

# Notice of LDZ Transportation Charges for Northern Gas Networks

*To Apply from 1 April 2013*



# 1. Introduction

This publication sets out the Local Distribution Zone (LDZ) transportation charges which apply from 1 April 2013 for the use of the Northern Gas Networks Limited (NGN) Distribution Network, as required by Standard Special Condition A4 of the Gas Transporter Licence. This document does not override or vary any of the statutory, licence or Uniform Network Code obligations

For more information on the charges contained within this document, please contact the NGN Pricing Manager on 0113 397 5307.

## 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 Notice 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 ratchet charges, top-up neutrality charges and contractual liability. Reference should be made of 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 on the Joint Office of Gas Transporters website ([www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)).

## 1.2 Units

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

Capacity charges are expressed and billed in pence per peak day kilowatt hour per day

Fixed charges are expressed and billed in pence per day.

## 1.3 Invoicing

Xoserve produce and issue the invoices that are derived from the transportation charges shown within this Notice. To clarify the link between charging and invoicing, charge codes and invoice names are included in the tables. For more information on invoicing, please contact Xoserve directly at [Css.Billing@xoserve.com](mailto:Css.Billing@xoserve.com).

## 1.4 The Distribution Network Price Control Formula

Transportation charges are derived from a Price Control Formula which is set by Ofgem, the gas and electricity market regulator. This dictates the maximum revenue that can be earned from the transportation of gas.

It is estimated that the allowed revenue for the NGN network for the forthcoming formula year (1 April 2013 to 31 March 2014) is £396.6m. Should more or less than the maximum permitted revenue be earned in any formula year, then a compensating adjustment is made to the allowed revenue two formula years proceeding the current formula year (i.e for the 2013/14 formula year, any under or over recovery will be adjusted in the 2015/16 formula year).

# 1. Introduction

Distribution revenue recovery is split between LDZ system charges and customer charges. LDZ system charges comprise capacity and commodity charges. Customer charges comprise capacity charges, although certain supply points receive a fixed charge in addition a variable capacity-based charge. All transportation is provided on a firm basis only.

## 1.5 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.

## 1.6 Isolations and Disconnections

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

## 2. Transportation Charges

### 2.1 LDZ System Charges

The standard LDZ system charges comprise capacity and commodity charges, with the same rates and functions for directly connected supply points and connected systems 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) 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.

#### 2.1.1 Directly Connected Supply Points

The unit charges and charging functions used to calculate system charges to directly connected supply points are as follows:

Charge type	LDZ Capacity	LDZ Commodity
Charge code	ZCA	ZCO
Unit rate	Pence per peak day kWh per day	Pence per kWh
Up to 73,200 kWh p.a.	0.1769	0.0278
73,200 to 732,000 kWh p.a.	0.1521	0.0239
732,000 kWh and above p.a.	$1.7840 \times \text{SOQ}^{-0.2834}$	$0.3068 \times \text{SOQ}^{-0.294}$
Subject to a minimum rate of	0.0047	0.0009
Minimum reached at SOQ of	1,262,582,239	411,461,692

#### 2.1.2 Connected System Exit Points

In the calculation of LDZ charges payable, the unit rate 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.

The unit charges and charging functions used to calculate charges to CSEPs are as follows:

Charge type	LDZ Capacity	LDZ Commodity
Charge code	891	893
Unit rate	Pence per peak day kWh per day	Pence per kWh
Up to 73,200 kWh p.a.	0.1769	0.0278
73,200 to 732,000 kWh p.a.	0.1521	0.0239
732,000 kWh and above p.a.	$1.7840 \times \text{SOQ}^{-0.2834}$	$0.3068 \times \text{SOQ}^{-0.294}$
Subject to a minimum rate of	0.0047	0.0009
Minimum reached at SOQ of	1,262,582,239	411,461,692

## 2. Transportation Charges

### 2.1.3 Optional LDZ Charge

The option LDZ tariff is available, as a single charge, as an alternative to the standard LDZ system charges. The rationale for this tariff is that, for large LDZ loads located close to the NTS, the standard tariff can appear to give perverse economic incentives for the construction of new pipelines when LDZ connections are already available. This tariff may be attractive to large loads located close to the NTS, but it is strongly advisable to contact the NGN Pricing Manager on 0113 397 5307 prior to doing so.

Invoice	Charge Code
ADU	881

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

Where SOQ is the registered supply point capacity and D is the direct distance, in km, from the site boundary to the nearest point on the NTS.

## 2. Transportation Charges

### 2.2 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 of 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 SOQ.

For supply points with an AQ of greater than 732,000 kWh per annum, the customer charge is based on a function related to the registered SOQ.

#### 2.2.1 Directly Connected Supply Points

The unit charges and charging functions used to calculate customer charges to directly connected supply points are as follows:

<b>Charge type</b>	<b>LDZ Capacity</b>
<b>Charge code</b>	<b>CCA</b>
<b>Unit rate</b>	<b>Pence per peak day kWh per day</b>
Up to 73,200 kWh p.a.	0.0944
73,200 to 732,000 kWh p.a.	0.0034
732,000 kWh and above p.a.	$0.0720 \times \text{SOQ}^{-0.2100}$

In addition to the above, the following fixed charge applies supply points with an AQ of between 73,200 and 732,000 kWh:

<b>Charge type</b>	<b>LDZ Capacity</b>
<b>Charge code</b>	<b>CFI</b>
<b>Unit rate</b>	<b>Pence per day</b>
Non-monthly read supply points	29.6790
Monthly read supply points	31.6013

## 2. Transportation Charges

### 2.3 Exit Capacity Charges

The LDZ Exit Capacity NTS (ECN) charge is a capacity charge that is applied to the supply point or CSEP in the same manner as the LDZ system capacity charge. These charges are applied per exit zone on an administered peak day basis. The exit zone for a DN supply point is determined by its postcode.

<b>Charge type</b>	<b>LDZ Exit Capacity</b>
<b>Charge code - directly connected supply points/CSEPs</b>	<b>ECN/C04</b>
<b>Unit rate</b>	<b>Pence per peak day kWh per day</b>
NE1	0.0094
NE2	0.0009
NE3	0.0009
NO1	0.0023
NO2	0.0121

## 2. Transportation Charges

### 2.4 Other Charges

Other charges include administration charges at CSEPs and shared supply meter points.

#### 2.4.1 CSEP Administration Charges

There is no customer charge payable for CSEPs, 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 non-daily metered (NDM) and daily metered (DM) site is as follows:

#### CSEP administration charge

Charge per supply point	0.0986 pence per day (£0.36 per annum)
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The invoice and charge codes are:

Invoice	Charge Code	
DM CSEP	ADU	883
NDM CSEP	ADC	894



## 2. Transportation Charges

### 2.4.2 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 for 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 as follows, 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