

# Final Gas Distribution Transportation Charges

**From 1 April 2018**

**For East of England, London, North West and  
West Midlands Gas Distribution Networks**



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## Introduction

This notice confirms the level of gas transportation charges that will apply from 1 April 2018 for the East of England, London, North West and West Midlands gas distribution networks. This notice is provided two months ahead of implementation in line with the Gas Transporter Licence and Uniform Network Code requirements.

Whilst we endeavour to provide robust price signals through our indicative charge notice, there remained some areas of uncertainty which have now been resolved:

- The 2018/19 Inflation indexation factor underpinned by HM Treasury forecasts
- Finalisation of Ofgems 2017 Annual Iteration Process (AIP), including confirmation of the Cost of Debt
- Revised expenditure forecast for Network Innovation Allowance (NIA)
- Co-operative Energy Ltds (CEL) claim under the Supplier of Last Resort (SoLR) process
- Supply Point Capacity (SOQs) and Annual Quantity (AQ) requirements

The average price change for each distribution network from 1 April 2018 is shown in Table 1 below. The individual elements of the transportation charges will change by varying levels around these average positions, in line with the existing charging methodology.



**Table 1: Average Transportation Price Change from 1<sup>st</sup> April 2018**

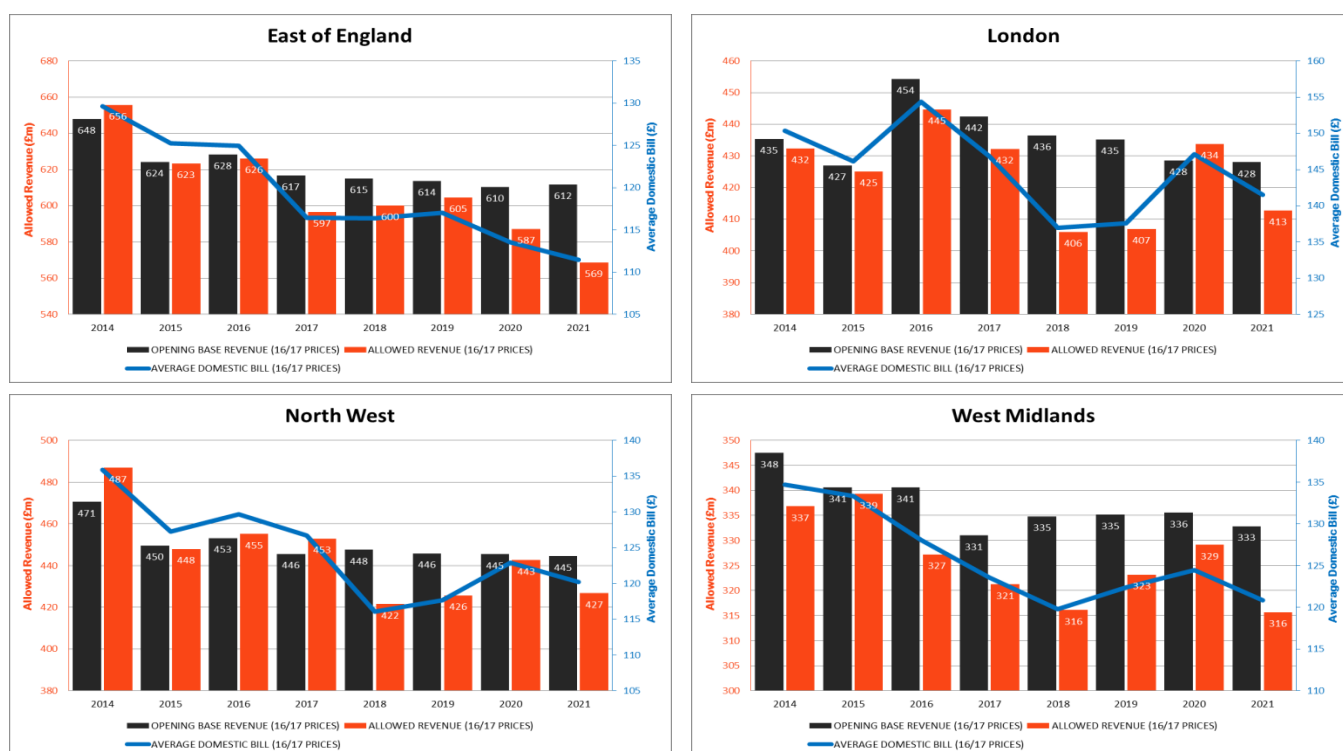
NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
AGGREGATE PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%

The price increases are primarily driven by inflation related impacts to allowed revenue, but also take account of under/over recovery of revenue from the 2017/18 charging year, and anticipated levels of supply point throughput and peak day capacity requirements.

## Average Domestic Bills

We anticipate that 8 year allowed revenues will be nearly 2% lower than the level indicated in the RIIO GD-1 Final Proposals in real terms. This equates to around £331m in 2016/17 prices. The reduction is primarily driven by the indexation of the cost of debt element of the weighted average cost of capital (WACC), but also driven by lower corporation tax rates, and lower pass through costs (inclusive of exit capacity and shrinkage costs), and our ability to drive cost efficiencies through the Totex Incentive Mechanism.

In terms of domestic customer bill impact, although there is some variability at network level, overall we expect customer bills to have reduced by £15 per annum (or around 11%) in real terms across the 8 year price control period. The graphs below illustrate actual and forecast revenue against opening allowances per the RIIO GD-1 final proposals, and forecasts for average domestic bill over the eight year period:



**Note:** our methodology for calculation of average domestic bills is based on mean average consumption by supply point in the 0 to 73,200 kWh per annum load band. Given that our transportation unit prices are driven by both changes to allowed revenues and average demand, we consider that this approach best emulates true network level variability. Additionally, we have presented numbers in 2016/17 prices in order to isolate the real price impacts of the RIIO framework. This approach differs to that adopted by Ofgem in their 2015/16 RIIO GD-1 Annual Report which is expressed in nominal terms, and uses the Typical Domestic Consumption Value (TDCV) as the basis for usage assumption.

