



SOUTHERN GAS NETWORKS plc

Indicative Notice of Change to Transportation Charges on 1 April 2012

1. Restructuring Charges

On 1 April 2012 the revised structure of LDZ system charges as set out in DNPC08 comes into effect. Because this means different percent changes will apply to different load bands the actual charges appropriate to the current forecasts are published in the accompanying document which is based on Section 2 of the Charging Statement. The restructuring in itself does not change the level of collected revenue.

In addition to the restructuring of the LDZ system charges it has been necessary to restore the proportions of revenue recovery between the LDZ System charges and the Customer charges to what was agreed in DNPC05. The change is made necessary mainly by the ending of interruptibles which has caused an increase in the proportion of revenue from the LDZ System charges

2. Indicative Change from 1 April 2012

On the basis of the latest available forecasts of Allowed and Collected revenue there is a requirement, on an indicative basis, for an overall increase in gas transportation charges of 1% at 1 April 2012.

3. Uncertainties

At this stage there are still significant uncertainties which will inevitably cause the actual change in the charges, which will be published on 1 February 2012, to be different from the indicative changes. These uncertainties are mainly the level of K to be carried forward from 2011/12, the actual RPI which will apply to the core allowed revenue and the level of Allowed Revenue from the various Incentives in 2012/13.

4. Final Notice of Changes to the Level of Charges

Final notice of any changes to the charges on 1 April 2012 will be given no later than 1 February 2012 in line with the two months' notice of price changes required by the Network Code.



Southern Gas Networks Indicative Notice of LDZ Transportation Charges

Effective from 1 April 2012

Published 3rd November 2011

2.1 Introduction

This publication gives Indicative Notice of the LDZ transportation charges expected to apply from 1 April 2012 for the use of Southern Gas Networks gas 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 Network Code obligations upon Southern Gas Networks.

For more information on the charges set out in this document, please contact via email:-
pricingteam@scotiagasnetworks.co.uk.

2.2 LDZ System Charges

The standard LDZ system charges consist of capacity and commodity charges. Currently there are separate functions for directly connected supply points and for Connected System Exit Points (CSEPs), but, as was set out in DNPC08, with effect from 1 April 2012 the separate functions for CSEPs will cease and the same charges will apply to CSEPs as to directly connected supply points.

Where the 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. Details of EUCs and load factors are shown in Appendix 2A of the full Charging Statement.

2.2.1 Directly Connected Supply Points and CSEPs

The unit charges and charging functions used to calculate charges to directly connected supply points and CSEPs are set out in Table 2.2.1 below.

Table 2.2.1 Charge codes

Directly Connected		CSEPs	
Invoice	Charge Code	Invoice	Charge Code
LDZ Capacity	ZCA	ADC Capacity	891
LDZ Commodity	ZCO	ADC Commodity	893

Table 2.2.1 Charges

	Capacity Firm	Commodity
	pence per pk day kWh per	pence per kWh
Up to 73,200 kWh per annum	0.1702	0.0285
73,200 to 732,000 kWh pa	0.1351	0.0223
732,000 kWh pa and above	$1.7728 \times \text{SOQ}^{-0.2970}$	$0.3395 \times \text{SOQ}^{-0.3129}$
Subject to a minimum rate of	0.0192	0.0029
Minimum reached at SOQ of	1,280,000,000 kWh	347,000,000 kWh

2.2.2 CSEPs Charging

In the calculation of the LDZ charges payable for CSEPs, 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.

2.2.3 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 Network loads located close to the NTS or for potential new Network loads in a similar situation, the standard LDZ tariff can appear to give perverse economic incentives for the construction of new pipelines when Network 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
$902 \times [(SOQ)^{0.834}] \times D + 772 \times (SOQ)^{0.717}$

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. Note that ^ means “to the power of ...”

Further information on the optional LDZ tariff can be obtained from the pricing team via email at pricingteam@scotiagasnetworks.co.uk

2.3 LDZ Customer Charges

For supply points with an 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 2.3 LDZ Customer charges

Up to 73,200 kWh per annum

Invoice	Charge Code
Capacity	CCA

	Pence per peak day kWh per day
Capacity charge	0.0783

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

Invoice	Charge Code
LDZ Capacity	CFI

	Pence per day
Fixed charge	
Non-monthly read	26.9446
Monthly read supply	28.6901

Invoice	Charge Code
LDZ Capacity	CCA

	Pence per peak day kWh per day
Capacity charge	0.0030

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA

	Pence per peak day kWh per day
Charging function	$0.0654 \times SOQ^{0.2100}$

2.4 Other Charges

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

2.4.1 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 a Gas Transporter other than Southern Gas Networks.

The calculation of LDZ charges payable for shipping to CSEPs is explained in section 2.2.2.

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 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	0.1020 pence per day (£0.37 per annum)
-------------------------	---

The invoice and charge codes are:

	Invoice	Charge Code
DM CSEP	ADU	883
NDM CSEP	ADC	894

2.4.2 Shared supply meter point allocation arrangements

An allocation service for daily metered supply points with AQs of more than 58,600 MWh per annum is available. This allows 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):

Invoice	Charge Code
ADU	883

Agent Service

	Telemetered	Non-telemetered
Setup charge	£107.00	£183.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£2.96

Transporter Service

	Telemetered	Non-telemetered
Setup charge	£107.00	£202.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£3.05

2.5 LDZ Exit Capacity (ECN) Charges

Although the LDZ Exit Capacity (ECN) Charges do not come into effect until 1 October 2012 it was considered that it would be helpful to include Indicative Charges in this document. The charges shown in the table below are based on the assumption that Mod 356 is approved by Ofgem. Should this not be the case then the Indicative charges will be re-published.

Table 2.5.1 LDZ ECN Charges

Zone	Pence/Peak day kWh per Day
SE1	0.0131
SE2	0.0207
SO1	0.0155
SO2	0.0225