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National Grid Gas Distribution
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National Gas Emergency Service - 0800 111 999* (24hrs)
*calls will be recorded and may be monitored

Indicative Gas Transportation Charges from 1 April 2015 for East of England, London, North West and West Midlands Distribution Networks

1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1st April 2015 for East of England, London, North West and West Midlands distribution networks in line with the Gas Transporter Licence Standard Special Condition A4 requirement to provide 150 days' notice of such proposals. The notice of the definitive distribution transportation charges from 1 April is expected to be published by 1st February, in line with the two months' notice requirement within each Network Code.

2. Indicative Distribution Unit Transportation Charges

The average changes to distribution transportation charge levels from 1st April 2015 are shown in Table 1. The indicative individual elements of the transportation charges will change by varying levels around these average changes, in line with the application of the existing charging methodology. The indicative new transportation charge rates are shown in full in the appendix.

Table 1. Indicative average change to Distribution Transportation Unit Charges effective from 1st April 2015

Distribution Network	East of England	London	North West	West Midlands	Average (weighted by DN size)
Average Change	4.1%	8.5%	7.4%	0.8%	5.3%

The principal factors underlying the increases to Distribution Transportation unit charges as seen in Table 2 are (a) forecast year-on-year movement in RPI, (b) ongoing reductions in the level of Registered Supply Point Capacity, on which the bulk of our charges are based, and (c) underlying year-on-year movements in revenues, including incentives, cost adjustments and the repayment of £20.7m over-recovery, lagged from 2013-14. A breakdown of the percentage change to unit charges is provided in Table 2, below.

The indicative level of change to the transportation charges is in line with the changes shown in our mid-October Quarterly Revenue Report and explained to shippers at the Distribution Charging Methodology Forum on 29th October. The level of increases to transportation charges for April 2015 is lower than previously indicated in our July Revenue Report, principally due to updates to the latest assessment of Registered Supply Point Capacity, following the 2014 AQ Review and an updated projection of the expected level of change in October 2015, based on historical changes.

Due to the estimated reductions in supply point capacity, and other changes to the customer base, for next year compared to this year, the average level of pure distribution transportation charges per supply point (£/annum) is forecast to be 3.3% higher for

2015/16 compared to 2014/15 at outturn price levels and 0.8% higher at 2014-15 price levels, as shown in Table 2 below.

Table 2 Factors underlying the Change to Unit Transportation Charges

Distribution Network	East of England	London	North West	West Midlands	Average
Change in Distribution Revenue at 2014/15 price levels	-0.3%	4.5%	2.0%	-3.4%	0.8%
Forecast Inflation for 2015/16	2.5%	2.5%	2.5%	2.5%	2.5%
Change in Distribution Revenue at Outturn price levels	2.2%	7.1%	4.6%	-1.0%	3.3%
Increase in unit rates to offset capacity reduction and changes to customer base	2.0%	1.5%	2.8%	1.9%	2.0%
Average Change to DN Charges	**4.1%**	**8.5%**	**7.4%**	**0.8%**	**5.3%**

3. Charging Methodology

There are no methodology changes that impact on the structure of the charges from April 2015. However, under the existing charging methodology there is a requirement to target a pre-set split of revenue recovery between the LDZ System and LDZ Customer charges, and a 95:5 recovery split between LDZ System capacity and commodity charges.

In addition the level of the LDZ ECN charges is set to recover the sum of the following three elements:

- The 2015-16 Licence allowance for NTS Exit capacity costs;
- ECN K over-/under-recovery from 2013-14, and
- The Exit Capacity cost adjustment between actual and allowed costs for 2013-14

The application of the charging methodology therefore means that the indicative changes to the individual elements of the transportation charges will vary from the average level, as shown in Table 3 below.

Table 3: Average Change to each Element of the Indicative Transportation Charges

Distribution Network	East of England	London	North West	West Midlands
LDZ System capacity charges	3.0%	8.1%	5.0%	-1.3%
LDZ System commodity charges	4.5%	9.1%	7.9%	0.5%
LDZ Customer charges	4.9%	9.5%	8.3%	1.1%
LDZ charges average change	**4.6%**	**9.2%**	**7.9%**	**0.6%**
ECN "exit pass-through" charges	-4.8%	-4.2%	2.1%	4.4%
Average overall change	**4.1%**	**8.5%**	**7.4%**	**0.8%**

The indicative transportation charge rates from 1st April 2015 are shown in full in the appendix.

4. Uncertainties impacting on level of Definitive Charges for 1st April 2015

There are still some uncertainties which will impact on the determination of the definitive transportation charges for application from 1st April 2015, which will be published on 1st February 2015. The key uncertainties are:

a) Estimation of the demand portfolio for 2015-16

The definitive impact of the supply point capacity reductions from 1st October 2014 on income levels will not be known until all the October invoices are sent out. These will give a better picture of the level of income which is being obtained with the existing charges from October onwards. In addition there are potential changes to the customer base, in terms of new supply points, existing supply points ceasing or reducing their gas usage, and potential changes to the peak capacity requirements for larger, daily-metered, loads which need to be taken into account.

b) Inflation

The indicative charges have been based on forecast inflation of 2.5% for 2015/16. The definitive forecast inflation factor underlying the maximum allowed revenue for all Distribution Networks will be known once the November 2014 version of the HM Treasury document "Forecasts for the UK Economy" has been published.

c) Price Control Financial Model (PCFM) impact on allowed revenue for 2015-16

As part of the price control Annual Iteration Process, the PCFM is run each November by Ofgem and the outcome impacts on the maximum allowed revenue for the following Formula Year. The operation of the PCFM this November is expected to reflect changes in the allowance for the cost of debt, ongoing legacy adjustments from the close-out of the previous price control period, and output adjustments from the Totex Incentive Mechanism (TIM). The indicative charges have been based on a forecast impact of these PCFM adjustments. However, the definitive adjustment to 2015-16 allowed revenue will be set out in Ofgem's determination on the outcome of the 2014 Annual Iteration Process at the end of November. This will be taken into account in setting the definitive transportation charges for 1st April 2015.