## Average 2018/19 Price Change

A breakdown of the average price change in gas distribution transportation charges from 1st April 2018 is shown in Table 2 below. The principal factors driving these changes are:

- Year on year movement in allowed revenue as calculated in accordance with the Gas Transporter Licence.
- Correction for forecast under / over recovery of revenue in the 2017/18 charging year, in order to rebase unit charges. This is driven by differences in supply point capacity requirements to those assumed at the point of price setting.
- The impact of annual changes to Load Factors which are used to establish peak day capacity (SOQs) for Non Daily Metered supply points.
- Changes to peak day capacity requirements (SOQs) driven by underlying changes to rolling Annual Quantities (AQs).

**Table 2: 2018/19 Average Price Change (high level summary)**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
MOVEMENT IN ALLOWED REVENUE	+4.2%	+3.6%	+4.4%	+5.7%
PRIOR YEAR OVER / UNDER RECOVERY	+0.1%	+0.1%	+0.2%	(0.2%)
IMPACT OF LOAD FACTORS ON SOQ	(0.6%)	(0.5%)	(0.1%)	+0.0%
CHANGES IN AGGREGATE DEMAND	(0.6%)	(0.8%)	(1.6%)	(2.0%)
AGGREGATE PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%

The movement in Allowed Revenue is the primary driver of the aggregate price increase across the distribution networks for 2018/19. This is largely driven by inflation related impacts to allowed revenue which are the sum of year on year movement in RPI (3%), and 2 year lagged true up from 2016/17 (2%).

Under recovery of revenue from the 2017/18 charging year has also contributed towards the aggregate price increase across three of the distribution networks. This is mainly driven by a lower level of growth in Connected System Exit Points (CSEPS) than anticipated in the 2017/18 price setting year. Charges for 2018/19 must increase by the same extent to offset this under recovery.

Changes in aggregate supply point peak day capacity (SOQ's), and Annual Quantities (AQs) are based on the latest available demand data provided by Xoserve. An increase in demand has the opposite effect on prices and has resulted in partially offsetting reductions within the average price change.

**The 2018/19 transportation unit rates are shown in full in Appendix B**

## Movement since Indicative Charges

Table 3 below summarises the impact of the items that have crystallised since the publication of the Indicative charges:

- The Inflation indexation factor for 2018/19 is based on the November 2017 HM Treasury Forecast for the UK Economy and has given rise to a very low level of downward movement in the average price change.
- Cost of Debt settled higher than initially forecast at 2.03% via the 2017 AIP process. This has driven a slight increase in the average price change (+0.2%). This stemmed from the cessation of Bank of England data that underpins the cost of debt indexation calculation. It is anticipated this will be cumulatively corrected in the 2018 AIP.
- In addition to the finalisation of the Cost of Debt element of the 2017 AIP, finalisation of the overall MODt was slightly higher than previous forecasts, resulting from higher pension deficit administration costs. This produced a slight increase in the average price change.
- Revised expenditure forecasts against the Network Innovation Allowance (NIA) caused a £3m reduction in allowed revenue across the networks, and a -0.2% reduction in the average price change.
- Confirmation of CEL's claim under the Supplier of Last Resort process resulted in a +0.2% increase in the average price change.
- The latest available demand data from Xoserve has been used to set the final charges, resulting in a reduction to the average price change in comparison to the position reported within the indicative prices. This is largely as a result of industry agreed updates in respect of Unidentified Gas (UIG) and AQ calculation amendments implemented by Xoserve.

**Table 3: Movement in Average Price Change since Indicative Charge Setting**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
INDICATIVE PRICE CHANGE	+4.0%	+3.5%	+4.2%	+5.1%
CRYSTALISATION OF RPIF TERM	(0.0%)	(0.0%)	(0.0%)	(0.0%)
COST OF DEBT AT 2.03%	+0.1%	+0.2%	+0.1%	+0.1%
FINALISATION OF MODt	+0.1%	(0.1%)	+0.0%	+0.1%
CLAIM FOR SUPPLIER OF LAST RESORT	+0.2%	+0.1%	+0.2%	+0.2%
NIA FORECAST UPDATE	(0.1%)	(0.2%)	(0.2%)	(0.2%)
DEMAND UPDATES	(1.2%)	(1.1%)	(1.4%)	(1.7%)
FINAL PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%

## Movement since December Quarterly Revenue Forecast

Table 4 below reflects the movement in the average price changes compared to the positions reported in our quarterly revenue report published in December 2017. The movements are primarily driven by:

- Confirmation of CEL's claim under the Supplier of Last Resort process which resulted in minor downward movement in the average price change.
- AQ calculation amendments implemented by Xoserve produced a further decrease in the average price change than that reported within the December 2017 quarterly revenue forecast.

**Table 4: Movement in Average Price Change since Dec-17 Quarterly Revenue Forecast**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
DEC-17 MOD0186 PRICE CHANGE	+3.5%	+3.0%	+3.5%	+4.2%
CONFIRMATION SUPPLIER OF LAST RESORT	(0.0%)	(0.0%)	(0.0%)	(0.0%)
DEMAND UPDATES	(0.4%)	(0.5%)	(0.6%)	(0.6%)
FINAL PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%



## 2018/19 Allowed Revenue

The movement in Allowed Revenue between 2017/18 and 2018/19 is the largest contributing factor to the average price change. The key elements driving this movement are:

- Inflationary increases to uplift into 2018/19 prices.
- Movements in base revenue as per RIIO GD-1 Final Proposals.
- Impact of Ofgem’s MODt direction via the 2017 Annual Iteration Process (AIP).
- 2 year lagged RPI “true-up” from 2016/17 (where actual RPI outturn was lower than the HM Treasury forecasts used for the purposes of price setting).
- CEL’s claim under the Supplier of Last Resort process. This was previously presented as a risk item within our indicative charges, but network level values have been subsequently confirmed by Ofgem. Whilst this does not have a particularly material impact on our final position, it is lower than the risk indicated within the indicative charges.
- 2 year lagged adjustments from 2016/17 in respect of pass through costs, incentives, and over/under recovery in revenue collection.

