



Notification of LDZ Transportation and SoLR Charges



To apply from
1st April 2022 – 31st March 2023





Contents

1.0	Introduction	3
2.0	Revenue	4
3.0	Transportation and SoLR Charges	8
4.0	LDZ System Entry	11
5.0	Charge Types and Invoice Mapping	13



1.0 Introduction



This publication sets out the Local Distribution Zone (LDZ) transportation charges which will apply from 1st April 2022 to 31st March 2023 for the use of the Wales & West Utilities Ltd (WWU) Distribution Network (DN), as required by Standard Special Condition A4 of the Gas Transporter Licence. This document does not override or vary any of the statutory, licence or Uniform Network Code (UNC) obligations upon WWU. This notice is being published in accordance with UNC TPD B 1.8.2 a.

Our final price change on 1st April 2022, excluding Supplier of Last Resort (“SoLR”) charges, will be an average increase of 12.8% over 2021/22 prices,. This comprises:

Average Price Change (Transportation and Exit)				
12.80%				
Transportation Income			Exit Capacity	
Final: 7.8% (Indicative: 29.3%)			Final: 88.9% (Indicative: 68.5%)	
Capacity		Commodity	Exit Zone	
System	Customer	Final: 3.1% (Indicative: 60.3%)	SW1	0.0240
			SW2	0.0385
Final: 8.3%	Final: 7.2%		SW3	0.0263
(Indicative: 28.9%)	(Indicative: 27.4%)		WA1	0.0309
			WA2	0.0297

N.b. Indicative price changes for capacity and commodity included charges in respect of SoLR revenues.

For more information about these changes, or our charges, please contact the pricing team on 0800 9122 999 or via email to Regulation@wwutilities.co.uk





2.0 Revenue

2.1. Total Revenues

RIIO-GD2 requires networks to set charges to collect the forecast allowed revenue calculated under the price control. These charges are split between

(i) transportation allowed revenue,

(ii) exit capacity revenue, which recovers the costs incurred from utilising the upstream network, the National Transmission System (NTS) and

(iii) SoLR revenue which a network is obligated to charge under its licence.

	2021/22 (£'m)	2022/23 (£'m)	Movement (£'m)	Movement (%)
Transportation Allowed Revenue	418.1	461.1	43.0	10%
Exit Capacity Allowed Revenue	28.4	53.3	24.9	88%
SoLR Revenue	0.8	96.3	95.5	11784%
Total	447.3	610.7	163.4	37%

N.b. In our indicative notice, SoLR revenue was included within transportation revenue, however following the implementation of UNC Modification 0797, has been split out.

The percentage movements shown above reflect movements in revenues between 2021/22 and 2022/23. These are different to the price change percentages shown on page 3, due to the application of the change in demand forecast between 2021/22 and 2022/23 to calculate the final price changes.





2.2 Transportation Allowed Revenue (£461.1m)

Our forecasted transportation allowed revenue increases by £43.0m in 2022/23. The most notable movements in the underlying drivers are:



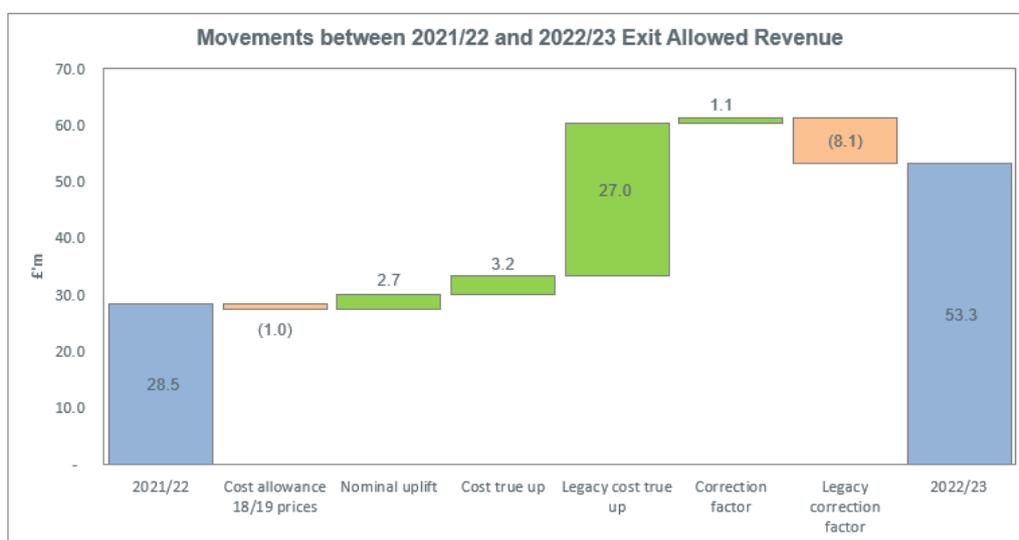
1. Fast money reflects the profile of totex expenditure forecast year on year.
2. Depreciation increases each year as more totex is capitalised, this is offset by a reduction in return on RAV due to the reducing allowed return on debt.
3. Pass through costs have increased significantly as a result of the sharp increase in Shrinkage gas prices forecast in 2022/23 (c. £17m in 18/19 prices), compared with those in 2021/22 and the inclusion of a bad debt pass through term of £4.6m in 18/19 prices, which stems from the termination of a major shipper at the end of 2021.
4. The reduction in other costs includes a £5.5m reduction in equity issuance allowance and £6.7m reduction to our tax allowance primarily as a result of super deductions for eligible capital expenditure which were processed as a tax trigger event in the PCFM.
5. The increase in the nominal uplift reflects the October OBR inflation forecast for 2022/23 which increased significantly from the previous year.
6. The AIP adjustment term is a new term under the RIIO GD2 and reflects any movement in 2021/22 allowed revenue after being finalised for price setting. There was no AIP adjustment in 2021/22 as this was the first year of RIIO GD2. In 2022/23 the AIP adjustment term includes amounts in respect of the increased totex allowances following conclusion of the CMA appeal in 2021, updated shrinkage cost forecast for 2021/22, inflation true ups and smaller increases in other pass-through costs such as CDSP and Licence Fee.
7. 2021/22 legacy allowed revenue included a large negative cost true up for exit capacity which is not present in 2022/23. This is offset by the reversal by Ofgem of certain items claimed in earlier years which are the subject of ongoing discussion.





