following modification 0391, raised by National Grid and subsequently approved by Ofgem. The charge, which comprises the following three elements, is an adjustment to the full transportation charge which the Shipper incurs:

- (i) **Lower System Usage:** For the gas received from this source the Shippers will get a credit in recognition that the gas has entered the network at a lower pressure tier, thus using less of the network system.
- (ii) **Avoidance of Exit Capacity:** The Shipper will receive a credit for the avoidance of exit capacity charges as they have not taken gas which has entered the Wales & West network through the National Transmission offtake point.
- (iii) **Operational Costs:** The Shipper will be charged an operational cost, principally maintenance, relating to the equipment owned and operated by the Gas Distribution Network.

The sum of the above three components may result in either a credit or a debit to the Shipper.

The table below gives the entry commodity unit price for the Entry Point at Springhill Nurseries which is expected to be operational during early 2013/14. The charge reflects the outcome of the Final Proposals published by Ofgem in December 2012, our view of the likely operational expenditure associated with this Entry Point and the expected volume of gas to be injected into the network system.

24 hour gas escape number  
Rhif 24 awr os bydd nwy yn gollwng

**0800 111 999\***

\*calls will be recorded and may be monitored  
caiff galwadau eu recordio a gellir eu monitro



<b>Indicative DN Entry Point</b>	<b>Distribution Network</b>	<b>LDZ System Entry Commodity Charge</b>  (p/kWh)	<b>Charge/Credit (-)</b>
Springhill Nurseries	Wales & West	-0.0642	Credit

The charge is based on the price at this time. If, at the time the Entry Point becomes operational, there is a change to the volume of gas being entered into the network system then the Commodity Entry charge will be recalculated.

The Entry Commodity charge for each Entry Point will be reviewed at the start of each regulatory year (1<sup>st</sup> April) in line with movements in transportation prices, operational expenditure and volumes of gas entering the network system.

Yours faithfully

John Edwards  
Pricing Manager  
Wales & West Utilities Ltd