A trace between allowed revenues for 2017/18 and 2018/19 is shown in Table 5 below. Further analysis of 2018/19 Allowed Revenue broken down by components can be found in Appendix A.

**Table 5: Year on Year Movement in Allowed Revenue (£m)**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2017-18 ALLOWED REVENUE	618.7	418.6	434.6	325.9
UPLIFT TO 2018/19 PRICES	20.5	14.0	14.6	10.9
BASE REVENUE PER FINAL PROPOSALS	(1.4)	(1.3)	(2.0)	0.4
PRICE CONTROL FINAL MODEL ADJUSTMENT	(1.1)	(4.2)	(2.1)	2.0
LAGGED INFLATION TRUE UP FROM 2016/17	11.9	8.7	8.4	6.4
CLAIM FOR SUPPLIER OF LAST RESORT	1.2	0.6	0.8	0.6
COST PASS THROUGH ADJUSTMENT	3.4	(0.1)	1.1	2.9
NON TOTEX INCENTIVES	(3.8)	(1.6)	(1.4)	(0.9)
2016/17 (OVER) / UNDER COLLECTION	(4.8)	(0.9)	(0.3)	(3.6)
2018-19 ALLOWED REVENUE	644.5	433.7	453.8	344.5
% CHANGE IN ALLOWED REVENUE	+4.2%	+3.6%	+4.4%	+5.7%



## 2017/18 Forecast Revenue Recovery

Current year revenue collection has a bearing on year ahead price setting, as any over or under collection of revenue needs to be offset by re-basing the unit prices. In a current year under recovery situation, year ahead prices will need to be increased, and conversely in an over recovery situation, year ahead prices will need to be decreased. The reasons why under/over recovery may occur are:

- Changes in underlying demand conditions against those assumed at the point of price setting.
- Growth in Connected System Exit Points (CSEPs). We adopt a 3 year rolling average movement in demand as a predictor for future demand conditions in this regard, but the extent to which actual growth matches this assumption will be a source of revenue collection variance.
- Special Condition 1B of the Gas Transporter Licence requires us to use our best endeavours not to over recover revenue beyond the Maximum Allowed Revenue set by the Licence. In practice, we target a low level of under recovery in price setting in order to discharge this obligation.

Table 6 below shows the 2017/18 revenue collection forecast. Against the demand conditions that have actually manifested, current prices are slightly too low for the East of England, London and North West networks, but too high for the West Midlands. We must therefore slightly increase next year's charges for East of England, London and North West, but decrease charges for West Midlands.

**Table 6: Collected Revenue Forecast 2017/18**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
ALLOWED REVENUE 2017-18 (£m)	618.7	418.6	434.6	325.9
COLLECTED REVENUE 2017-18 (£m)	618.3	418.1	433.8	326.7
FORECAST (UNDER) / OVER RECOVERY (£m)	(0.5)	(0.5)	(0.8)	0.7
FORECAST (UNDER) / OVER RECOVERY %	(0.1%)	(0.1%)	(0.2%)	+0.2%

## 2018/19 Forecast Revenue Recovery

The current forecast for collectable revenue in 2018/19 is shown in Table 7 below. As unit prices have decimalisation restrictions it is difficult to set charges to recover the exact amount of allowed revenue. In order to comply with our Licence, we must use best endeavours in setting charges to ensure that collectable revenue for each network does not exceed maximum allowed revenue for the relevant formula year. In practice prices are set to achieve a minimised level of under-recovery. Consequently, our final charge calculation delivers a small inherent under recovery.

**Table 7: Collectable Revenue Forecast 2018/19**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
ALLOWED REVENUE 2018-19 (£m)	644.5	433.7	453.8	344.5
COLLECTABLE REVENUE 2018-19 (£m)	644.4	433.5	453.6	344.3
FORECAST (UNDER) / OVER RECOVERY (£m)	(0.2)	(0.2)	(0.2)	(0.2)
FORECAST (UNDER) / OVER RECOVERY %	(0.02%)	(0.04%)	(0.05%)	(0.05%)

A key benefit of the 'Project Nexus' implementation in June 2017 is that it will utilise fixed peak day capacity positions (SOQs) for the entirety of a charging year, significantly reducing the risk of over or under recovery of revenue that was previously caused by step changes in demand at the commencement of each gas year.

Going forwards, we anticipate that further revenue collection risks will be limited to seasonal variations on commodity driven revenue (+/- 0.2% collection risk), and the impact of organic expansions and contractions in the chargeable base (including the CSEP growth as mentioned above) on capacity driven revenue (+/-0.2% collection risk).

