

Final Gas Distribution Transportation Charges

From 1st April, 2024

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



Issued 31st January, 2024

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Introduction

This notice confirms the gas transportation charges that will apply from 1 April 2024 for the East of England, London, North West and West Midlands Gas Distribution networks. In line with the Gas Transporter Licence and Uniform Network Code requirements, this notice is provided a minimum of 60 days prior to implementation.

Further to our Indicative price notification in early November 2023, citing Part B of Special Condition 8.2 within the Gas Transporter Licence, in January Ofgem re-published the Allowed Revenue figures for 2024/25 taking into account latest information pertaining to the uncertainties previously raised. This new information includes:

- An updated assessment of the Supplier of Last Resort (“SoLR”) position now valued at £3.6m;
- Updated view of Gas Prices for Shrinkage costs;
- Update to tax allowances; and
- Updates to allowances and macro data following the release of the November OBR forecast.

In addition, pricing is updated to reflect latest demand data including Supply Point Capacity (SOQ) and Annual Quantity (AQ).

For full details of the unit prices by network please refer to Appendix B.

The year-on-year price change for each distribution network from 1 April 2024 is illustrated in Table 1. This price change excludes Supplier of Last Resort (“SoLR”) which is detailed later in this paper.

Table 1: Transportation Price Changes from 1st April 2024 (excl. SoLR)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ PRICE CHANGE	+4.6%	+16.8%	(1.8%)	+8.5%
ECN PRICE CHANGE	(17.6%)	(14.5%)	(23.3%)	(7.2%)

The changes are driven by year on year movement in allowed revenue and changes in demand linked to movements in supply point peak capacity requirements inclusive of load factors. These are explained in further detail within this notice.



Average 2024/25 Price Change

Year on year movement in Allowed Revenue between 2023/24 and 2024/25 is calculated in accordance with the Gas Transporter Licence where revenues are allowed by Ofgem. Ofgem published the allowed revenues on 30th January 2024. Table 2 below illustrates how the price change is driven by movements in both Allowed Revenue and Demand.

- Revenues decrease overall due to lower pass through costs in relation to gas prices (including a correction for the lower spend incurred in the 2023/24), lower tax allowances as a result of changes to legislation, lower exit capacity costs from the National Transmission System (NTS), and efficiency improvements. These are partially offset by macro changes including higher levels of inflation and higher interest rates. Full details by network are provided in table 3 below.
- Demand has decreased by c.10% based on latest information provided by XoServe which has the impact of increasing unit rates. There has been a reduction in the peak day capacity requirements (SOQs) driven by underlying changes to rolling Annual Quantities (AQs), resulting in an increase in unit rate.
- SoLR income is reducing year-on-year from £112m to £3.6m in 2024/25 as the socialisation of costs in relation to the failure of suppliers has reduced.

Table 2: 2024/25 Average price changes in nominal prices excluding SoLR

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
YEAR ON YEAR MOVEMENT IN ALLOWED REVENUE	(5.4%)	+7.2%	(11.8%)	(3.8%)
FORECAST CHANGES IN AGGREGATE DEMAND - LDZ	+9.9%	+9.6%	+10.0%	+12.3%
LOCAL DISTRIBUTION ZONE [LDZ] PRICE CHANGE	+4.6%	+16.8%	(1.8%)	+8.5%
YEAR ON YEAR MOVEMENT IN ALLOWED REVENUE	(24.0%)	(21.1%)	(29.5%)	(16.2%)
FORECAST CHANGES IN AGGREGATE DEMAND - ECN	+6.4%	+6.6%	+6.2%	+9.0%
EXIT CAPACITY NETWORK [ECN] PRICE CHANGE	(17.6%)	(14.5%)	(23.3%)	(7.2%)

The 2024/25 transportation unit rates are shown in full in Appendix B.

Movement since Indicative Charges

Since the Indicative Charges were issued on 1st November 2023 there have been a number of adjustments to revenues and demand as signalled at the time. This is a result of the macro changes noted above. Ofgem has also published Supplier of Last Resort (“SoLR”) costs which are significantly lower than 2023/24 with a value of £3.6m now confirmed. These costs are being charged in accordance with the recently approved Uniform Network Code modifications 0797 (Last resort Supply Payments Volumetric Charges) and 0865 (Permitting DNOs to Charge Shippers Negative Supplier of Last Resort Unit Rates) which confirms that this cost can be reconciled across all customer connections. These costs are being applied to domestic customers.

2024/25 Allowed Revenue

The movement in Allowed Revenue between 2023/24 and 2024/25 is a key factor contributing to the average price change. A trace between Allowed Revenue for 2023/24 and 2024/25 is shown in table 3 below. Further analysis of the 2024/25 Allowed Revenue, broken down by components can be found in **Appendix A**.

