

Notification of LDZ Transportation and SoLR Charges

To apply from
1st April 2023 – 31st March 2024



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Introduction

This publication sets out the Local Distribution Zone (LDZ) transportation and Supplier of Last Resort charges which will apply from 1st April 2023 to 31st March 2024 for the use of the Wales & West Utilities Ltd (WWU) Distribution Network (DN), as required by Uniform Network Code (UNC) TPD B 1.8.2a and Standard Special Condition A4 of the Gas Transporter Licence. This document does not override or vary any of the statutory, licence or UNC obligations upon WWU.

Our final price change on 1st April 2023, will be an average increase of 17.3% over 2022/23 prices. This comprises:

| Total Revenue | | | | | |
|---------------------------------|---------------------------------|----------------------------------|--------------|-----------------------------|--------|
| 17.3 % | | | | | |
| Transportation Income | | Exit Capacity | | SoLR | |
| 24.4% (Indicative: 24.5%) | | -37.1% (Indicative: -17.2%) | | -73% (Indicative: -100%) | |
| Capacity | | Commodity | By Exit Zone | | |
| System | Customer | 59.2% (Indicative: 62.4 %) | SW1 | | 0.0147 |
| | | | SW2 | | 0.0245 |
| | | | SW3 | | 0.0163 |
| | | | WA1 | 0.0192 | |
| | | | WA2 | 0.0186 | |
| 23.2% (Indicative: 23.4%) | 23.8% (Indicative: 23.6%) | | | | |

For more information about these changes, or our charges, please contact the pricing team at pricing@wwutilities.co.uk.

Revenue

Total revenue

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

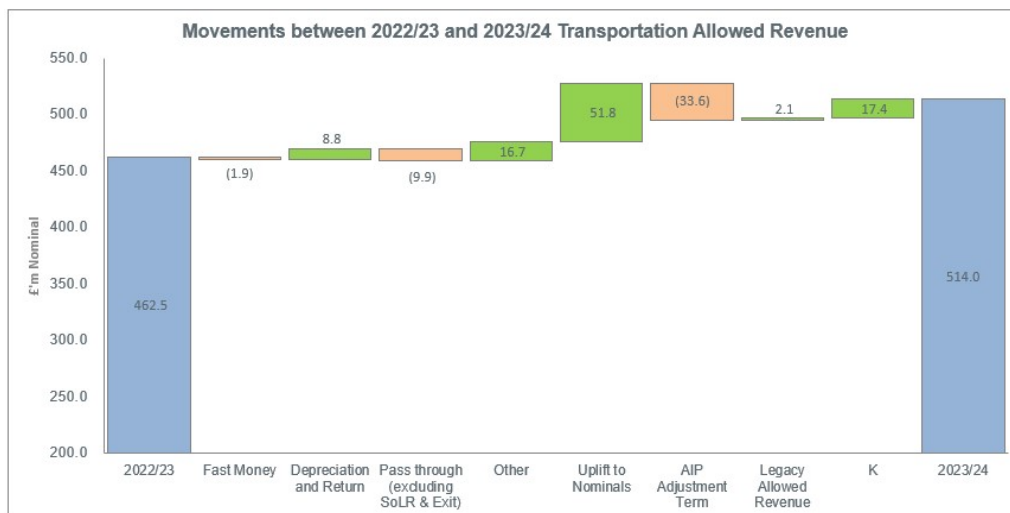
- (i) transportation allowed revenue (excluding exit capacity),
- (ii) exit capacity revenue, which recovers the costs incurred from utilising the upstream network, the National Transmission System (NTS) and
- (iii) SoLR revenue which a network is obligated to charge under its licence.

| | 2022/23 (£'m) | 2023/24 (£'m) | Movement (£'m) | Movement (%) |
|--------------------------------|------------------|------------------|-------------------|--------------|
| Transportation Allowed Revenue | 462.5 | 514.0 | 51.5 | 11% |
| Exit Capacity Allowed Revenue | 53.3 | 33.5 | -19.8 | -37% |
| SoLR Revenue | 95.9 | 26.0 | -69.9 | -73% |
| Total | 611.7 | 573.5 | -38.2 | -6% |

The percentage movements shown above reflect movements in revenues between 2022/23 and 2023/24. These are different to the price change percentages shown on page 3, due to the application of the change in demand forecast between 2022/23 and 2023/24 to calculate the final price changes.