## Changes in Aggregate Demand

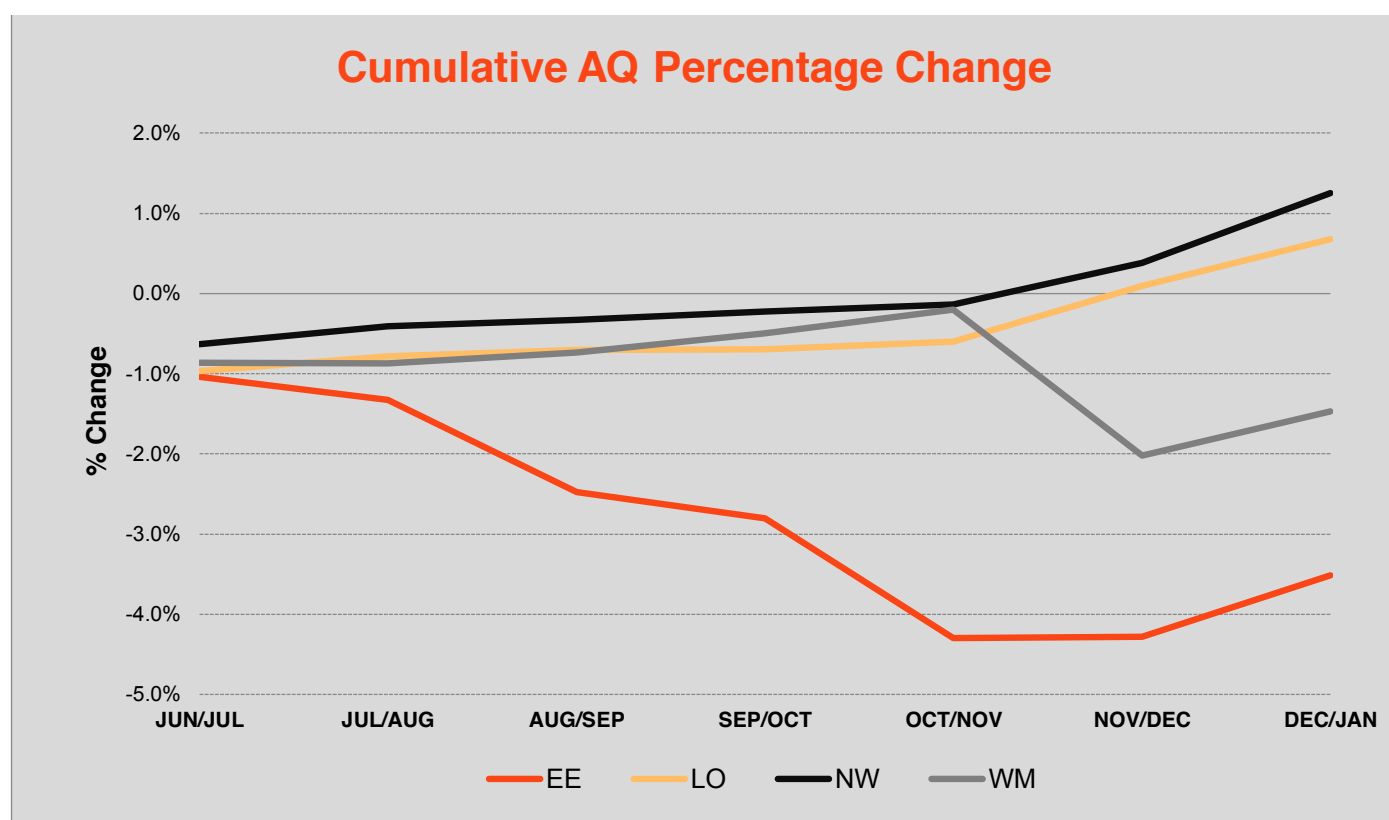
As a consequence of Project Nexus implementation Annual Quantities (AQs) will now develop on a rolling basis as opposed to the former Annual AQ Review process. For the purposes of final charge setting a snapshot of AQ and SOQ will be taken in early December. This will (subject to low level impacts via the AQ amendment window) become effective for transportation charge purposes from 1<sup>st</sup> April the following year. This will provide much greater certainty on chargeable volumes and significantly reduce revenue collection risks, as mid-year step changes in demand will no longer have a bearing.

To provide assurance on the price setting process we have been monitoring rolling AQs and SOQs on a monthly basis. As previously noted, we have observed that there has been a greater degree of change in demand than anticipated from the positions reported within our indicative charges.

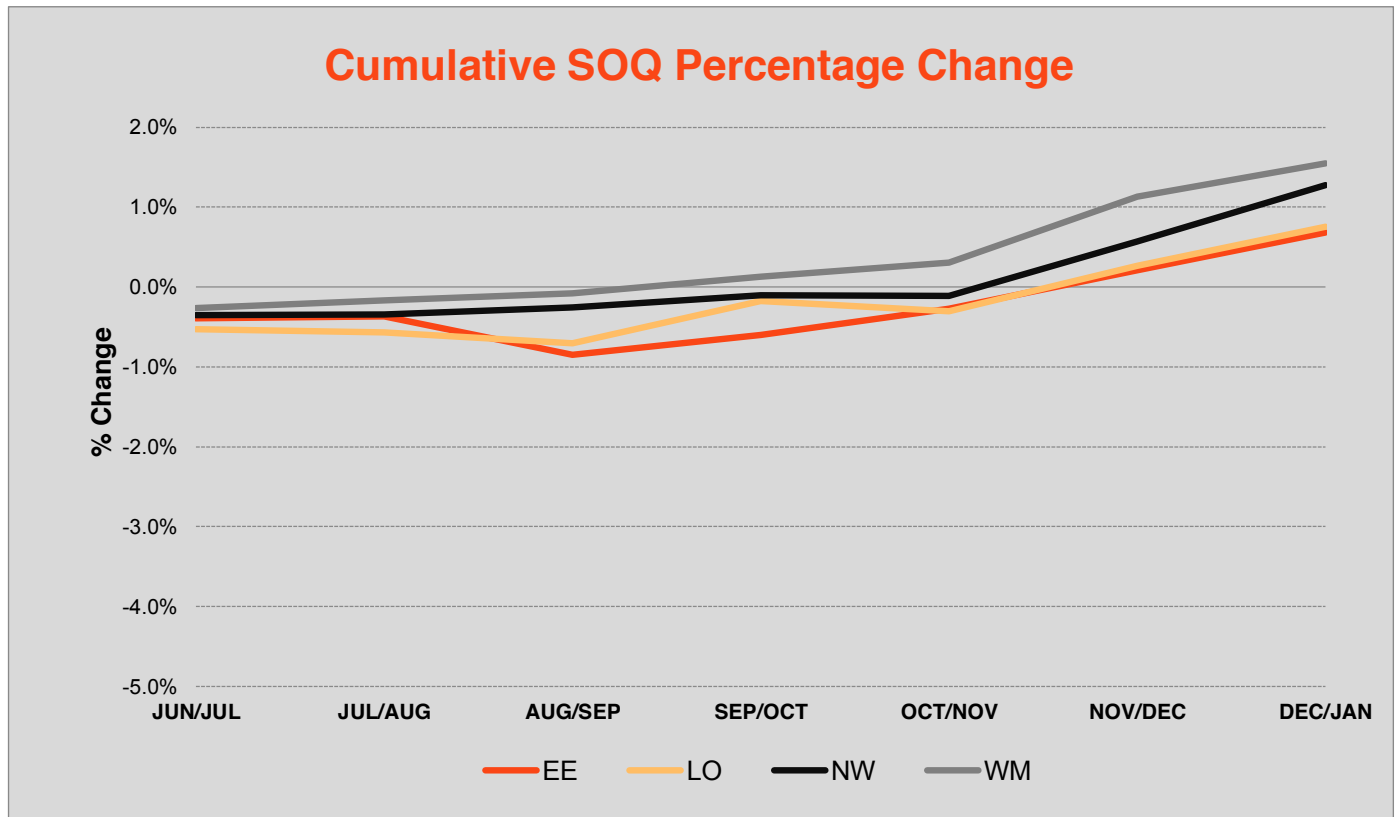
Charts A and B below show the monthly cumulative percentage change in AQs and SOQs since the implementation of Project Nexus. The movements between October and January are largely driven by:

