Southern Gas Networks Notice of LDZ Transportation Charges 2022/23

Effective from 1 April 2022

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SGN

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Contents

1 Introduction

This publication gives Notice of the LDZ transportation charges expected to apply from 1 April 2022 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: -
pricing.team@sgn.co.uk

2 Transportation Charges to Apply from 1 April 2022

2.1 LDZ System Charges

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

Where the LDZ charges are based on functions, these functions use Supply Point Off take Quantity (SOQ) in the determination of the charges. At Class 1 and 2 (daily metered) supply points the SOQ is the registered supply point capacity. For Class 3 and 4 (non-daily metered) 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 and CSEPs

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

LDZ System Charge Codes-Directly Connected Supply Points and Connected System

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

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

Charge Band (kWh/annum)	Capacity p/peak day kWh/day
Up to 73,200	0.2084
73,200 to 732,000	0.1654
>732,000 kWh	$2.1726 \times SOQ^{-0.2970}$
Subject to a minimum rate of	0.0042
Minimum reached at SOQ of	1,371,322,745 kWh

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

Charge Band (kWh/annum)	Commodity p/kWh
Up to 73,200	0.0363
73,200 to 732,000	0.0286
>732,000 kWh	0.4333 x SOQ ^ -0.3129
Subject to a minimum rate of	0.0009
Minimum reached at SOQ of	374,260,602 kWh

2.1.2 CSEPs Charging

LDZ System charges for transportation to Connected System Exit Points (CSEPs) are identical to those for transportation to direct loads.

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.

2.1.3 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	p/peak day kWh/day
CAZ	881	902 x [(SOQ) ^-0.834] x D + 772 x (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

pricing.team@sgn.co.uk

2.2 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).

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

LDZ Customer Capacity Charges

Charge Code	CCA
Charge Band (kWh/annum)	p/peak day kWh/day
Up to 73,200	0.0953
73,200 to 732,000	0.0038
>732,000 kWh	$0.0798 \times SOQ^{-0.2100}$

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

LDZ Customer Fixed Charges

Charge Code	CFI
Supply Point Fixed Charge	Fixed Charge p/day
Non-monthly read	32.8775
Monthly read	35.0075

2.3 Other Charges

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

2.3.1 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 2.1.2.

2.3.2 Supplier of Last Resort Charges

Due to the volatility in the gas market and significant increases in wholesale gas prices throughout 2021, particularly in the second half of the year, there has been a significant number of Suppliers failures. As Ofgem has an obligation to ensure gas continues flowing for all customers, they operate the Supplier of Last Resort (SoLR process). This allows other Suppliers to bid for the customer base of the failed Supplier and if successful and subject to approval from Ofgem, claim associated costs from the wider industry.

It is the responsibility of Southern Gas Network to recover the costs incurred by the SOLR provider and to pass those onto the new Supplier as set out under Standard Special Condition A48 of the transportation licence. Southern Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The SoLR costs impacting 2022/23 charges are £154.6m. These costs are a straight passthrough therefore only reflect the level of costs DNs need to subsequently pass onto the wider shipper community.

LDZ Supplier of Last Resort Charges

Charge Code	LRD & LRI
Supply Point Volume Charge	**Daily Rate p/p KWh**
Domestic	0.0790
I&C	-

2.3.3 LDZ System Entry Commodity Charge

The methodology relating to Distributed Gas Charging Arrangements as set out in Uniform Network Code Modification 0391 and approved by Ofgem in September 2012 and implemented from 1st April 2013. The LDZ System Entry Commodity Charge reflects the operating costs associated with the entry of the distributed gas and the benefits in terms of deemed NTS Exit and distribution network usage. The rate associated with the LDZ System Entry Commodity Charge is calculated on a site by site basis.