Table 3: Year on Year Movement in Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2023/24 PUBLISHED ALLOWED REVENUE (excl. SoLR)	770.8	491.3	561.6	395.0
HIGHER INFLATION	21.9	16.3	15.7	11.6
LOWER NTS EXIT CAPACITY INCLUDING TRUE UP FROM PRIOR YEARS	(14.0)	(7.0)	(11.8)	(4.3)
LOWER SHRINKAGE INCLUDING TRUE UP FROM PRIOR YEARS	(52.2)	(28.3)	(37.3)	(31.0)
CHANGE IN OTHER PASS THROUGH COSTS	(7.2)	7.1	(2.1)	(2.2)
TAX ALLOWANCE CHANGE INCLUDING TAX TRIGGER EVENT FROM CHANGE IN LEGISLATION	(29.0)	(11.1)	(13.3)	(7.6)
INCLUSION OF VCMA AS "OTHER REVENUE ALLOWANCE"	9.2	5.2	6.1	4.4
INCREASE IN ALLOWED RETURNS	8.0	7.2	4.9	5.2
CHANGE IN TOTEX ALLOWANCES	2.6	(8.0)	(18.0)	(5.8)
REVERSAL OF ONE-OFF TRUE UP IN 23/24 IN RELATION TO RIIO-1 DISPOSALS	-	38.0	-	-
OVER / (UNDER) RECOVERY ("K")	(2.1)	(2.5)	(10.8)	(0.6)
OTHER INDIVIDUALLY SMALLER ITEMS	10.7	10.5	(6.6)	12.3
2024/25 ALLOWED REVENUE (excl. SoLR)	718.8	518.9	488.5	377.1
SoLR	0.8	0.2	0.0	(0.2)
2024/25 ALLOWED REVENUE (inc. SoLR)	719.6	519.1	488.5	376.9
2023/24 PUBLISHED ALLOWED REVENUE (inc. SoLR)	811.9	514.5	589.0	415.0
CHANGE IN LDZ	(38.9)	33.3	(62.2)	(14.3)
CHANGE IN ECN	(13.2)	(5.8)	(10.9)	(3.6)
CHANGE IN SUPPLIER OF LAST RESORT	(40.3)	(22.9)	(27.5)	(20.2)
2024/25 ALLOWED REVENUE (inc. SoLR)	719.6	519.1	488.5	376.9

More detailed comments on the drivers of the revenue changes are provided below:

- **Inflation:** The 2024/25 Final Charges use the November 2023 OBR forecast.
- Year on year **lower Exit Capacity** pass-through cost reduce revenues. This includes a true up in relation to the year to March 2024.
- **UK gas prices** have shown significant volatility driving differences between the assumptions used for pricing in 2023/24 and actual costs. A true up in relation to this along with reducing forecast expenditure reduces revenues.
- **Lower Tax Allowance** following a change in government legislation in relation to capital allowances for investment.
- There is a **lower level of Totex** as Cadent continue to deliver operating efficiencies.
- **Legacy adjustments** are primarily in London where in 2023/24 there was a significant one-off reduction in relation to the disposal of sites in RIIO-1. This one off adjustment does not re-occur in 2024/25.
- As instructed by Ofgem, and as set out in our Indicative Charges, the recovery of **Last Resort Supplier Payment costs** includes claims received up to December 2023. These are significantly lower than the claims received in the previous financial year as described below.

2024/25 Supplier of Last Resort

As per Ofgem direction, included within 2024/25 Allowed Revenue are costs to recover Last Resort Supplier Payments (LRSP) for claims that were received up to the end of December 2023. The total costs associated with allowed SoLR claims has been agreed by Ofgem.

SoLR amounts are significantly lower than 2023/24 with a value of £3.6m confirmed by Ofgem. In accordance with the Uniform Network Code modifications 0797 (Last resort Supply Payments Volumetric Charges) and 0865 (Permitting DNOs to Charge Shippers Negative Supplier of Last Resort Unit Rates), these costs are reconciled across all customer connections including Independent Gas Transporters (“IGTS”) with a single unit rate to be applied. As previously directed by Ofgem, 100% of these costs are to be applied to domestic load bands.

Further detail on the UNC modifications 0797 and 0865 can be read on the Joint Office website, with the link provided below:

[0797 \(Urgent\) - Last Resort Supply Payments Volumetric Charges | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0797-urgent-last-resort-supply-payments-volumetric-charges)

[0865S - Permitting DNOs to charge Shippers negative Supplier of Last Resort \(SoLR\) unit rates | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0865s-permitting-dnos-to-charge-shippers-negative-supplier-of-last-resort-solr-unit-rates)

The following table shows the rates associated to Supplier of Last Resort costs in 2024/25. The rates calculated in table 4 below are based on taking the Ofgem directed total charges for 2024/25 and adjusting for over/under recovery from previous years.

