Cadent
Your Gas Network

Final Gas Distribution Transportation Charges

From 1 April 2019

For East of England, London, North West and West Midlands Gas Distribution Networks

Issued 31 January 2019

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Contents

Introduction 3

Average Domestic Bills 4

Average 2019/20 Price Change 5

Movement since Indicative Charges 6

Movement since December Quarterly Revenue Forecast 7

2019/20 Allowed Revenue 8

2018/19 Forecast Revenue Recovery 9

2019/20 Forecast Revenue Recovery 10

Changes in Aggregate Demand 11

Manual corrections to AQ and SOQ 12

Impact of Changes to NDM Load Factors 13

Charging Methodology 14

Analysis of Price Change by Charge Band 16

Contact Details 18

Appendix A: 2019/20 Allowed Revenue (£m) 19

Appendix B: Transportation Unit Charge Rates from 1st April 2019 20

Introduction

This notice confirms the gas transportation charges that will apply from 1 April 2019 for the East of England, London, North West and West Midlands gas distribution networks. In line with the Gas Transporter Licence and Uniform Network Code requirements, this notice is provided two months ahead of implementation.

Further to our indicative price notification in early November 2018, the following areas of uncertainty have now been resolved:

- The 2019/20 inflation indexation factor underpinned by HM Treasury forecasts
- Finalisation of Ofgem's 2018 Annual Iteration Process (AIP), including confirmation of the Cost of Debt allowance for the year
- Finalised forecasts for expenditure under the Network Innovation Allowance (NIA)
- Ofgem have directed on Octopus Energy's claim under the Supplier of Last Resort process, resulting in an increase of Allowed Revenues of £2.9m across Cadent's networks
- Updated Supply Point Capacity (SOQs) and Annual Quantity (AQ) requirements as provided by Xoserve, and inclusive of the anticipated effect of planned data corrections

The average price change for each distribution network from 1 April 2019 is shown in Table 1 below.

Table 1: Average Transportation Price Change from 1st April 2019

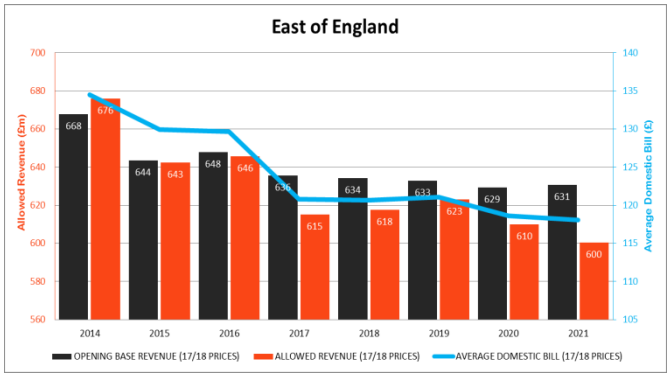
NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
AGGREGATE PRICE CHANGE	(0.6%)	+7.6%	+5.2%	+2.9%

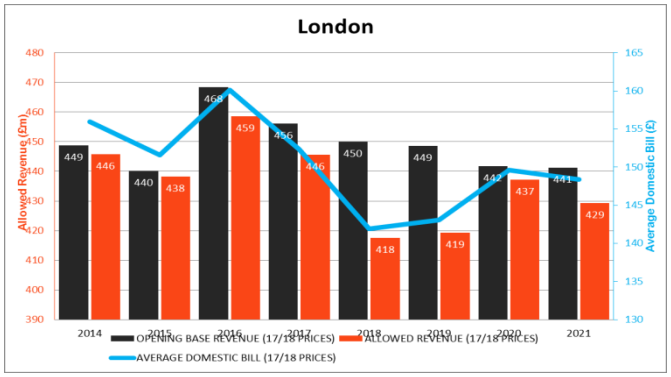
The changes are principally driven by the year on year movement in allowed revenue relating to inflation and increases in business rates, but also takes into consideration under or over recovery of revenue from the 2018/19 charging year and anticipated levels of peak day supply point capacity requirement.

