



150-day notice of transportation charges effective from 1 April 2026

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the network**

2026/27 Indicative Statement

Introduction

This notice provides indicative levels of gas transportation charges that will apply from 1 April 2026 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 2026 will be published by 31 January 2026, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

For more information on the charges contained within this document, please contact the NGN Pricing Manager via e-mail at jschofield@northerngas.co.uk or on 07711 774258.

1.1 Indicative Distribution Charges

The maximum amount of revenue that can be earned, from the transportation of gas, is derived from the price control formula set by Ofgem, the industry regulator.

The indicative allowed revenue in this notice, has been taken from Ofgem's draft determinations published 1 July, alongside additional communications with Ofgem regarding the supplied models. Final determinations are currently expected to be published in December 2025 and will have a resultant impact on our prices for 2026/27.

The charges outlined in this document are based on this capped amount.

The LDZ price change for 2026/27 is an increase of 22.7%. This is based on a 21.9% increase in allowed revenue, combined with decreased required capacity predictions of 0.9% which would drive increased unit rates.

The Exit Capacity price change for 2026/27 is an increase of 15.9%. This is based on a 14.4% increase in allowed revenue, and capacity changes of 1.4%.

1.2 Year on Year Movements in Transportation Revenue

The table below illustrates the annual movement in NGN's revenue allowance. These movements are broken down into distribution network (LDZ) specific and exit capacity related allowance changes. The impact of the Supplier of Last Resort (SOLR) process is also split out to provide transparency.

- NGN's total revenue allowance has increased by £121.0m year on year:
 - LDZ specific charges, which relate to costs associated with transporting gas through the distribution network, have increased by £117.0m.
 - Exit charges and the associated revenue have increased by £7.4m
 - Supplier of Last Resort (SOLR) continues in a repayment position with £4.5m being returned to consumers during 26-27.

The allowances outlined below are based on Ofgem's draft determinations for RIIO-3. If Northern Gas Networks collect more or less than their agreed revenue allowance, this over or under collection is adjusted in the following regulatory year's revenue.

<u>Year on Year £ movements</u>	LDZ	Exit	SOLR	Total
25/26 Allowed Revenue (nominal)	535.1	51.2	(1.1)	585.1
Totex changes	81.6			81.6
Rates	25.8			25.8
Tax Changes	16.8			16.8
Inflation	10.8			10.8
Update to NGT Exit Rates		7.4		7.4
CDSP	4.0			4.0
Other Pass Through Costs	0.5			0.5
SOLR Claims			(3.4)	(3.4)
Other changes (including over recovery)	(4.0)			(4.0)
Incentives and Other Revenue allowances	(7.2)			(7.2)
Pension	(11.3)			(11.3)
26/27 Allowed Revenue (nominal)	652.1	58.5	(4.5)	706.1
<i>Year on Year £ movement</i>	<i>117.0</i>	<i>7.4</i>	<i>(3.4)</i>	<i>121.0</i>
<i>Year on Year % movement</i>	<i>21.9%</i>	<i>14.4%</i>	<i>305.8%</i>	<i>20.7%</i>
<u>Price Change Breakdown</u>				
Year on Year AR % movement	21.9%	14.4%	305.8%	20.7%
Capacity changes	0.9%	1.4%		
Overall Price Change	22.7%	15.9%		

Most significant year on year changes:

Totex Changes +£81.6m: This is primarily Ofgem's draft determinations that can be found on their website at the following link <https://www.ofgem.gov.uk/sites/default/files/2025-06/Draft-Determinations-NGN.pdf>.

Whilst there is some increase in the actual Totex allowance in GD3 (c2%), when compared to GD2 the primary increases in the associated allowed revenue are:

- **Return (+47.1m).** The return funding has moved to a semi-nominal WACC, to better reflect the actual debt and financing costs. Semi-nominal WACC is currently 5.92% which compares to a vanilla WACC in GD2 of 3.57%. There have also been increases in the underlying costs of debt and equity.
- **Fast Money (+25.8m).** The use of natural cap rates of 26.4% in the draft determination, rather than a set 34% in GD2, means that the split of spend is focussed more on fast money. This is particularly noticeable in 2026/27, due in part to NGN undertaking significant spend on the FEED studies for East Coast Hydrogen (in conjunction with Cadent and NTS) which is all OPEX spend.
- **Depreciation (+£8.5m).** In 2026/27 this increase is just the 2025/26 GD2 additions, as we progress though GD2 this charge will start to increase as all new additions from the start of GD3 onwards are required to be fully depreciated by 2050.