2.3. Exit Capacity Allowed Revenue (£53.3m)

Following the implementation of Uniform Network Cost Modification 0195AV, industry arrangements for the charging of NTS Exit Capacity costs changed on 1st October 2012. National Grid Transmission invoices Distribution Networks (DNs) based on their use of the National Transmission System (NTS) and the Exit Point bookings made by the DN. Ofgem provide an allowance to networks to recover the anticipated cost of Exit Capacity, and a mechanism to adjust where these costs fall outside those anticipated. For 2022/23 our allowances increase by £24.8m to £53.3m:



1. The base allowance in 2022/23 is calculated using the latest published final and indicative price information from National Grid NTS.
2. The increase in the nominal uplift reflects the October OBR inflation forecast for 2022/23 which increased significantly from the previous year.
3. The RIIO-GD2 cost true up reflects the difference between cost allowances and actuals in 2021/22. There was no equivalent figure in 2021/22 as this was the first year of RIIO-GD2.
4. The increase in revenue as a result of the movement in legacy cost true up relates to the £-25.1m negative cost true up in 2021/22 allowed revenue which stemmed from 2019/20 on a two-year lag and £1.9m positive true up in 2022/23 from 2020/21. We increased our base allowance for 2019/20 to align to price indicatives at the time. Actual prices in 2019/20 were significantly lower than expected leading to a cost true up of £25.1m in 2021/22.
5. Correction factor which reflects the allowed versus recovered revenue in 2021/22 is £1.1m. There was no equivalent figure in 2021/22 as this was the first year of RIIO-GD2.
6. The movement in legacy correction factor relates to the fact that we targeted a lower revenue collection in 2019/20 to offset the negative cost true up mentioned above.





2.4. Supplier of Last Resort Revenue (SoLR) (£96.3m)

When the Office of Gas and Electricity Markets (Ofgem) revokes a supply licence (usually because of insolvency), it can appoint a 'supplier of last resort' (SoLR) on a case-by-case basis to take over the supply of gas and/or electricity to the insolvent supplier's customers. The aim is to provide seamless continuity of service for customers. The regulatory regime for this is primarily provided for in the Standard Conditions of the supply licences held by Great Britain's (GB's) electricity suppliers and gas suppliers.

The gas and electricity supply standard licence conditions allow a supplier acting as SoLR to make a claim for any reasonable additional, otherwise unrecoverable, costs they incur. Historically SoLRs have claimed for the following categories of costs:

- Customer credit balances
- Working capital
- Operational costs (including customer service, IT, complaints/enquiries specific to the SoLR, onboarding costs, communication and wholesale energy purchase costs)

In 2021/22 regulatory year there have been a significant number of supplier failures which have led to SoLRs being appointed by Ofgem. Last Resort Supply Payment (LRSP) claims have been submitted by SoLRs to Ofgem for consent and were approved by Ofgem.