Table 4: Aggregated rate for all SoLR claims per Network

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LRI / LRD	PENCE PER DAY			
LRSP DOMESTIC CHARGE	0.0004	0.0002	-	(0.0002)*
LRSP INDUSTRIAL CHARGE	-	-	-	-

**NB: The Uniform Network Code Panel unanimously voted in favour of implementation of modification 0865 (Permitting DNOs to Charge Shippers Negative Supplier of Last Resort Unit Rates) on 18th January 2024. As per the Uniform Network Code governance arrangements, a sixteen day appeal window is applied to modifications that are subject to self-governance (such as 0865). The modification 0865 appeal window is scheduled to close after the publishing of this Transportation Charges document. Cadent will make any required changes to this document and re-publish an amended version in the event of an appeal being made and upheld against modification 0865.*

Table 5: Ofgem direct total allowed SoLR claim value and SOQ data per Network (excludes over / under recovery from prior year)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
SUPPLIER OF LAST RESORT CLAIMS (£m)	1.4	0.7	0.9	0.6
DOMESTIC PEAK DAY SOQ APPLIED	505,381,028	270,692,938	310,553,631	257,405,003

Charging Methodology

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 are 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.

Table 6 below confirms target revenue splits achieved against the UNC. All the percentages in this section exclude Supplier of Last Resort costs.

Table 6: 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%

Contact Details

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: 2024/25 Allowed Revenue (£m), Nominal Price Base

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
TOTEX (inc. RAV RETURN & DEPRECIATION)	559.9	408.6	380.5	290.7
PASS THROUGH COSTS (excl. SoLR)	147.2	90.3	99.1	73.6
OUTPUT DELIVERY INCENTIVES	4.0	3.1	3.0	2.3
SUPPLIER OF LAST RESORT	1.3	0.9	0.9	0.6
TAX ALLOWANCE	55.2	46.1	47.2	37.5
OTHER COMPONENTS OF CALCULATED REVENUE	18.9	10.5	12.4	9.0
CALCULATED REVENUE	786.6	559.5	543.1	413.7
LEGACY ADJUSTMENTS	1.7	(5.0)	(0.3)	(0.9)
ADJUSTMENT TERM + 'K' FACTOR	(68.7)	(35.4)	(54.4)	(35.9)
2024/25 ALLOWED REVENUE (incl. SoLR)	719.6	519.1	488.5	376.9
COLLECTED REVENUE FORECAST	719.6	519.1	488.5	376.9
% OVER / (UNDER) RECOVERY	(0.0)%	(0.0)%	(0.0)%	(0.0)%

Appendix B: Transportation Unit Charge Rates from 1st April 2024

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 / 871 / 891	PENNY PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.2226	0.2715	0.2547	0.2424
73,200 KWH - 732,000 KWH PER ANNUM	0.1779	0.2422	0.2125	0.2187
732,000 KWH PER ANNUM AND ABOVE	1.1369 x SOQ ^ - 0.2155	1.5478 x SOQ ^ - 0.2133	1.6756 x SOQ ^ - 0.2483	2.679 x SOQ ^ - 0.2817
SUBJECT TO A MINIMUM RATE OF	0.0217	0.0266	0.0236	0.0239
MINIMUM RATE APPLIES AT SOQ OF (KWH)	95,064,068	187,909,378	28,558,302	18,868,437

LDZ System Commodity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCO / 878 / 893	PENNY PER KWH			
UP TO 73,200 KWH PER ANNUM	0.0385	0.0427	0.0407	0.0421
73,200 KWH - 732,000 KWH PER ANNUM	0.0305	0.0381	0.0342	0.0377
732,000 KWH PER ANNUM AND ABOVE	0.2444 x SOQ ^ - 0.2376	0.248 x SOQ ^ - 0.2147	0.298 x SOQ ^ - 0.2586	0.5085 x SOQ ^ - 0.2911
SUBJECT TO A MINIMUM RATE OF	0.0034	0.0036	0.0035	0.0037
MINIMUM RATE APPLIES AT SOQ OF (KWH)	65,172,871	364,315,222	29,096,241	22,123,899

LDZ Customer Capacity Charges

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CCA / 872	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1280	0.1729	0.1226	0.1171
73,200 KWH - 732,000 KWH PER ANNUM	0.0042	0.0062	0.0037	0.0039
732,000 KWH PER ANNUM AND ABOVE	0.0908 x SOQ ^ -0.21	0.1333 x SOQ ^ -0.21	0.0846 x SOQ ^ -0.21	0.0899 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	PENCE PER DAY			
NON MONTHLY READ SUPPLY POINTS	37.5824	54.6418	34.8814	37.1764
MONTHLY READ SUPPLY POINTS	40.0169	58.1811	37.1415	39.5844

Optional LDZ Charge for all Networks

ALL NETWORKS	
CHARGE CODE: 881	PENCE 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 2018/19.