Network Rates +£25.8m: This is as a due to a rating revaluation for network business rates.

Tax +£16.8m: The main factor driving is the increased allowances for GD3, and the updated assumptions surrounding the tax pools for capital allowances.

Inflation £10.8m: Included in the above numbers is a finalised rate for 24/25, and assumed rates for 25/26 and 26/27. This is based on the Office for Budget Responsibility (OBR) forecasts compiled in March 2025 and incorporated into the Legacy Price Control Financial Model (PCFM) by Ofgem. This can be compared to the rates in previous pricing statements below.

Inflation	21/22	22/23	23/24	24/25	25/26	26/27
150D Notice	3.674%	8.774%	5.547%	3.215%	3.887%	2.030%
Final Pricing 25-26	3.674%	8.774%	5.547%	3.162%	2.493%	
Final Pricing 24-25	3.674%	8.774%	6.250%	3.047%	1.710%	
Final Pricing 23-24	3.674%	8.765%	5.198%	0.321%	-0.451%	

NGT Exit Rates +£7.4m: National Gas Transmission (NGT) have increased their rates compared to last year:

Exit capacity rates	26/27 150D notice p/kWh/day	25/26 Pricing p/kWh/day	24/25 Pricing p/kWh/day	23/24 Pricing p/kWh/day
23/24	0.0127 *	0.0127 *	0.0127 *	0.0620
24/25	0.0265 *	0.0265 *	0.0286	0.0698
25/26	0.0299 *	0.0311	0.0258	0.0671
26/27	0.0348	N/A	N/A	N/A

**Confirmed rate*

Incentives and Other Revenue allowances -£7.2: Incentives surrounding network business plans and customer satisfaction are still under discussion, so we have included no allowances for this. Funding for innovation and vulnerability have also been reduced.

Pension -£11.3: NGN has almost completed the full de-risking of the defined benefit pension scheme, meaning post 2027/28 there are expected to be no further costs to consumers.

1.3 Uncertainties around Indicative Transportation Charges

There remains uncertainty on the following areas at the time of publication:

We await final determinations of the RII03 price control period in December 2025.

NGN may submit further updates on shrinkage allowances to be included in the 60-day notice to reflect the very latest gas price Heren forecast.

As part of the draft determination NGN was awarded c£36m for the whole of GD3, in relation to the business plan incentive. We have not incorporated this into the indicative pricing due to the level of uncertainty surrounding the final value.

There is no formal AIP process this year, but we expect that Ofgem will publish an updated legacy PCFM following the next OBR forecast, which will then be used in the 60-day notice.

Ofgem will finalise their view of Real Price effects (RPE's), cost of debt and equity.

SOQ change: We have assumed a 1.2% decrease in capacity levels for 2026/27, driven largely by domestic customers. A final snapshot of capacity data will be available during the first week of December.

There is currently a modification to the shrinkage and leakage model being proposed. This will increase the volumes of own use gas ascribed to GDNs. Therefore, the shrinkage costs will increase. Further information can be found here. <http://www.gasgovernance.co.uk/Shrinkage/Consultations>

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

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Appendix 1 – Indicative Unit Charges from 1st April

LDZ System Capacity - Directly Connected Supply Points and Connected Systems

	Current (25/26)	Effective from 1 April 2026
Charge Band	Pence per peak day kWh per day	Pence per peak day kWh per day
Up to 73,200 kWh p.a.	0.2926	0.3591
73,200 to 732,000 kWh p.a.	0.2514	0.3085
732,000 kWh and above p.a.	$2.9507 \times \text{SOQ}^{-0.2834}$	$3.6212 \times \text{SOQ}^{-0.2834}$
Subject to a minimum rate of	0.0075	0.0092
Minimum reached at SOQ of	1,432,809,336	1,435,149,893

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

	Current (25/26)	Effective from 1 April 2026
Charge Band	Pence per peak day kWh per day	Pence per peak day kWh per day
Up to 73,200 kWh p.a.	0.0462	0.0567
73,200 to 732,000 kWh p.a.	0.0395	0.0485
732,000 kWh and above p.a.	$0.5073 \times \text{SOQ}^{-0.2940}$	$0.6226 \times \text{SOQ}^{-0.2940}$
Subject to a minimum rate of	0.0013	0.0016
Minimum reached at SOQ of	651,656,515	645,397,064