- Industry sanctioned Unidentified Gas updates on AQs and SOQs between November and December 2017
- AQ calculation amendments between December 2017 and January 2018
- The impact of 2017 load factors on SOQs in October 2017

**Chart A: Cumulative monthly movement in aggregate Annual Quantities (AQs)**



**Chart B: Cumulative monthly movement in aggregate Supply Point Capacity (SOQs)**



# Impact of Changes to NDM Load Factors

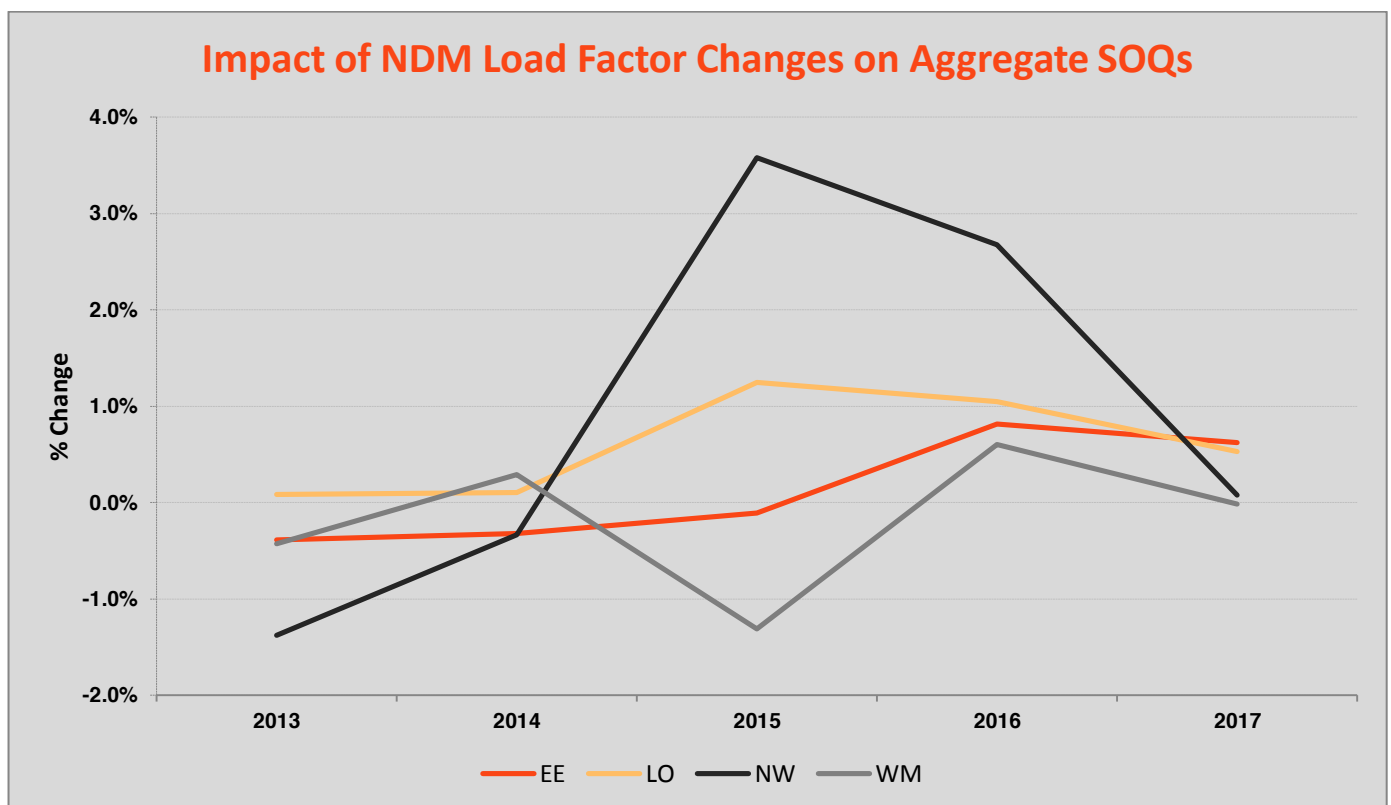
The demand data underpinning our final charges is inclusive of the impact of the implementation of the 2017 Non Daily Metered (NDM) load factors.

Load factors are used to derive peak day capacity requirements (SOQs) for Non Daily Metered supply points, and are published annually by Xoserve via the Demand Estimation Sub Committee (DESC). Previously, implementation of these at the commencement of each October gas year has been both a driver of in year over or under recovery risk, and an area of forecasting uncertainty for year ahead price setting.