If you have any questions about this notice please contact me.

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APPENDIX: INDICATIVE TRANSPORTATION CHARGE RATES FROM 1 APRIL 2015

EAST OF ENGLAND DN

LDZ System Capacity (Direct Connects and CSEPs)

	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1767
73,200 to 732,000 kWh per annum	0.1410
732,000 kWh per annum and above	0.9009 x SOQ ^ $^{-0.2155}$
Subject to a minimum rate of	0.0173

LDZ System Commodity (Direct Connects and CSEPs)

	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0253
73,200 to 732,000 kWh per annum	0.0201
732,000 kWh per annum and above	0.1595 x SOQ ^ $^{-0.2376}$
Subject to a minimum rate of	0.0022

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0980

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

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	28.7172
Monthly read supply points	30.5774
Invoice	**Charge Code**
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0033

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	0.0694 x SOQ ^ $^{-0.2100}$

LONDON DN

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1968
73,200 to 732,000 kWh per annum	0.1754
732,000 kWh per annum and above	1.1212 x SOQ ^ $^{-0.2133}$
Subject to a minimum rate of	0.0192

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0294
73,200 to 732,000 kWh per annum	0.0262
732,000 kWh per annum and above	0.1692 x SOQ ^ $^{-0.2147}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.1251

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

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	39.4847
Monthly read supply points	42.0423
Invoice	**Charge Code**
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0044

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	0.0962 x SOQ ^ $^{-0.2100}$

NORTH WEST DN

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.2127
73,200 to 732,000 kWh per annum	0.1771
732,000 kWh per annum and above	1.3973 x SOQ ^ $^{-0.2483}$
Subject to a minimum rate of	0.0196

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0281
73,200 to 732,000 kWh per annum	0.0235
732,000 kWh per annum and above	0.2038 x SOQ ^ $^{-0.2586}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.1001

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

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	28.3882
Monthly read supply points	30.2273
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	0.0690 x SOQ ^ $^{-0.2100}$

WEST MIDLANDS DN

LDZ System Capacity (Direct Connects and CSEPs)

Charge Code	Capacity
	pence per peak day kWh per day
Up to 73,200 kWh per annum	0.1828
73,200 to 732,000 kWh per annum	0.1646
732,000 kWh per annum and above	2.0177 x SOQ ^ $^{-0.2817}$
Subject to a minimum rate of	0.0179

LDZ System Commodity (Direct Connects and CSEPs)

Charge Code	Commodity
	pence per kWh
Up to 73,200 kWh per annum	0.0286
73,200 to 732,000 kWh per annum	0.0256
732,000 kWh per annum and above	0.3436 x SOQ ^ $^{-0.2911}$
Subject to a minimum rate of	0.0024

Customer Charges

Up to 73,200 kWh per annum

Invoice	Charge Code
LDZ capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0867

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

Invoice	Charge Code
LDZ capacity	CFI
Fixed charge	pence per day
Non-monthly read supply points	27.4170
Monthly read supply points	29.1929
Invoice	**Charge Code**
LDZ Capacity	CCA
	Pence per peak day kWh per day
Capacity charge	0.0029

732,000 kWh per annum and above

Invoice	Charge Code
LDZ Capacity	CCA
	Pence per peak day kWh per day
Charging function	0.0663 x SOQ ^ $^{-0.2100}$

FOR ALL DNS

Indicative CSEP Administration Charge is 0.0910 p/day/supply point. Other administration charges are presently expected to remain unchanged. However, these charges will apply only until the UK-Link replacement is implemented, which is presently expected to be from 1st October 2015. The Optional LDZ charge will remain unchanged.

INDICATIVE DN ECN CHARGES FROM 1ST APRIL 2015

Distribution Network	Exit Zone	ECN Charge p/pdkWh/d
East of England	EA1	0.0060
	EA2	0.0061
	EA3	0.0015
	EA4	0.0122
	EM1	0.0003
	EM2	0.0047
	EM3	0.0174
	EM4	0.0121
London	NT1	0.0206
	NT2	0.0122
	NT3	0.0117
North West	NW1	0.0192
	NW2	0.0259
West Midlands	WM1	0.0188
	WM2	0.0155
	WM3	0.0117

INDICATIVE DN ENTRY COMMODITY CHARGES/CREDITS FOR DISTRIBUTED GAS

Distribution Network	Distributed Gas Entry Point	Entry Commodity Rate (p/kWh)	Charge/ Credit
EE	Adnams Brewery, Southwold	0.2145	Charge
EE	Lindholme, Doncaster	-0.0464	Credit
EE	Beccles, Sotterley	-0.0570	Credit
EE	Chear Fen Farms, Chittering	-0.0750	Credit
EE	Holkham, Norfolk	-0.0002	Credit
EE	Redbourne Road, Hibaldstow	-0.0704	Credit
EE	Grange Farm, Spridlington	-0.0519	Credit
EE	West Fen Farm, March	-0.0554	Credit
NW	Bredbury Park, Stockport	0.0959	Charge
NW	Granox, Widnes	-0.0637	Credit
WM	Minworth Sewage Works	-0.0092	Credit

DN Entry commodity charges/credits for other new Distributed Gas sites which may start operation during 2015/16 will be published closer to the start-up date for each site.