

Issued 1st November 2013

Indicative Notice of LDZ Transportation Charges from 1 April 2014

1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2014 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 2014 will be published by 31 January 2014, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

2. Indicative Distribution Charges

NGN's headline price change for 14/15 is **+4.9%**.

This is made up of year on year changes in allowed revenue (+3.3%), combined with adjusting for SOQ movements. The table below explains the components of the indicative price change;

Breakdown of movements - % Impact

Ofgem : Annual Iteration Process impact	(0.1%)
Final proposals year on year movement	(0.5%)
Inflation impact	3.0%
Base Revenue Impact	2.3%
Incentives	0.2%
Zero K impact in 14/15	0.8%
Allowed Revenue % movement	3.3%
SOQ impact on collected revenue	1.6%
Total Price Change %	4.9%

The underlying revenue from Final Proposals and the Annual Iteration process reduces year on year by 0.6%. This is offset by:

- Forecasted Inflation at 3.05%, which is used to calculate base Allowed revenue.
- A 0.8% movement in Allowed revenue due to K movements. There is no K adjustment for 2014/15, due to the 2 year lag principle under RIIO, whereas in 2013/14 there was a negative K adjustment, carried over from the previous Price Control.
- SOQ movements – circa 1.4% reduction in SOQ. This impacts on collected revenue from October 2013 onwards as the assumption in the 13/14 price change was for a 3% reduction.

Note this is the first year of Ofgem's Annual Iteration Process. The above impact represents a reduction in allowance for cost of debt, but this is largely offset by finalised true up adjustments for GDPCR1. "MOD" adjustments in future years will include any outperformance adjustments under the Totex Incentive Mechanism.

3. Uncertainties around Indicative Transportation Charges

At the time of publication Ofgem have not formally published the "MOD" figure that will be included in 2014/15 prices after running the Annual Iteration Process. The indicative charges above include an estimate of what the MOD will be but this will be updated with finalised figures for the 60 day pricing notice.

4. Further Information

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

Jon Trapps

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

Appendix 1 - Indicative Unit Charges and Charging Functions effective 1 April 2014

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

Charge band (kWh/annum)	Current (13/14)	Effective from 1 st April 2014
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
Up to 73,200	0.1769	0.1855
73,200 to 732,000	0.1521	0.1595
>732,000	$1.7840 \times \text{SOQ}^{-0.2834}$	$1.8706 \times \text{SOQ}^{-0.2834}$

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

Charge band (kWh/annum)	Current (13/14)	Effective from 1 st April 2014
	Commodity p / kWh	Commodity p / kWh
Up to 73,200	0.0278	0.0291
73,200 to 732,000	0.0239	0.0251
>732,000	$0.3068 \times \text{SOQ}^{-0.294}$	$0.3217 \times \text{SOQ}^{-0.294}$

LDZ Customer Capacity Charges

Charge band (kWh/annum)	Current (13/14)	Effective from 1 st April 2014
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
Up to 73,200	0.0944	0.0990
73,200 to 732,000	0.0034	0.0036
>732,000	$0.0720 \times \text{SOQ}^{-0.2100}$	$0.0755 \times \text{SOQ}^{-0.2100}$

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

Type of Supply Point	Current (13/14)	Effective from 1 st April 2014
	Fixed p / day	Fixed p / day
Non-monthly read supply points	29.67	31.12
Monthly read supply points	31.60	33.13

CSEP Administration Charge - calculated by Xoserve and independent of the price control settlement

	Current (13/14)	Effective from 1 st April 2014
Charge per supply point	0.0986 pence per day (£0.36 per annum)	0.0934 pence per day (£0.34 per annum)

NTS Exit Capacity Charges recovered through the LDZ ECN Charge

Exit Zone	Current (13/14)	Effective from 1 st April 2014
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
NE1	0.0094	0.0086
NE2	0.0009	0.0008
NE3	0.0009	0.0008
NO1	0.0023	0.0030
NO2	0.0121	0.0126