Following implementation of Project Nexus, the impact of annual load factor update on charging is deferred until the start of the new charging year, providing greater predictability and stability in charges.

Chart C below shows the impact of load factor implementation on aggregate SOQs over the past 5 years (note this has an inverse impact on unit prices).

**Chart C: Movement in Annual Load Factors**



## Charging Methodology

No changes have been made to the Gas Distribution Charging Methodology which is contained within the Uniform Network Code (UNC) or to the structure of the charges for April 2018. The current charging methodology requires that revenue is recovered to a pre-determined Distribution Network (DN) specific splits between System and Customer charges, and then a further 95/5 sub-split of System charges between Capacity and Commodity. The Customer element is comprised of Capacity and Fixed charges. Unit charges will need to be re-balanced between these categories, and at load band level. This causes individual elements of the transportation charges to change by varying levels around these average positions.

Tables 8 to 10 below confirm target revenue splits achieved against the UNC.

**Table 8: Target Revenue Splits set out in the UNC**

TARGET REVENUE SPLIT REQUIRED BY UNC	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY %	5.0%	5.0%	5.0%	5.0%
LDZ SYSTEM CAPACITY %	95.0%	95.0%	95.0%	95.0%
LDZ SYSTEM %	70.5%	68.1%	73.7%	74.0%
LDZ CUSTOMER %	29.5%	31.9%	26.3%	26.0%

**Table 9: Revenue Splits Achieved in 2018/19 Price Setting**

ACTUAL SPLITS ACHIEVED	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY %	5.0%	5.0%	5.0%	5.0%
LDZ SYSTEM CAPACITY %	95.0%	95.0%	95.0%	95.0%
LDZ SYSTEM %	70.5%	68.1%	73.7%	74.0%
LDZ CUSTOMER %	29.5%	31.9%	26.3%	26.0%

**Table 10: Variance to UNC Target Splits**

VARIANCE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY	0.0%	0.0%	0.0%	0.0%
LDZ SYSTEM CAPACITY	0.0%	0.0%	0.0%	0.0%
LDZ SYSTEM	0.0%	0.0%	0.0%	0.0%
LDZ CUSTOMER	0.0%	0.0%	0.0%	0.0%

Tables 11 and 12 below provide a further breakdown of the price change for each component and its weighted average contribution to the overall price change.

**Table 11: Price Change by Component**

PRICE CHANGE %	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY PRICE CHANGE	+3.7%	+2.7%	+2.4%	+3.5%
LDZ SYSTEM CAPACITY PRICE CHANGE	+2.8%	+2.8%	+3.2%	+3.3%
LDZ CUSTOMER PRICE CHANGE	+2.8%	+2.1%	+3.4%	+3.7%
LDZ AGGREGATE PRICE CHANGE	+2.8%	+2.6%	+3.3%	+3.4%
ECN PRICE CHANGE	+10.8%	(0.4%)	(0.6%)	+5.4%
AVERAGE TRANSPORTATION PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%

**Table 12: Weighted Contribution to Average Price Change**

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY PRICE CHANGE	+0.1%	+0.1%	+0.1%	+0.1%
LDZ SYSTEM CAPACITY PRICE CHANGE	+1.8%	+1.7%	+2.1%	+2.1%
LDZ CUSTOMER PRICE CHANGE	+0.8%	+0.6%	+0.8%	+0.9%
LDZ AGGREGATE PRICE CHANGE	+2.7%	+2.4%	+3.0%	+3.2%
ECN PRICE CHANGE	+0.4%	(0.0%)	(0.0%)	+0.3%
AVERAGE TRANSPORTATION PRICE CHANGE	+3.1%	+2.4%	+2.9%	+3.5%



# Analysis of Price Change by Charge Band

Tables 13 to 17 provide an analysis of the price change at charge band level.

**Table 13: LDZ System Commodity Price Change by Charging Band**

SYSTEM COMMODITY PRICE CHANGE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	+3.7%	+2.8%	+2.3%	+3.5%
73,200 KWH - 732,000 KWH PER ANNUM	+3.5%	+2.2%	+2.7%	+3.6%
732,000 KWH PER ANNUM AND ABOVE	+3.7%	+2.4%	+2.9%	+3.4%
TOTAL	+3.7%	+2.7%	+2.4%	+3.5%

**Table 14: LDZ System Capacity Price Change by Charging Band**

SYSTEM CAPACITY PRICE CHANGE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	+2.8%	+2.8%	+3.2%	+3.2%
73,200 KWH - 732,000 KWH PER ANNUM	+2.8%	+2.8%	+3.2%	+3.3%
732,000 KWH PER ANNUM AND ABOVE	+2.8%	+2.8%	+3.2%	+3.4%
TOTAL	+2.8%	+2.8%	+3.2%	+3.3%

**Table 15: LDZ Customer Capacity Price Change by Charging Band**

CUSTOMER CAPACITY PRICE CHANGE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	+2.8%	+2.1%	+3.4%	+3.7%
73,200 KWH - 732,000 KWH PER ANNUM	+3.1%	+2.5%	+3.7%	+3.4%
732,000 KWH PER ANNUM AND ABOVE	+2.6%	+2.3%	+3.6%	+3.9%
TOTAL	+2.8%	+2.1%	+3.4%	+3.7%

**Table 16: LDZ Customer Fixed Price Change by Charging Band**

CUSTOMER FIXED PRICE CHANGE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	-	-	-	-
73,200 KWH - 732,000 KWH PER ANNUM	+2.8%	+2.1%	+3.5%	+3.7%
732,000 KWH PER ANNUM AND ABOVE	-	-	-	-
TOTAL	+2.8%	+2.1%	+3.5%	+3.7%

**Table 17: ECN Price Change by Exit Zone**

Please note: ECN charges are based on flat rates by Exit Zone rather than by Load Bands. Given that ECN revenue represents only around 6% of total Allowed Revenue on average, this can result in relatively low unit rates that are more sensitive to changes in aggregate SOQ at Exit Zone level, and depending on the concentration of SOQ within an Exit Zone, seemingly more marked percentage movements against the network average. Hence we have shown both the pence per peak day kwh movement and percentage movement in our analysis.

