

Issued 2 November 2012

Indicative Notice of LDZ Transportation Charges from 1 April 2013

1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2013 for Northern Gas Networks Limited (NGN), in line with the Gas Transporter Licence requirement to provide 150 days' notice of such proposals. The definitive notice of distribution transportation charges effective from 1 April 2013 will be published by 31 January 2013, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

2. Indicative Distribution Charges

In the absence of an agreed final settlement figure for the new RIIO-GD1 Price Control, two sets of indicative transportation charges are shown in this document. For all transportation charges, except the Exit Capacity (ECN) charges, these have been calculated on the basis of 2013/14 formula revenue as reported in the:

- NGN April 2012 RIIO-GD1 Business Plan Submission to Ofgem; and
- Ofgem Initial Proposals published in July 2012

Based on these sources, the indicative change in the distribution transportation charges from 1 April 2013 is an increase of approximately 6.4% and 4.5%, respectively. These charges are shown below in Appendix 1.

For ECN charges, Ofgem have directed in their recent document *Decision in relation to measures to mitigate network charging volatility arising from the price control settlement*, that pass through costs will be charged on the basis of *ex ante* allowances and any difference between allowances and actual costs will be trued up following a two year lag. As the ECN charges are pass through costs from the National Grid National Transmission System (NTS), for 2013/14 these will be charged on a basis to recover just the *ex ante* allowance. In the absence of an agreed final settlement figure from Ofgem, NGN have calculated two potential allowances based on the latest available volumes and the indicative NTS (TO) Exit Charges from the two following sources:

- NTS March 2012 RIIO-T1 Business Plan Submission to Ofgem; and
- Ofgem Initial Proposal published in July 2012

The indicative ECN charges required to recover to the two potential allowances above are shown in Appendix 2.

3. Uncertainties around Indicative Transportation Charges

With the final settlement of the RIIO-GD1 Price Control unknown, there is currently a significant amount of uncertainty with regards to the indicative transportation charges published in this statement. NGN has attempted to mitigate this uncertainty by publishing two sets of figures

reflecting the latest available sources of information. At present, however, NGN has no further visibility of the potential final outcome and the implication this will have on transportation charges. By expressing two sets of figures, NGN is not suggesting the actual price change will reflect either set of indicative charges, nor that these necessarily provide the range of potential outcomes and that the final figure will sit somewhere within the two sets of figures.

The outcome of the RIIO-GD1 final settlement will be known in advance of the definitive transportation charges being released on 31 January 2013.

4. Methodology Changes

Following the decision by Ofgem to uphold the proposals within UNC Modification 391 *Distributed Gas Charging Arrangements*, a new Charging Methodology has been agreed in respect of distributed gas which enters directly into the distribution system. At the present time, NGN has no firm commitment or agreement with any party with regards to developing distributed gas entry facilities for the 2013/14 formula year. To this end, indicative charges for shippers providing such facilities have been excluded from the scope of this document.

No further changes to Charging Methodology are scheduled to commence in the 2013/14 formula year.

5. Further Information

If you have any queries or require any further details on this notice please contact:

Will Guest

Northern Gas Networks
1100 Century Way
Thorpe Park
Leeds
LS15 8TU
0113 397 5307
wguest@northerngas.co.uk

Appendix 1 - Indicative Unit Charges and Charging Functions effective 1 April 2012

LDZ System Capacity Charges - Directly Connected Supply Points and Connected Systems

| Charge band (kWh/annum) | <i>NGN Business Plan</i> Capacity p / peak day kWh / day | <i>Ofgem Initial Proposals</i> Capacity p / peak day kWh / day |
|-------------------------|--|--|
| Up to 73,200 | 0.1790 | 0.1758 |
| 73,200 to 732,000 | 0.1539 | 0.1511 |
| >732,000 | $1.8043 \times \text{SOQ}^{-0.2834}$ | $1.7721 \times \text{SOQ}^{-0.2834}$ |

LDZ System Commodity Charges - Directly Connected Supply Points and Connected Systems

| Charge band (kWh/annum) | <i>NGN Business Plan</i> Commodity p / kWh | <i>Ofgem Initial Proposals</i> Commodity p / kWh |
|-------------------------|--|--|
| Up to 73,200 | 0.0281 | 0.0276 |
| 73,200 to 732,000 | 0.0242 | 0.0237 |
| >732,000 | $0.3103 \times \text{SOQ}^{-0.294}$ | $0.3047 \times \text{SOQ}^{-0.294}$ |

LDZ Customer Capacity Charges

| Charge band (kWh/annum) | <i>NGN Business Plan</i> Capacity p / peak day kWh / day | <i>Ofgem Initial Proposals</i> Capacity p / peak day kWh / day |
|-------------------------|--|--|
| Up to 73,200 | 0.0954 | 0.0937 |
| 73,200 to 732,000 | 0.0034 | 0.0033 |
| >732,000 | $0.0728 \times \text{SOQ}^{-0.2100}$ | $0.0715 \times \text{SOQ}^{-0.2100}$ |

LDZ Customer Fixed Charges - 73,200 to 732,000 kWh / annum only

| Type of Supply Point | <i>NGN Business Plan</i> Fixed p / day | <i>Ofgem Initial Proposals</i> Fixed p / day |
|--------------------------------|--|--|
| Non-monthly read supply points | 30.0176 | 29.4815 |
| Monthly read supply points | 31.9618 | 31.3911 |

CSEP Administration Charge

| | |
|-------------------------|---|
| Charge per supply point | 0.0986 pence per day (£0.36 per annum) |
|-------------------------|---|

The CSEP administration charge is calculated by Xoserve and is independent of the RIIO-GD1 price control settlement

Appendix 2 - Indicative Exit Capacity Charges effective 1 April 2013

NTS Exit Capacity Charges recovered through the LDZ ECN Charge – effective 1 October 2013

| Exit Zone | <i>NTS Business Plan Capacity p / peak day kWh / day</i> | <i>Ofgem Initial Proposals Capacity p / peak day kWh / day</i> |
|------------------|---|---|
| NO1 | 0.0070 | 0.0020 |
| NO2 | 0.0122 | 0.0073 |
| NE1 | 0.0117 | 0.0067 |
| NE2 | 0.0045 | 0.0008 |
| NE3 | 0.0045 | 0.0008 |