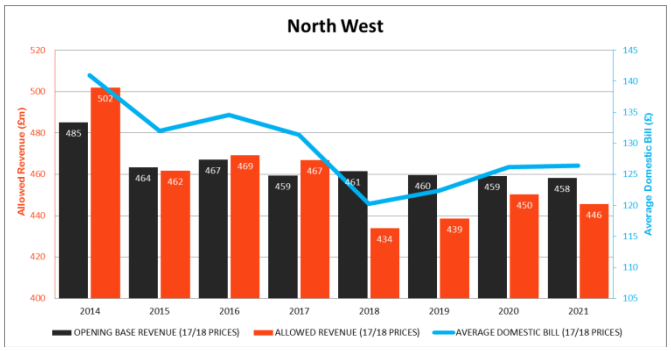
Average Domestic Bills

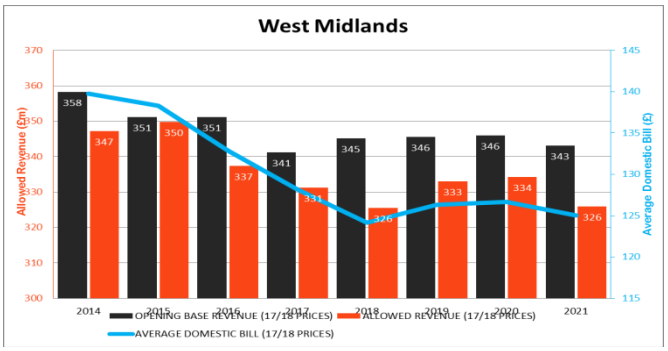
We anticipate that 8 year allowed revenues will be nearly 2% lower than the level indicated in the RIIO GD-1 Final Proposals in real terms. This equates to around £336m in 2017/18 prices. The reduction is primarily driven by the indexation of the cost of debt element of the weighted average cost of capital (WACC), but also driven by lower corporation tax rates, and lower pass through costs (inclusive of exit capacity and shrinkage costs), and our ability to drive cost efficiencies through the Totex Incentive Mechanism.

In terms of domestic customer bill impact, although there is some variability at network level, overall we expect customer bills to have reduced by £14 per annum (or around 10%) in real terms across the 8 year price control period. The graphs below illustrate actual and forecast revenue against opening allowances per the RIIO GD-1 final proposals, and forecasts for average domestic bill over the eight year period:









Note: our methodology for calculation of average domestic bills is based on mean average consumption by supply point in the 0 to 73,200 kWh per annum load band. Given that our transportation unit prices are driven by both changes to allowed revenues and average demand, we consider that this approach best emulates true network level variability. Additionally, we have presented numbers in 2017/18 prices in order to isolate the real price impacts of the RIIO framework. This approach differs to that adopted by Ofgem in their 2015/16 RIIO GD-1 Annual Report which is expressed in nominal terms, and uses the Typical Domestic Consumption Value (TDCV) as the basis for usage assumption.

Average 2019/20 Price Change

The underlying drivers for the average gas distribution price change from 1st April 2019 are shown in Table 2 below. The principal factors driving these changes are:

- Year on year movement in allowed revenue between 2018/19 and 2019/20 as calculated in accordance with the Gas Transporter Licence.
- Correction for prior year under / over recovery of revenue in the 2018/19 charging year, in order to rebase unit charges. This is driven by differences in supply point capacity requirements to those assumed at the point of price setting.
- The impact of annual changes to Load Factors which are used to establish peak day capacity (SOQs) for Non-Daily Metered supply points.
- Changes to peak day capacity requirements (SOQs) driven by underlying changes to rolling Annual Quantities (AQs).