Supplier Of Last Resort

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LRI / LRD	PENCE / PEAK DAY Kwh			
DOMESTIC LOAD BANDS	0.0004	0.0002	-	(0.0002)
NON-DOMESTIC LOAD BANDS	-	-	-	-

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

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ECN / C04 / 901	PENNY PER PEAK DAY KWH PER DAY			
EA1	0.0162			
EA2	0.0162			
EA3	0.0162			
EA4	0.0162			
EM1	0.0162			
EM2	0.0162			
EM3	0.0162			
EM4	0.0162			
NT1		0.0162		
NT2		0.0163		
NT3		0.0163		
NW1			0.0156	
NW2			0.0156	
WM1				0.0152
WM2				0.0152
WM3				0.0152

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 2024/25.

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC		PENCE PER KWH				
Attleborough	ATLEOS	CREDIT	(0.0781)			
Bay Farm	BAFMOS	CREDIT	(0.0005)			
Beccles, Sotterley	SOTLOS	CREDIT	(0.0898)			
Biodynamic	BIODOS	CREDIT	(0.1091)			
Bonby	BONBOS	CREDIT	(0.0071)			
Chear Fen Farms, Chittering	CHITOS	CREDIT	(0.1135)			
Chittering 2		CREDIT	(0.1102)			
DEEPHAMS STW Biomethane	DEEPOS	CREDIT	(0.1098)			
Euston	LANKOS	CREDIT	(0.0076)			
Fairfields Farm, Wormingford	FAIROS	CHARGE	0.0011			
Glebe Farm		CREDIT	(0.0054)			
Hemswell Cliff	HMWLOS	CREDIT	(0.0771)			
Holkham, Norfolk	HOLKOS	CREDIT	(0.0039)			
Ilkeston		CREDIT	(0.1019)			
Lindholme, Doncaster	LINDOS	CREDIT	(0.0829)			
Manor Farm, Alderton	MANROS	CREDIT	(0.1078)			
Mepal	MEPAOS	CREDIT	(0.1091)			
Metheringham MP / IP	METHOS	CREDIT	(0.1043)			
Methwold	METWOS	CREDIT	(0.0018)			
North Moor Farm, Crowle	MOOROS	CREDIT	(0.0646)			
Raynham Farm	RAYNOS	CREDIT	(0.0005)			
Redbourne Road, Hibaldstow	HLBDOS	CREDIT	(0.1112)			
Scampton	SCAMOS	CREDIT	(0.0829)			

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC		PENCE PER KWH				
Stoke Bardolph	STOKOS	CREDIT	(0.0961)			
Stoke Bardolph 2	STOBOS	CREDIT	(0.0864)			
The Oaks		CREDIT	(0.0018)			
Thorpe Arnold		CREDIT	(0.0090)			
Welbeck Colliery, Meden Vale	WELLOS	CREDIT	(0.1062)			
Westry	WSTYOS	CREDIT	(0.0060)			
Singleton Birch		CREDIT	(0.0775)			
Stanton Energy Biomethane		CREDIT	(0.1019)			
Dagenham	DGHMOS	CREDIT		(0.0778)		
Mogden	MOGDOS	CREDIT		(0.0935)		
Davyhulme, Urmston	DAVYOS	CREDIT			(0.0655)	
Ellesmere Port		CREDIT			(0.0084)	
Granox, Widnes	WIDNOS	CREDIT			(0.0847)	
Barnes Farm	BARNOS	CREDIT				(0.0061)
Coleshill	COLEOS	CREDIT				(0.0606)
Hampton Bishop	HAMPOS	CHARGE				0.0021
Highwood Farm, Brinklow	BRINKOS	CHARGE				0.0021
Lower Drayton Farm	DRAYOS	CREDIT				(0.0954)
Minworth 2	MIN2OS	CREDIT				(0.1031)
Minworth Sewage Works	MINWOS	CREDIT				(0.0056)
Roundhill	RNDHOS	CREDIT				(0.1012)
Strongford	STRNOS	CREDIT				(0.0807)
Finham	FINHOS	CREDIT				(0.1025)