DN's, in accordance with the provisions of SSC A48 of the Gas Transporters Licence, the decision letter published by Ofgem on 1st December 2021 and the modification to SSC A48 directed by Ofgem on 28th January 2022, are obligated by their licenses to raise revenue in 2022/23 to pay these SOLR claims in 2022/23. The total amount of valid claims raised for inclusion in 2022/23 tariffs is £96.3m.

Currently, DNs recover the LRSP costs through the invoicing of Transportation Charges via shippers, however this is largely invisible and not transparent. On 20 January 2022, Ofgem approved UNC modification 0797 which sought to create a new specific charge type which is to be added to the current Distribution Network Transportation Charging Methodology for first use in the 2022/23 charging year.

Revenues to be raised in 2022/23 by DNs to pay valid SoLR claims will be charged to domestic customers.





3.0 Transportation and SoLR Charges

3.1. Final Charges from 1 April 2022

Charges to recover Transportation Allowed Revenue

LDZ SYSTEM COMMODITY CHARGES	Current Price	Final Price
	effective from 1 st April 2021	effective from 1 st April 2022
	Pence per kwh	
UP TO 73,200 KWH PER ANNUM	0.0349	0.0360
73,200 KWH - 732,000 KWH PER ANNUM	0.0305	0.0314
732,000 KWH PER ANNUM AND ABOVE	0.3538	0.3648
	x SOQ ^	
	-0.2775	-0.2775
SUBJECT TO A MINIMUM RATE OF	0.0025	0.0026

LDZ SYSTEM CAPACITY CHARGES	Pence per peak day kwh per day	
	UP TO 73,200 KWH PER ANNUM	0.1995
73,200 KWH - 732,000 KWH PER ANNUM	0.1731	0.1875
732,000 KWH PER ANNUM AND ABOVE	1.5500	1.6787
	x SOQ ^	
	-0.2513	-0.2513
SUBJECT TO A MINIMUM RATE OF	0.0147	0.0159

LDZ CUSTOMER CAPACITY CHARGES	Pence per peak day kwh per day	
	UP TO 73,200 KWH PER ANNUM	0.1044
73,200 KWH - 732,000 KWH PER ANNUM	0.0041	0.0044
732,000 KWH PER ANNUM AND ABOVE	0.0824	0.0883
	x SOQ ^	
	-0.2100	-0.2100



LDZ CUSTOMER FIXED CHARGES	Pence per day	
73,200 KWH - 732,000 KWH PER ANNUM - BI ANNUAL READ SITES	32.4201	34.9290
73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES	34.5203	37.1918

Charges to recover Exit Allowed Revenue

Current Price **Final Price effective**
effective from 1st **from 1st April 2022**
April 2021

EXIT CAPACITY UNIT RATES BY EXIT ZONE	Pence per peak day kwh per day	
SW1	0.0110	0.0240
SW2	0.0181	0.0385
SW3	0.0125	0.0263
WA1	0.0150	0.0309
WA2	0.0178	0.0297

Charges to recover SoLR Revenue

Final Price effective from 1st April 2022

SUPPLIER OF LAST RESORT CHARGES	Pence per peak day kwh per day
LRSP Domestic Charge	0.0914
LRSP Industrial Charge	0.0000



3.2. Optional LDZ Charge

The optional LDZ tariff is available, as a single charge, as an alternative to the standard LDZ system charges. This tariff may be attractive to large loads located close to the NTS. The rationale for the optional tariff is that, for large Network loads located close to the NTS or for potential new Network loads in a similar situation, the standard LDZ tariff can appear to give perverse economic incentives for the construction of new pipelines when Network connections are already available. This could result in an inefficient outcome for all system users. The optional LDZ charge aims to overcome this perverse situation.

The charge is calculated using the function below:

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

Where:

(SOQ) = Registered Supply Point Capacity, or other appropriate measure, in kWh per day

D = Direct distance, in km, from the site boundary to the nearest point on the NTS.

Note that ^ means “to the power of”.

4.0 LDZ System Entry



4.1. DN Entry Commodity Charge/Credit

DN Entry Commodity charges reflect the costs of receiving gas from an entry point at a lower pressure tier than the NTS. The charge/credit 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.

The charge, which comprises the following three elements, is an adjustment to the full transportation charge:

- 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 all known sites within the Wales & West Network set to operate during 2022/23. Where additional sites are connected which are not currently planned to flow during 2022/23 these will be published if and when information on pressure tier, specific opex costs and flows are available. Typically, this may not be until a Gemini site name is allocated to the connection.