Table 2: 2019/20 Average price changes (high level summary)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
YEAR ON YEAR MOVEMENT IN ALLOWED REVENUE	+1.2%	+7.8%	+6.1%	+3.8%
PRIOR YEAR OVER / UNDER RECOVERY	(0.3%)	(0.2%)	+0.1%	(0.2%)
IMPACT OF LOAD FACTORS ON SOQ	+0.7%	+1.6%	+1.6%	+1.0%
CHANGES IN AGGREGATE DEMAND	(2.2%)	(1.5%)	(2.7%)	(1.7%)
AGGREGATE PRICE CHANGE	**(0.6%)**	**+7.6%**	**+5.2%**	**+2.9%**

Year on year movement in Allowed Revenue is the predominant factor driving the aggregate price change. This is underpinned primarily by year on year inflation and recent increases to business rates.

The under or over recovery of revenue from the 2018/19 charging year has also has a bearing, as 2019/20 prices must be adjusted to offset any underlying factors impacting revenue collection.

Whilst annual changes to Non-Daily Metered (NDM) load factors have had an upward influence on prices, underlying increases to Annual Quantities (AQs) have more than offset this, resulting in a net reduction to prices in respect of chargeable volumes (note that an increase to chargeable volumes has the opposite effect to prices).

Changes in aggregate supply point peak day capacity (SOQ's) and Annual Quantities (AQs) are based on the latest available demand data provided by Xoserve, inclusive of the anticipated impact of planned AQ data corrections.

The 2019/20 transportation unit rates are shown in full in Appendix B

Movement since Indicative Charges

Table 3 below summarises the impact of the items that have crystallised since the publication of the Indicative charges in November 2018:

- The November 2018 edition HM Treasury's 'Forecasts for the UK Economy' set the inflation indexation factor for 2019/20 which resulted in a small upward movement in the average price change across the networks
- On 24th January 2019 Ofgem confirmed Octopus Energy's claim under the Supplier of Last Resort process at a value of £5.9m for the gas sector. Cadent's allocation of this is £2.9m, across the four networks. This increases allowed revenues for 2019/20 and consequently, the average price changes across the four networks.
- The Final Charges have been calculated using the latest available demand data from Xoserve. This has led to a small reduction in the average price change compared to the position reported in the Indicative charges. This is inclusive of a small manual adjustment in respect of anticipated AQ data corrections due to be implemented within Xoserve's systems before April 2019
- The 2018 Annual Iteration Process confirmed a slightly lower cost of debt allowance, which has driven a very small further reduction to charges.

Table 3: Movement in Average Price Change since Indicative Charge Setting

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
OCTOBER INDICATIVE PRICE CHANGE	**(0.6%)**	**+7.6%**	**+4.7%**	**+2.7%**
NOV-18 HM TREASURY FORECAST FOR THE UK ECONOMY (INFLATION)	+0.1%	+0.1%	+0.1%	+0.1%
SUPPLIER OF LAST RESORT FOR IRESA	+0.2%	+0.1%	+0.2%	+0.2%
DEMAND UPDATES	(0.3%)	(0.2%)	+0.1%	(0.1%)
ANNUAL ITERRATION PROCESS	(0.0%)	(0.0%)	(0.0%)	(0.0%)
FINAL PRICE CHANGE	**(0.6%)**	**+7.6%**	**+5.2%**	**+2.9%**

Movement since December Quarterly Revenue Forecast

Table 4 below shows the movement in the average price changes compared to the positions reported in our December 2018 quarterly revenue forecast ('MOD0186 report'). The movements are driven by:

- The final value of Octopus Energy's claim under the Supplier of Last Resort process following Ofgem's direction on 24th January 2019. The original value assumed in the December MOD0186 report was £4m across the four networks; the final confirmed value was £2.9m resulting in a slight downward movement in the aggregate price change.
- Subsequent updates to AQ and SOQ positions led to low level changes to aggregate prices across the four networks

Table 4: Movement in Average Price Change since Dec-18 Quarterly Revenue Forecast