LDZ System Entry Commodity Rate

Site Name	GEMINI Reference	Distributed Gas Commodity Rate(p/kWh)
Albury	ALBROS	0.1096 (credit)
Poundbury Biomass	POUNOS	0.1092 (credit)
Portsdown Hill	POR	0.0243 (credit)
Apsley Farm	APSLOS	0.0940 (credit)
Blackpitts Brackley	HELMOS	0.1095 (credit)
Gorebasin Isle of Wight	WIGHOS	0.1095 (credit)
Ickneild Farm	IKNOS	0.0941 (credit)
St Nicholas Court Farm	NICHOS	0.1094 (credit)

Riverside AD Mitcham	MITCOS	0.1094 (credit)
Arla Aylesbury	ARLAOS	0.1096 (credit)
Ebbsfleet Farm	EBBSOS	0.1095 (credit)
Hill Farm Reading	HILLOS	0.0941 (credit)
Banbury PRS	BANBOS	0.0246 (credit)
Newton Longville	NETNOS	0.0246 (credit)
Kemsley	KEMYOS	0.0942 (credit)
Blaise Farm	BLAIOS	0.0942 (credit)
Court Lodge Farm	FAWKOS	0.1094 (credit)
Friday's Farm	FRITOS	0.1095 (credit)
Sheppey	SHEPOS	0.1094 (credit)
Dunsfold	DFLDOS	0.1094 (credit)

SGN are aware of new DN entry points that are progressing through their engineering development these may require new DN entry rates to be published within the charging period.

2.3.4 Distribution Network (NTS) Exit Capacity Charge (ECN)

Following the implementation of Uniform Network Code (UNC) modification 0195AV industry arrangements for the charging of NTS Exit Capacity costs changed on the 1st October 2012. National Grid Transmission invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DNs will invoice gas shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges).

From October 2020, the calculation of these charges was changed under UNC modification 0678A. National Grid Transmission new charging methodology will impact DNs recovery of exit capacity costs from April 2021/22. These costs are a straight pass-through therefore only reflect the level of costs DNs incur.

The National Grid charging methodology moved from a Long-Range Marginal Cost (LRMC) charging methodology to a Postage Stamp approach. The biggest impact of which, means instead of individual charging rates for each offtake, NTS now charge all exit points across the UK the same price irrespective of geographical location.

Although the NTS charging methodology was implemented mid-year (October 2020), the movement in Southern will be phased over the first two charging periods of GD2. 2021/22 tariffs include costs for 2021/22, tariff year 2022/23 will include costs for 2022/23 *and* the six-month over/under-recovery of costs related to October 2020 to March 2021 – the latter is on a two-year lag.

Exit Capacity Charges relating to South East Local Distribution Zone:

The Local Transmission System in the South East LDZ is highly integrated with customers being supplied by a number of SGN offtakes at various times throughout the gas year.

One of the consequences of this integration is the capacity which is booked at the NTS Offtake into Exit Zone SE2 facilitates gas to flow through to customers located in Exit Zone SE1 in order to operate the network efficiently. NTS Exit charges are now based on the capacity booked by SGN at NTS Offtakes which in turn

supply LDZ exit zones. SGN have been provided with an allowance by Ofgem for NTS Exit capacity costs which are then charged to shippers based on the relevant LDZ's apportionment of NTS Exit Capacity costs. The nominated or calculated SOQ in the respective Exit Zone is used to calculate the charge to shippers. In the SE LDZ there are two Exit zones, SE1 and SE2. In Exit zone SE2 the capacity booked by SGN with NTS (and the associated charges) is greater than the capacity used in SE2, therefore customers would have to pay higher charges than the actual capacity used within this exit zone. We consider that this is an unintended consequence of the change in the charging methodology and in order to overcome this issue Southern Gas Networks have aggregated all of the NTS exit capacity charges in the SE LDZ (Exit Zones SE1 and SE2) which will result in the ECN charges being calculated using the same ECN rate within these two exit zones reflecting the fact that all NTS exit points provide the required capacity.

The ECN charges for Southern Gas Networks are detailed in the table below:

Invoice	Charge Code
LDZ Capacity	ECN

Exit Zone	ECN Charge Rate (p/peak day/kWh/day)
SO1	0.0219
SO2	0.0263
SE1	0.0247
SE2	0.0247