LDZ Customer Capacity Charges

	Current (25/26)	Effective from 1 April 2026
Charge Band	Pence per peak day kWh per day	Pence per peak day kWh per day
Up to 73,200 kWh p.a.	0.1563	0.1918
73,200 to 732,000 kWh p.a.	0.0055	0.0067
732,000 kWh and above p.a.	$0.1193 \times \text{SOQ}^{-0.2100}$	$0.1464 \times \text{SOQ}^{-0.2100}$

LDZ Fixed Charges

Supply points with an AQ of between 73,200 and 732,000 kWh only:

	Current (25/26)	Effective from 1 April 2026
Charge Band	Pence per day	Pence per day
Non-monthly read supply points	49.0887	60.2430
Monthly read supply points	52.2680	64.1447

Exit Capacity NTS Charges (ECN)

	Current (25/26)	Effective from 1 April 2026
Exit Zone	Pence per peak day kWh per day	Pence per peak day kWh per day
NE1	0.0297	0.0351
NE2	0.0314	0.0369
NE3	0.0314	0.0369
NO1	0.0300	0.0349
NO2	0.0274	0.0331

Supplier of Last Resort charge

The Supplier of Last Resort charge is based on system capacity. In 2025/26, this charge will apply to all domestic directly connected and Independent Gas Transporter domestic customers.

	Current (25/26)	Effective from 1 April 2026
Type of Supply Point	Pence per peak day kWh per day	Pence per peak day kWh per day
Domestic sites (Direct Connects and CSEP's customers)	-0.0011	-0.0046

Appendix 2 - DN Entry Indicative Rates 2026/27

The following table shows the indicative unit rates for sites that are flowing gas or have flowed for 1 day. Should any additional new sites start to flow gas after this publication or volumes forecasts change significantly, we will adjust in our final 60-day pricing notice.

Site name	Site Name	Date Connected	Current (25/26)		Effective from 1 April 2026	
			Pence per kWh	Unit Rate: Charge or Credit	Pence per kWh	Unit Rate: Charge or Credit
ASPAOS	Cumbria	25/05/2016	(0.0070)	Credit	(0.0198)	Credit
BRANOS	Bran Sands	19/12/2019	(0.0629)	Credit	(0.0861)	Credit
BURTOS	Burton Agnes	22/03/2016	0.0539	Charge	0.0528	Charge
CRAMOS	Cramlington	30/03/2022	0.0721	Charge	0.0808	Charge
DRIFIOS	Driffield	04/05/2022	(0.0427)	Credit	(0.0768)	Credit
FOOTOS	Teeside	19/09/2015	0.0019	Charge	(0.0253)	Credit
GRAVOS	Gravel Pit	31/03/2016	0.0027	Charge	(0.0233)	Credit
HEDLOS	High Hedley	29/01/2020	n/a	n/a	(0.0238)	Credit
HOWDOS	Howdon	10/12/2014	(0.0538)	Credit	(0.0761)	Credit
LANEOS	Lanes Farm	14/10/2019	(0.0592)	Credit	(0.1028)	Credit
LEEMOS	Leeming	25/06/2015	(0.0422)	Credit	(0.0682)	Credit
MELTOS	Melton	31/10/2025	n/a	n/a	(0.0846)	Credit
MILLOS	Mill Nurseries	13/12/2016	n/a	n/a	n/a	n/a
NEWTOS	Emerald Biogas	23/03/2016	(0.0870)	Credit	(0.1110)	Credit
PARKOS	Park Farm	18/12/2019	(0.0313)	Credit	(0.0699)	Credit
PLAXOS	Plaxton Bridge	27/01/2020	0.1739	Charge	0.1609	Charge
RIDGOS	Ridge Road Sherburn in Elmet	19/03/2016	0.0331	Charge	0.0224	Charge
SHEROS	Agri Sherburn in Elmet	17/03/2016	(0.0088)	Credit	(0.0532)	Credit
SPALOS	Spaldington	23/10/2019	0.0301	Charge	0.0126	Charge
WARDOS	Wardley	23/12/2019	0.0686	Charge	n/a	n/a

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