ECN PRICE CHANGE BY EXIT ZONE		UNIT RATES 2017/18	UNIT RATES 2018/19	DIFFERENCE (PENNY)	% DIFFERENCE
EAST OF ENGLAND	EA1	0.0052	0.0044	(0.0008)	(15.4%)
	EA2	0.0050	0.0041	(0.0009)	(18.0%)
	EA3	0.0015	0.0001	(0.0014)	(93.3%)
	EA4	0.0104	0.0119	0.0015	14.4%
	EM1	0.0005	0.0001	(0.0004)	(80.0%)
	EM2	0.0040	0.0024	(0.0016)	(40.0%)
	EM3	0.0134	0.0163	0.0029	21.6%
	EM4	0.0098	0.0108	0.0010	10.2%
	AVERAGE	0.0082	0.0091	0.0009	10.8%
LONDON	NT1	0.0207	0.0229	0.0022	10.6%
	NT2	0.0122	0.0120	(0.0002)	(1.6%)
	NT3	0.0116	0.0115	(0.0001)	(0.9%)
	AVERAGE	0.0124	0.0123	(0.0000)	(0.4%)
NORTH WEST	NW1	0.0195	0.0191	(0.0004)	(2.1%)
	NW2	0.0252	0.0256	0.0004	1.6%
	AVERAGE	0.0215	0.0214	(0.0001)	(0.6%)
WEST MIDLANDS	WM1	0.0171	0.0185	0.0014	8.2%
	WM2	0.0148	0.0155	0.0007	4.7%
	WM3	0.0130	0.0133	0.0003	2.3%
	AVERAGE	0.0150	0.0158	0.0008	5.4%

## Contact Details

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If you have any questions or require any further information in relation to this notice please contact a member of the Cadent Revenue and Pricing Team:

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## Appendix A: 2018/19 Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
OPENING BASE REVENUE	654.3	463.9	475.2	357.3
ANNUAL ITERATION PROCESS ADJ	(17.2)	(31.4)	(22.3)	(15.5)
RPI TRUE UP	(2.5)	(1.8)	(1.9)	(1.4)
<b>BASE REVENUE</b>	<b>634.5</b>	<b>430.6</b>	<b>450.9</b>	<b>340.4</b>
COST PASS THROUGH ADJ	5.0	2.7	3.1	2.3
SUPPLIER OF LAST RESORT	1.2	0.6	0.8	0.6
NTS EXIT CAPACITY INCENTIVE ADJ	9.6	4.6	4.8	2.3
NTS EXIT CAPACITY COST ADJ	(6.5)	(2.7)	(1.2)	0.1
SHRINKAGE INCENTIVE ADJ	0.4	0.3	0.3	0.2
SHRINKAGE COST ADJ	(4.3)	(2.4)	(3.1)	(2.7)
ENVIRONMENTAL EMISSIONS INCENTIVE ADJ	2.1	1.5	1.6	1.4
BROAD MEASURE INCENTIVE ADJ	4.1	1.1	2.2	1.0
DISCRETIONARY REWARD SCHEME ADJ	-	-	-	-
NETWORK INNOVATION ALLOWANCE ADJ	3.2	1.8	2.1	1.6
(OVER) / UNDER RECOVERY B/F	(4.7)	(4.3)	(7.8)	(2.6)
<b>MAXIMUM ALLOWED REVENUE</b>	<b>644.5</b>	<b>433.7</b>	<b>453.8</b>	<b>344.5</b>
<b>COLLECTABLE REVENUE FORECAST</b>	<b>644.4</b>	<b>433.5</b>	<b>453.6</b>	<b>344.3</b>
OVER / (UNDER) RECOVERY FORECAST	(0.2)	(0.2)	(0.2)	(0.2)
% OVER / UNDER RECOVERY	(0.0%)	(0.0%)	(0.1%)	(0.0%)

## Appendix B: Transportation Unit Charge Rates from 1<sup>st</sup> April 2018

In response to feedback from stakeholders we have produced a supplementary accompanying spreadsheet with extractable unit rates which can be found on the Joint Office of Gas Transporters website alongside this notice.

### LDZ System Capacity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCA / 891	PENNY PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1784	0.1852	0.1947	0.1883
73,200 KWH - 732,000 KWH PER ANNUM	0.1425	0.1651	0.1622	0.1697
732,000 KWH PER ANNUM AND ABOVE	0.9102 x SOQ ^ -0.2155	1.0553 x SOQ ^ -0.2133	1.2799 x SOQ ^ -0.2483	2.0796 x SOQ ^ -0.2817
SUBJECT TO A MINIMUM RATE OF	0.0174	0.0181	0.0180	0.0185
MINIMUM RATE APPLIES AT SOQ OF (KWH)	94,380,957	189,670,517	28,729,680	19,059,604

### LDZ System Commodity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCO / 893	PENNY PER KWH			
UP TO 73,200 KWH PER ANNUM	0.0297	0.0316	0.0317	0.0323
73,200 KWH - 732,000 KWH PER ANNUM	0.0236	0.0280	0.0266	0.0289
732,000 KWH PER ANNUM AND ABOVE	0.1881 x SOQ ^ -0.2376	0.182 x SOQ ^ -0.2147	0.2307 x SOQ ^ -0.2586	0.3884 x SOQ ^ -0.2911
SUBJECT TO A MINIMUM RATE OF	0.0026	0.0026	0.0028	0.0028
MINIMUM RATE APPLIES AT SOQ OF (KWH)	66,961,102	392,502,798	25,627,073	22,840,859