Transportation Allowed Revenue

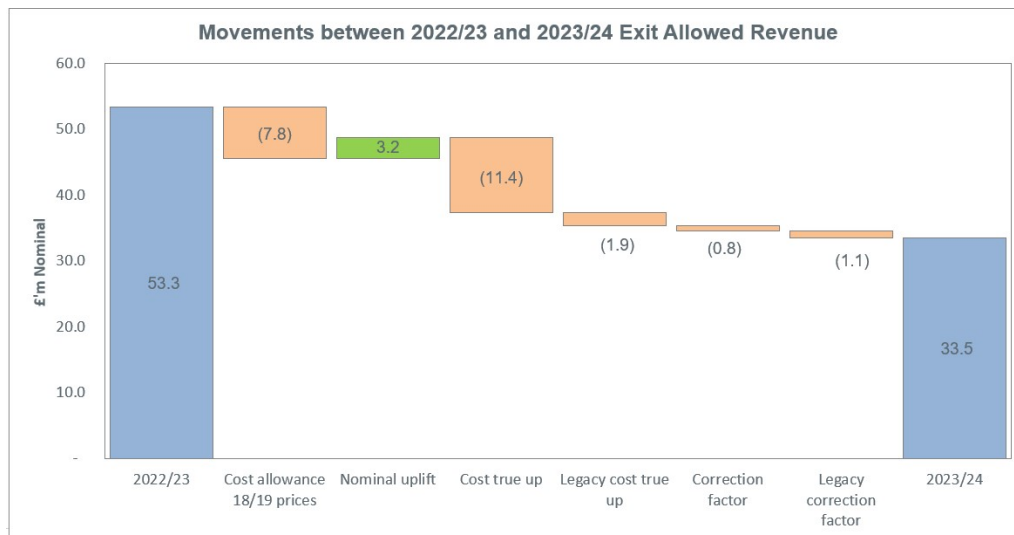
Our forecast transportation allowed revenue increases by £51.5m in 2023/24. The most notable movements in the underlying drivers are:



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 decreased mainly as a result of a reduction in prescribed rates of £6.6m and licence modifications to remove £4.5m of bad debt from pass through costs.
4. The difference is mainly attributable to an increase 2023/24 tax allowances as a result of an increase in the statutory corporation tax rate from 19% to 25% effective from 1 April 2023 and regulatory taxable profits impacting the tax allowance.
5. The increase in the nominal uplift reflects the November 2022 OBR inflation predictions which increased significantly from the inflation assumptions in the previous year.
6. The AIP adjustment in 2023/24 reflects the difference in the latest forecast allowances and pass-through costs for 2022/23 and those used for price setting in January 2022.
7. Balance relates to legacy RIIO-GD1 adjustments following licence changes made post-CMA and Ofgem's decision on the RIIO-GD1 close-out methodologies (excluding WWU Tax Clawback) in April 2022. The close out methodology values, including WWU Tax Clawback, remain provisional subject to Ofgem direction.
8. Primarily reflects under recovery of allowed versus collected revenue in 2022/23.

Exit Capacity Allowed Revenue

Following the implementation of UNC Modification 0195AV, industry arrangements for the charging of NTS Exit Capacity costs changed on 1st October 2012. National Grid Transmission invoices DNs based on their use of the NTS and the Exit Point bookings made by the DNs. Ofgem provides 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 2023/24 our allowances decrease by £53.3m to £33.5m:



1. The base allowance in 2023/24 is calculated using the latest published final and indicative price information from National Grid NTS.
2. The increase in the nominal uplift reflects the November 2022 OBR inflation forecast for 2023/24 which increased significantly from the inflation assumptions in the previous year.
3. The RIIO-GD2 cost true up reflects the difference between cost allowances and actuals in 2021/22 and latest forecasts for 2022/23. A reduction in costs has caused a negative true up resulting in reduced allowed revenue in respect of Exit Capacity.
4. Legacy cost true up for RIIO-GD1 was reflected in 2022/23 only, no such true up in 2023/24 hence the reduction.
5. Correction factor reflects the allowed versus collected revenue in 2022/23 in respect of Exit Capacity.
6. Legacy correction factor for RIIO-GD1 was reflected in 2022/23 only, no such true up in 2023/24 hence the reduction.

Supplier of Last Resort Allowed Revenue

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; and
- Operational costs (including customer service, IT, complaints/enquiries specific to the SoLR, onboarding costs, communication and wholesale energy purchase costs).

Revenues to be raised in 2023/24 by DNs to pay valid SoLR claims will be charged to domestic customers, whether connected via an Independent Gas Transporters (IGTs) CSEP or directly connected to a DN, using the specific SoLR charge type. For valid SoLR claims received by DN's by 31 December 2022, licensees are obliged to increase transportation charges to recover the amounts in the valid claims in 2023/24. The total value of claims received by WWU by 31 December 2022 is £26.0m; reflecting true-up claims for SoLRs appointed in 2021 of £21.3m and claims by SoLRs appointed in 2022 of £4.7m.

