

Issued 31 January 2012



Notice of LDZ Transportation  
Charges for North of England  
Distribution Network

To Apply from  
1 April 2012

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# 1. LDZ TRANSPORTATION CHARGES EFFECTIVE FROM 1 April 2012

## 1.1 Introduction

This publication sets out the LDZ transportation charges which apply from 1 April 2012 for the use of the Northern Gas Networks Limited Distribution Network, as required by Standard Special Condition A4 of the Gas Transporter Licence. These are published separately from the NTS transportation charges, which can be found on the National Grid website. The charges are set to comply with the price control arrangements from 1 April 2008. This document does not override or vary any of the statutory, licence or Uniform Network Code obligations.

For more information on the charges set out below, contact Will Guest, Northern Gas Networks, 1100 Century Way, Thorpe Park Business Park, Colton, Leeds LS15 8TU.

### 1.1.1 Uniform Network Code

The Uniform Network Code (UNC) is supported by an integrated set of computer systems called UK Link. The charges and formulae in this booklet will be used in the calculation of charges within UK Link, which are definitive for billing purposes.

There are a number of areas of the UNC that impact upon the cost to shippers of using the transportation network, such as imbalance charges, scheduling charges, capacity over-runs and ratchets, top-up neutrality charges and contractual liability. Reference should be made to the UNC – as modified from time to time – for details of such charges and liabilities.

The methodologies underlying the charges are stated in the UNC Transportation Principle Document (TPD) Section Y Part B and may be subject to alteration under the governance of UNC Modification Rules.

All UNC documents and Modifications can be found at [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk).

### 1.1.2 Units

Commodity charges are expressed and billed in pence per kilowatt hour (kWh).

Capacity charges are expressed and billed in pence per peak day kilowatt hour (kWh) per day.

Fixed charges are expressed and billed in pence per day.

### 1.1.3 Invoicing

Xoserve produce and issue the invoices that are derived from the transportation charges shown within this publication. To clarify this link between charging and invoicing, charge codes and invoice names are included in the tables. For more information on invoicing, please contact Xoserve, the Invoicing Service Provider, via email at: **Css.Billing@Xoserve.com**

### 1.1.4 The distribution transportation price control formula

Transportation charges are derived in relation to a price control formula which is set by Ofgem, the gas and electricity market regulator for the transportation of gas. This formula dictates the maximum revenue that can be earned from the transportation of gas. Should more or less than the maximum permitted revenue be earned in any formula year, then a compensating adjustment is made in the following year.

Distribution revenue recovery is split between LDZ system charges and customer charges. The relative level of these charges is based on the relative level of costs allocated to these areas of activity.

### 1.1.5 Firm transportation

Firm distribution transportation charges comprise LDZ capacity and commodity charges plus customer charges.

### **1.1.6 Interruptible transportation**

From 1 October 2011, interruptible transportation ceased and is no longer available. All shippers now pay firm charges.

### **1.1.7 Theft of gas**

The licensing regime places incentives on transporters, shippers and suppliers to take action in respect of suspected theft of gas. Certain costs associated with individual cases of theft are recovered through transportation charges with the transporter remaining cash neutral in the process.

### **1.1.8 Isolations and Disconnections**

Where a shipper has left a Supply Meter physically connected to the Transporter's network following a UNC Isolation and Withdrawal, 12 months after the effective Withdrawal, the Transporter must take action to disable the flow of gas where the shipper has not undertaken a physical disconnection of the meter. The Transporter is permitted to pass the costs incurred in undertaking the work to the last Registered User. The Transporter will calculate the charge to the shipper on a fully absorbed time and materials basis, consistent with the charging principles set out in the Transporter's 4B Connections Charging Methodology Statement.

### **1.1.9 Relationship of charges to price control Allowed Revenue (AR)**

It is estimated that the Allowed Revenue for the NGN network for the coming formula year (1 April 2012 – 31 March 2013) is £385.7m. If NTS Exit Charges, which will become Pass Through Cost items from 1 October 2012 and will be charged separately, are excluded the estimated Allowed Revenue is £379.8m. This is 9% higher than the Allowed Revenue for the previous year.

The transportation charges in place prior to 1 April 2012 are estimated to recover £349.9m over the 2011/12 formula year. Therefore unit charges must be set at a level to generate an additional £29.9m over the course of the year so that forecast recovered revenue for 2012/13 formula year excluding NTS Exit Capacity costs is £379.8m. Forecast under or over recovery (K) against Allowed Revenue at 31 March 2013 is zero.

From 1 April 2012, assuming no change in load factors, the annual distribution transportation charge in respect of a domestic load consuming 20,000kWh/annum is estimated to be £157.97 in the North East LDZ and £164.38 in the Northern LDZ. The difference between LDZs is a result of differing EUC Load Factors in each region.

The calculations used to determine these values also use information about the number of supply points in the network and the load bands into which they fall. This is combined with total forecast demand information for the period, which reflects expected weather conditions and any other short term factors which may influence demand.

## 1.2 LDZ System Charges

The standard LDZ system charges comprise capacity and commodity charges and reflect the revised rates and functions following the implementation of the recent Distribution Network Pricing Consultation, DNPC08. Following the implementation of DNPC08 there are now no longer separate charging functions for directly connected supply points and connected system exit points (CSEPs).

Where LDZ charges are based on functions, these functions use Supply Point Offtake Quantity (SOQ) in the determination of the charges. At Daily Metered (DM) firm supply points the SOQ is the registered supply point capacity. For Non-Daily metered (NDM) supply points, the SOQ is calculated using the supply point End User Category (EUC) and the appropriate load factor.