LDZ System Entry Commodity Charge/Credit by DN Entry point

Site Name	GEMINI Name	Alias	LDZ System Entry Commodity Charge (p/kWh) Current Prices	LDZ System Entry Commodity Charge (p/kWh) Prices effective 1 April 2022
BROMHAM HOUSE FARM	BROMOS		-0.0537	-0.1187
CANNINGTON BIOMETHANE	CANNOS		-0.0573	-0.1216
BISHOPS CLEEVE BIOMETHANE	CLEEOS	Grundon Landfill / Wingmoor Farm	-0.0443	-0.1113
ENFIELD BIOMETHANE	ENFDOS		-0.0204	-0.0691
FIVE FORDS BIOMETHANE	FIVEOS		0.0214	-0.0358
FRADDON	FRADOS	Penare Farm	-0.0391	-0.1071
FROGMARY BIOMETHANE	FROGOS		-0.0537	-0.1187
GREAT HELE BIOMETHANE	HELEOS	Nadder Lane	-0.0243	-0.0722
HELSCOTT FARM	HELLOS		-0.0537	-0.1187
ROTHERDALE	ROTHOS	Vale Green 2	-0.0371	-0.0824
SPITTLES FARM	SPITOS	Bearley Farm	-0.0537	-0.1187
SPRINGHILL BIOMETHANE	SPNGOS		-0.0152	-0.0649
PENNANS FARM	TBC		-0.0537	-0.1187
NORTHWICK	NOCKOS		-0.0402	-0.0848
AVONMOUTH WESSEX	WESXOS	Wessex Water	-0.0652	-0.1279
WILLAND	WILLOS		-0.0537	-0.1187
WYKE FARM	WYKEOS		-0.0599	-0.1237
EVERCREECH BIOMETHANE	EVEROS		-0.0646	-0.1275
TROWBRIDGE BIOMETHANE	TRWBOS		-0.0273	-0.0746
ABSL SWINDON	ABSLOS		-0.0391	-0.1071





5.0 Charge Types and Invoice Mapping

5.1. Xoserve Charge Mapping

The following list presents the core invoice and charge types reflected in this document, which are billed by Xoserve on our behalf. A full list of current invoice and charge types is available through the Xoserve Shared Area. For more information on invoicing, please contact Xoserve, the invoicing service provider, via e-mail at css_billing@xoserve.com.

	Invoice Type	Charge Type
LDZ Capacity		
Supply Point LDZ Capacity	CAZ	ZCA
CSEP LDZ Capacity	CAZ	891
Unique Sites LDZ Capacity Charge	CAZ	871
Unique Sites Optional Tariff	CAZ	881
Customer Capacity		
Customer LDZ Capacity	CAZ	CCA
Customer Capacity fixed Charge	CAZ	CFI
Unique Sites Customer Capacity	CAZ	872
Commodity		
LDZ Commodity	COM	ZCO
CSEP Commodity	COM	893
Unique Sites Commodity	COM	878
LDZ System Entry Commodity Charge	COM	LEC
Exit Capacity		
LDZ Exit Capacity	CAZ	ECN
CSEP Exit Capacity	CAZ	C04
Unique Sites Exit Capacity	CAZ	901
Supplier of Last Resort (NEW)*		
LRSP Domestic Charge*	ANC**	LRD
LRSP Industrial Charge*	ANC**	LRI

* Xoserve consultation on changes ends on 31 January 2022. Approval will be sought during ChMC meeting in February 2022

** Interim solution





5.2. Contact Us

Any questions or queries relating to this document or transportation charges in general please do not hesitate to contact our Pricing Team on 0800 9122 999 or via email to Regulation@wwutilities.co.uk or visit our website: <http://www.wwutilities.co.uk/>

Our ambition, priorities and values

Our new ambition
Trusted to expertly serve customers and communities with safe, reliable and affordable energy services today, whilst investing wisely to create a sustainable, greener future.



Our new priorities

- Demanding SAFETY ALWAYS**  We never compromise on the safety, wellbeing and health of our colleagues and customers, always raising the bar and improving standards.
- Driving OUTSTANDING SERVICE**  We strive to exceed customer expectations by offering fair, inclusive, quality services for all, whilst looking after those most in need.
- Delivering VALUE FOR MONEY**  We always spend and invest money wisely; working smarter to offer affordable, value for money services.
- Doing all we can to provide SUSTAINABLE ENERGY**  We're future proofing to deliver reliable, greener energy for heat, power and transport, and reducing our environmental impact to achieve net zero targets.
- Designing OUR FUTURE**  We're building a skilled, resilient, and diverse team to work in partnership with our stakeholders. Together, helping our communities and society thrive.

Our values

- We put customers first**  We build trust by giving excellent service, listening and taking action on what our customers tell us.
- We take pride**  We take ownership and are accountable for our work, going above and beyond to get great results.
- We work as a team**  We build relationships with colleagues and partners, share best practice and encourage honest, open conversations.
- We bring energy**  We approach all our work with enthusiasm, always challenging outcomes to do better by embracing new ideas and innovative solutions.