## LDZ Customer Capacity Charges

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCA / 891	PENNY PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1000	0.1168	0.0912	0.0901
73,200 KWH - 732,000 KWH PER ANNUM	0.0033	0.0041	0.0028	0.0030
732,000 KWH PER ANNUM AND ABOVE	0.0708 x SOQ ^ -0.21	0.0898 x SOQ ^ -0.21	0.0629 x SOQ ^ -0.21	0.069 x SOQ ^ -0.21

## LDZ Customer Fixed Charges (73,200 to 732,000 kWh/ annum only)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CFI	PENNY PER DAY			
NON MONTHLY READ SUPPLY POINTS	29.3252	36.8522	25.8938	28.5413
MONTHLY READ SUPPLY POINTS	31.2248	39.2392	27.5714	30.3900

## Optional LDZ Charge for all Networks:

ALL NETWORKS	
CHARGE CODE: 881	PENNY PER PEAK DAY KWH PER DAY
OPTIONAL LDZ FUNCTION	$902 \times [(SOQ)^{-0.834}] \times D + 772 \times (SOQ)^{-0.717}$

Please note the Optional LDZ Charge remains unchanged from 2017/18.

## ECN Charges by NTS Exit Zone (Direct Connects and CSEPS)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ECN / C04	PENCE PER PEAK DAY KWH PER DAY			
EA1	0.0044			
EA2	0.0041			
EA3	0.0001			
EA4	0.0119			
EM1	0.0001			
EM2	0.0024			
EM3	0.0163			
EM4	0.0108			
NT1		0.0229		
NT2		0.0120		
NT3		0.0115		
NW1			0.0191	
NW2			0.0256	
WM1				0.0185
WM2				0.0155
WM3				0.0133



## DN Entry Commodity Charge / Credit

The LDZ System Entry Commodity charge/credit reflect the operating costs associated with the entry of the distributed gas and the benefits in terms of deemed NTS Exit and distribution network usage reductions. The rate associated with the LDZ system Entry Commodity Charge is calculated on a site by site basis. The following table shows the unit rates for sites that are currently flowing gas or are expected to start flowing before the end of 2018/19. Should any further sites start flowing after publication of final charges; these will be published via supplemental price notifications.

NETWORK	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
<b>CHARGE CODE: LEC</b>		<b>PENCE PER KWH</b>			
ADNAMS BREWERY SOUTHWOLD	CHARGE	0.2238			
ALLENS FARM	CREDIT	-0.0806			
BAY FARM	CHARGE	0.0031			
BECCLES, SOTTERLEY	CREDIT	-0.0644			
BEELEY WOOD	CREDIT	-0.0645			
BONBY	CREDIT	-0.0020			
CHEAR FEN FARMS, CHITTERING	CREDIT	-0.0857			
DERBY	CREDIT	-0.0760			
FAIRFIELDS FARM, WORMINGFORD	CHARGE	0.0044			
GONERBY MOOR	CREDIT	-0.0777			
GRANGE FARM, SPRIDLINGTON	CREDIT	-0.0588			
HEMSWELL CLIFF	CREDIT	-0.0020			
HOLKHAM, NORFOLK	CHARGE	0.0021			
LANKETTS GROVE	CREDIT	-0.0024			
LINDHOLME, DONCASTER	CREDIT	-0.0588			
MANOR FARM, ALDERTON	CREDIT	-0.0784			
MEPAL	CREDIT	-0.0796			
METHERINGHAM MP / IP	CREDIT	-0.0684			
METHWOLD	CHARGE	0.0021			
NORTH MOOR FARM, CROWLE	CREDIT	-0.0521			
PICKENHAM AIRFIELD	CHARGE	0.0021			

NETWORK	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENNY PER KWH				
RAYNHAM FARM	CHARGE	0.0031			
REDBOURNE ROAD, HIBALDSTOW	CREDIT	-0.0806			
STOKE BARDOLPH	CREDIT	-0.0806			
THE OAKS	CHARGE	0.0021			
WARDEN TREE LANE	CREDIT	-0.0030			
WELBECK COLLIERY, MEDEN VALE	CREDIT	-0.0784			
WESTRY	CREDIT	-0.0012			
WORMSLADE FARM	CREDIT	-0.0751			
DAGENHAM	CREDIT		-0.0576		
BREDBURY PARK, STOCKPORT	CHARGE			0.0112	
DAVYHULME, URMSTON	CREDIT			-0.0620	
ELLESMERE PORT	CREDIT			-0.0158	
GRANOX, WIDNES	CREDIT			-0.0752	
BARNES FARM	CREDIT				-0.0107
CANNOCK	CREDIT				-0.0795
GRINDLEY HOUSE FARM	CREDIT				-0.0528
HAMPTON BISHOP	CREDIT				-0.0024
HIGHWOOD FARM, BRINKLOW	CREDIT				-0.0024
LOWER DRAYTON FARM	CREDIT				-0.0772
MINWORTH SEWAGE WORKS	CREDIT				-0.0084
MINWORTH SEWAGE WORKS (2)	CREDIT				-0.0832
ROUNDHILL	CREDIT				-0.0817
RUGELEY	CREDIT				-0.0047
STRONGFORD	CREDIT				-0.0660
SUTTON LODGE FARM	CREDIT				-0.0799

## Other Charges for all Networks

### Shared Supply Meter Point Allocation Arrangements

An allocation service for daily metered supply points with AQs of more than 58,600 mWh per annum is available. This allows for up to four (six for Very Large Daily Metered Customers) shippers/suppliers to supply gas through a shared supply meter point.

The allocation of daily gas flows between the shippers / suppliers can be done either by an appointed agent or by the transporter.

The administration charges which relate to these arrangements are shown below. Individual charges depend on the type of allocation service nominated and whether the site is telemetered or nontelemetered.

The charges are (expressed as £ per shipper per supply point):

AGENT SERVICE: ADU 883	TELEMETERED	NON TELEMETERED
SET-UP CHARGE	£107.00	£183.00
SHIPPER TO 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 TO SHIPPER TRANSFER CHARGE	£126.00	£210.00
DAILY CHARGE	£2.55	£3.05