### 1.2.1 Directly Connected Supply Points

The unit charges and charging functions used to calculate charges to directly connected supply points are set out in Table 1.2.1 below.

**Table 1.2.1 Directly Connected Supply Points**

Invoice	Charge Code
LDZ Capacity	ZCA
LDZ Commodity	ZCO

	Firm Capacity	Commodity
	pence per peak day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.1682	0.0264
73,200 to 732,000 kWh per annum	0.1446	0.0227
732,000 kWh per annum and above	$1.6958 \times \text{SOQ}^{-0.2834}$	$0.2916 \times \text{SOQ}^{-0.294}$
Subject to a minimum rate of	0.0045	0.0009
Minimum reached at SOQ of	1,230,847,917	346,306,108

### 1.2.2 Connected System Exit Points

The unit charges and charging functions used to calculate charges to connected system exit points are set out in Table 1.2.2 below.

In the calculation of LDZ charges payable, the unit commodity and capacity charges are based on the supply point capacity equal to the CSEP peak day load for the completed development irrespective of the actual stage of development. The SOQ used is therefore the estimated SOQ for the completed development as provided in the appropriate Network Exit Agreement (NExA). For any particular CSEP, each shipper will pay identical LDZ unit charges regardless of the proportion of gas shipped. Reference needs to be made to the relevant NExA or CSEP ancillary agreement to determine the completed supply point capacity.

**Table 1.2.2 Connected Systems**

Invoice	Charge Code
LDZ Capacity	891
LDZ Commodity	893

	Firm Capacity	Commodity
	pence per peak day kWh per day	pence per kWh
Up to 73,200 kWh per annum	0.1682	0.0264
73,200 to 732,000 kWh per annum	0.1446	0.0227
732,000 kWh per annum and above	$1.6958 \times \text{SOQ}^{-0.2834}$	$0.2916 \times \text{SOQ}^{-0.294}$
Subject to a minimum rate of	0.0045	0.0009
Minimum reached at SOQ of	1,230,847,917	346,306,108

### 1.2.3 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 LDZ loads located close to the NTS or for potential new LDZ loads in a similar situation, the standard tariff can appear to give perverse economic incentives for the construction of new pipelines when LDZ connections are already available. This could result in an inefficient outcome for all system users.

The charge is calculated using the function below:

Invoice	Charge Code
ADU	881

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

Where: (SOQ) is the Registered Supply Point Capacity, or other appropriate measure, in kWh per day and D is the direct distance, in km, from the site boundary to the nearest point on the NTS.

### 1.3 LDZ Customer Charges

For supply points with an Annual Quantity (AQ) of less than 73,200 kWh per annum, the customer charge is a capacity charge.

For supply points with an AQ between 73,200 and 732,000 kWh per annum, the customer charge is made up of a fixed charge which depends on the frequency of meter reading, plus a capacity charge based on the registered supply point capacity (SOQ).

For supply points with an AQ of over 732,000 kWh per annum, the customer charge is based on a function related to the registered supply point capacity (SOQ).

**Table 1.3 LDZ Customer charges**

**Up to 73,200 kWh per annum**

<b>Invoice</b>	<b>Charge Code</b>
LDZ Capacity	CCA

<b>Pence per peak day kWh per day</b>	
Capacity charge	0.0897

**73,200 kWh up to 732,000 kWh per annum**

<b>Invoice</b>	<b>Charge Code</b>
LDZ capacity	CFI

<b>Fixed charge</b>	<b>pence per day</b>
Non-monthly read supply points	28.2120
Monthly read supply points	30.0393

<b>Invoice</b>	<b>Charge Code</b>
LDZ Capacity	CCA

<b>Pence per peak day kWh per day</b>	
Capacity charge	0.0032

**732,000 kWh per annum and above**

<b>Invoice</b>	<b>Charge Code</b>
LDZ Capacity	CCA

Charging function	$0.0684 \times \text{SOQ}^{-0.2100}$
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## 1.4 Other Charges

Other Charges include administration charges at Connected System Exit Points and Shared Supply Meter Points.

### 1.4.1 Connected System Exit Points

A CSEP is a system point comprising one or more individual exit points which are not supply meter points. This includes connections to a pipeline system operated by another Gas Transporter.

The calculation of LDZ charges payable for shipping to CSEPs is explained in section 1.2.2.

There is no customer charge payable for connected systems, however separate administration processes are required to manage the daily operations and invoicing associated with CSEPs, including interconnectors, for which an administration charge is made.

The administration charge which applies to CSEPs containing NDM and DM sites is:

#### CSEP administration charge

Charge per supply point	0.1012 pence per day (£0.37 per annum)
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The invoice and charge codes are:

Invoice	Charge Code	
DM CSEP	ADU	883
NDM CSEP	ADC	894



#### 1.4.2 Shared supply meter point allocation arrangements

An allocation service is offered for daily metered supply points with AQs of more than 58,600 MWh per annum. This allows up to four (six for Very Large Daily Metered Customers) shippers / suppliers to supply gas through a shared supply meter point.

The allocation of daily gas flows between the shippers / suppliers can be done either by an appointed agent or by the transporter.

The administration charges which relate to these arrangements are shown below. Individual charges depend on the type of allocation service nominated and whether the site is telemetered or non-telemetered.

The charges are (expressed as £ per shipper per supply point):

<b>Invoice</b>	<b>Charge Code</b>
ADU	883

#### Agent Service

	<b>Telemetered</b>	<b>Non-telemetered</b>
Set-up charge	£107.00	£183.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£2.96

#### Transporter Service

	<b>Telemetered</b>	<b>Non-telemetered</b>
Set-up charge	£107.00	£202.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£3.05