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1st November 2013

Dear Sirs,

Indicative Distribution Transportation Charges from 1 April 2014

1. Introduction

This notice provides indicative levels of gas transportation charges that will apply from 1 April 2014, in line with our GT Licence requirement to provide 150 days' notice of such proposals.

The definitive notice of distribution transportation charges from 1 April 2014 will be published by 1 February 2014, in accordance with the two months' notice requirement within the Uniform Network Code.

2. Indicative Distribution Transportation Charges

In order to collect the estimated Allowed Revenue for 2014/15 of £381.9m, (excluding Exit Capacity charges - paragraph 6 below refers), transportation prices are forecast to increase by an average of 2.8%.

The indicative charges have been rebalanced to reflect what was agreed in DNPC03 and DNPC05, referred to in points 3 and 4 below. The percentage impact of the rebalancing; and the increase to recover our Allowed Revenue by charge type is shown at Annex B.

The final price increase, to be published on 1st February 2014, will reflect the RPI percentage increase for 2014 and 2015, as reported in the November 2013 Treasury publication, and our latest view of any future change in capacity income following the AQ review, effective from 1st October 2014.

Current transportation prices and indicative transportation prices from 1st April 2014, reflecting a 2.8% increase, are shown at Annex A.

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

Wales & West Utilities Limited
Registered Office:
Wales & West House, Spooner Close, Coedkernew, Newport NP10 8FZ
Registered in England and Wales: No. 5046791

3. Rebalancing of Charges between Customer & System (DNPC05) and between Capacity and Commodity (DNPC03)

The indicative charges between Customer and System have been adjusted to restore the agreed split under DNPC05 (71.8% System Charges and 28.2% Customer Charges). They have also been adjusted to reflect the agreed split of System charges between Capacity (95%) and Commodity (5%) consulted on in DNPC03. The percentage change to charges as a result of the rebalancing is shown at Annex B.

4. Reasons for the Price Increase

Price Increase Components	(%)
Income shortfall at 1 st April 2014	0.5%
Base Allowed Reduction at 2013/14 prices	-1.5%
Increase to Allowed Revenue for inflation (2014/15 prices)	3.4%
Network Innovation Allowance (NIA) + Discretionary Reward Scheme (DRS)	0.4%
Total Indicative Change to Prices at 1 st April 2014	2.8%

The income shortfall reflects the shortfall in revenue relative to Allowed Revenue at 1st April 2014.

Base Allowed reduction of 1.5% reflects the percentage movement between the Based Allowed Revenues for 2014/15 compared to 2013/14 at 2013/14 prices.

Inflation is based on the estimated RPI increase of 3.4% for 2014/15.

NIA has been estimated whilst DRS represents the monetary award given to WWU in respect of the 2012/13 award which is claimable in 2014/15. Both these components account for an increase of 0.4%.

5. Factors Which will Effect the Final Price Adjustment

5.1 Annual Quantity Review (AQ Review)

Capacity income, which is based on peak day capacity (Supply Point SOQs), represents a significant proportion of total collected income (96%). In line with the latest indications from Xoserve peak day capacity (which translates to a similar reduction in capacity income) is estimated to fall by 1.5% following the Oct 13 AQ Review. By the time the final transportation price adjustment is made we will factor in the actual outcome of the Oct 13 AQ Review.

Our indicative price increase assumes a further fall of 3% in peak day capacity from 1st October 2014 but this will be reviewed before the final transportation price adjustment is calculated.

5.2 Inflation

The final inflation figures to use for 2014/15 will not be known until November 2013 when HM Treasury publish their RPI forecast for calendar years 2014 and 2015. This will affect the overall level of Allowed Revenue which will lead to a change in the price adjustment.

6. Exit Capacity Charges

The Indicative Exit Capacity price increase will be 6.2% on average. They have been set to recover the Ofgem Cost Allowance published in the Final Proposals inflated to 2014/15 price levels.

We have assumed similar reductions in Peak day Capacity to those used in calculating the other transportation charges. We have further assumed that our Exit Capacity bookings from 1st October 2014 will be the same as the capacity bookings we have submitted for the gas year commencing 1st October 2013. The existing prices and indicative prices are shown at Annex A

7. Indicative LDZ System Entry Commodity Charge for Distributed Gas

The indicative charge for the entry point at Springhill Nurseries is shown in the table below.

Indicative Entry Point	Distribution Network	LDZ System Entry Commodity Charge (p/kWh)	Charge/Credit (-)
Springhill Nurseries	Wales & West	-0.0573	Credit

8. Impact on Gas Supply Prices

The extent to which any transportation charge adjustment is passed through to consumers depends upon Shippers and gas Suppliers.

If you have any queries regarding this document please would you contact me on 02920 278838 or by email: john.edwards@wwutilities.co.uk

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Annex A

Indicative Unit Charges From 1 April 2014

A. LDZ Charges From 1st April 2014: Current Prices v Indicative Prices

LDZ Directly Connected Systems and Cseps: Capacity Charge (ZCA)

Capacity	Current Prices	Indicative Prices
	(p/kWh/day)	(p/kWh/day)
Up to 73,200 kWh per annum	0.1853	0.1917
73,200 to 732,000 kWh per annum	0.1608	0.1664
732,000 kWh per annum and above	$1.4392 \times \text{SOQ}^{-0.2513}$	$1.4889 \times \text{SOQ}^{-0.2513}$

LDZ Directly Connected Systems and Cseps: Commodity Charge (ZCO)

	Current Prices	Indicative Prices
	pence per kWh	pence per kWh
Up to 73,200 kWh per annum	0.0306	0.0262
73,200 to 732,000 kWh per annum	0.0266	0.0228
732,000 kWh per annum and above	$0.3094 \times \text{SOQ}^{-0.2775}$	$0.2648 \times \text{SOQ}^{-0.2775}$

LDZ Customer Capacity Charges (CCA)

	Current Prices	Indicative Prices
	(p/kWh/day)	(p/kWh/day)
Up to 73,200 kWh per annum	0.0975	0.1015
73,200 to 732,000 kWh per annum	0.0038	0.0039
732,000 kWh per annum and above	$0.0770 \times \text{SOQ}^{-0.2100}$	$0.0802 \times \text{SOQ}^{-0.2100}$

LDZ Customer Fixed Charges (CFI) - 73,200 to 732,000 kWh per day

	Current Prices	Indicative Prices
	pence per day	pence per day
Non-monthly read supply points	31.6432	32.9390
Monthly read supply points	33.6932	35.0730

B. Indicative ECN (Exit Capacity Charges) From 1 April 2014

Exit Zone	Existing Prices (p/kWh/day)	Indicative Prices 1st April 2014 (p/kWh/day)
SW1	0.0078	0.0079
SW2	0.0243	0.0250
SW3	0.0278	0.0287
WA1	0.0292	0.0332
WA2	0.0013	0.0011

Annex B

Analysis of Price Increase From 1 April 2014 by Charge Type

LDZ System & Connected System Charges	Average Price Increase to Recover Allowed Revenue	DNPC05 and DNPC03	Total Price Adjustment
Commodity	2.8%	-17.2%	-14.4%
Capacity	2.8%	0.7%	3.5%

LDZ Customer Charges	Average Price Increase to Recover Allowed Revenue	DNPC05 and DNPC03	Total Price Adjustment
Capacity	2.8%	1.3%	4.1%