Transportation and SoLR Charges

Charges to recover Transportation Allowed Revenue

| | Current Price effective from 1 st April 2022 | Final Price effective from 1 st April 2023 |
|--------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|
| LDZ SYSTEM COMMODITY CHARGES | Pence per kwh | |
| UP TO 73,200 KWH PER ANNUM | 0.0360 | 0.0573 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.0314 | 0.0500 |
| 732,000 KWH PER ANNUM AND ABOVE | 0.3648 | 0.5808 |
| | x SOQ ^ | |
| | -0.2775 | -0.2775 |
| SUBJECT TO A MINIMUM RATE OF | 0.0026 | 0.0041 |
| LDZ SYSTEM CAPACITY CHARGES | Pence per peak day kwh per day | |
| UP TO 73,200 KWH PER ANNUM | 0.2161 | 0.2662 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.1875 | 0.2310 |
| 732,000 KWH PER ANNUM AND ABOVE | 1.6787 | 2.0682 |
| | x SOQ ^ | |
| | -0.2513 | -0.2513 |
| SUBJECT TO A MINIMUM RATE OF | 0.0159 | 0.0196 |
| LDZ CUSTOMER CAPACITY CHARGES | Pence per peak day kwh per day | |
| UP TO 73,200 KWH PER ANNUM | 0.1119 | 0.1385 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.0044 | 0.0054 |
| 732,000 KWH PER ANNUM AND ABOVE | 0.0883 | 0.1093 |
| | x SOQ ^ | |
| | -0.2100 | -0.2100 |

Transportation and SoLR Charges

| LDZ CUSTOMER FIXED CHARGES | Pence per day | |
|-----------------------------------------------------------|---------------|---------|
| 73,200 KWH - 732,000 KWH PER ANNUM - BI-ANNUAL READ SITES | 34.9290 | 43.2421 |
| 73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES | 37.1918 | 46.0434 |

Charges to recover Exit Allowed Revenue

| EXIT CAPACITY UNIT RATES BY EXIT ZONE | Current Price effective from 1 st April 2022 | Final Price effective from 1 st April 2023 |
|---------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| | Pence per peak day kwh per day | |
| SW1 | 0.0240 | 0.0147 |
| SW2 | 0.0385 | 0.0245 |
| SW3 | 0.0263 | 0.0163 |
| WA1 | 0.0309 | 0.0192 |
| WA2 | 0.0297 | 0.0186 |

Charges to recover SoLR Allowed Revenue

| SUPPLIER OF LAST RESORT CHARGES | Price effective from 1 st April 2022 | Price effective from 1 st October 2022 | Final Price effective from 1 st April 2023 |
|---------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|
| | Pence per peak day kwh per day | | |
| LRSP Domestic Charge* | 0.0914 | 0.0687 | 0.0248 |
| LRSP Industrial Charge | 0.0000 | 0.0000 | 0.0000 |

* A mid-year price change came into effect from 1st October 2022 which reduced the unit rate for directly connected customers to the extent of amounts to be recovered from IGTs.

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.”

LDZ System Entry

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 2023/24. Where additional sites are connected which are not currently planned to flow during 2023/24 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 2023 |
|---------------------------|-------------|----------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|
| BROMHAM HOUSE FARM | BROMOS | | -0.1187 | -0.1676 |
| CANNINGTON BIOMETHANE | CANNOS | | -0.1216 | -0.1709 |
| BISHOPS CLEEVE BIOMETHANE | CLEEOS | Grundon Landfill / Wingmoor Farm | -0.1113 | -0.1676 |
| ENFIELD BIOMETHANE | ENFDOS | | -0.0691 | -0.1005 |
| FIVE FORDS BIOMETHANE | FIVEOS | | -0.0358 | -0.0957 |
| FRADDON | FRADOS | Penare Farm | -0.1071 | -0.1547 |
| FROGMARY BIOMETHANE | FROGOS | | -0.1187 | -0.1676 |
| GREAT HELE BIOMETHANE | HELEOS | Nadder Lane | -0.0722 | -0.0957 |
| HELSCOTT FARM | HELLOS | | -0.1187 | -0.1676 |
| ROTHERDALE | ROTHOS | Vale Green 2 | -0.0824 | -0.1070 |
| SPITTLES FARM | SPITOS | Bearley Farm | -0.1187 | -0.1676 |
| SPRINGHILL BIOMETHANE | SPNGOS | | -0.0649 | -0.0922 |
| PENNANS FARM | TBC | | -0.1187 | -0.1676 |
| NORTHWICK | NOCKOS | | -0.0848 | -0.1097 |
| AVONMOUTH WESSEX | WESXOS | Wessex Water | -0.1279 | -0.1778 |
| WILLAND | WILLOS | | -0.1187 | -0.1676 |
| WYKE FARM | WYKEOS | | -0.1237 | -0.1732 |
| EVERCREECH BIOMETHANE | EVEROS | | -0.1275 | -0.1676 |
| TROWBRIDGE BIOMETHANE | TRWBOS | | -0.0746 | -0.0984 |
| ABSL SWINDON* | ABSLOS | | -0.1071 | -0.1547 |
| CHARLTON PARK | CPFAOS | | -0.1211 | -0.1703 |

*Not currently connected however this is a best estimate of the expected rate.

Charge Types and Invoice Mapping

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 | | |
| LRSP Domestic Charge | CAZ* | LRD |
| LRSP Industrial Charge | CAZ* | LRI |

* From April 2023

Contact Us

Any questions or queries relating to this document or transportation charges in general please do not hesitate to contact our Pricing Team via email to Pricing@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.