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
DECEMBER MOD0186 PRICE CHANGE	**(0.4%)**	**+7.6%**	**+5.1%**	**+2.7%**
SUPPLIER OF LAST RESORT FOR IRESA	(0.1%)	(0.1%)	(0.1%)	(0.0%)
DEMAND UPDATES	(0.1%)	+0.1%	+0.2%	+0.2%
FINAL PRICE CHANGE	**(0.6%)**	**+7.6%**	**+5.2%**	**+2.9%**

2019/20 Allowed Revenue

The movement in Allowed Revenue between 2018/19 and 2019/20 is the largest contributing factor to the average price change. The key elements driving this movement are:

- Inflationary increases to uplift into 2019/20 prices.
- Movements in base revenue as per RIIO GD-1 Final Proposals.
- Impact of Ofgem's MODt direction via the 2018 Annual Iteration Process (AIP).
- 2 year lagged RPI "true-up" from 2017/18
- The Supplier of Last Resort (SoLR) process for Iresa.
- 2 year lagged adjustments from 2017/18 in respect of pass through costs, incentives, and over/under recovery in revenue collection.

A trace between allowed revenues for 2019/19 and 2019/20 is shown in Table 5 below. Further analysis of 2019/20 Allowed Revenue broken down by components can be found in Appendix A.

Table 5: Year on Year Movement in Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2018-19 ALLOWED REVENUE	**644.2**	**433.6**	**453.6**	**344.3**
UPLIFT TO 2019/20 PRICES	21.5	14.6	15.3	11.5
CHANGE IN BASE REVENUE PER FINAL PROPOSALS	(3.8)	(7.3)	(0.4)	0.4
PRICE CONTROL FINAL MODEL ADJUSTMENT	(11.4)	(3.7)	(11.5)	(10.9)
LAGGED INFLATION TRUE UP FROM 2017/18	4.4	3.1	3.2	2.3
COST PASS THROUGH (INCLUDING SOLR CLAIMS)	(7.2)	22.7	12.2	8.7
NETWORK INNOVATION ALLOWANCE	0.8	0.4	0.5	0.4
OUTPUT INCENTIVES	0.7	0.9	1.3	0.1
(OVER) / UNDER COLLECTION OF REVENUE B/F	2.9	3.0	7.2	0.5
2019-20 ALLOWED REVENUE	**652.0**	**467.4**	**481.3**	**357.4**
% CHANGE IN ALLOWED REVENUE	**+1.2%**	**+7.8%**	**+6.1%**	**+3.8%**

2018/19 Forecast Revenue Recovery

Current year revenue collection has a bearing on year-ahead price setting, as any over or under collection of revenue needs to be offset by re-basing unit prices. In a current year under recovery situation, year ahead prices will need to be increased, and conversely in an over recovery situation, year ahead prices will need to be decreased. The reasons why under/over recovery may occur are:

- Changes in underlying demand conditions against those assumed at the point of price setting.
- Growth in Connected System Exit Points (CSEPs). We adopt a 3 year rolling average movement in demand as a predictor for future demand conditions in this regard, but the extent to which actual growth matches this assumption will be a source of revenue collection variance.
- Special Condition 1B of the Gas Transporter Licence requires us to use our best endeavours not to over recover revenue beyond the Maximum Allowed Revenue set by the Licence. In practice, we target a low level of under recovery in price setting in order to discharge this obligation.

Table 6 below shows the 2018/19 revenue collection forecast. Against the demand conditions that have actually manifested, current prices are slightly too high for the East of England, London and West Midlands networks, but too low for the North West. We must therefore slightly decrease next year's charges for East of England, London and West Midlands, but increase charges for North West.

Table 6: Collected Revenue Forecast 2018/19

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2018-19 ALLOWED REVENUE (£M)	644.2	433.6	453.6	344.3
2018-19 COLLECTABLE REVENUE FORECAST (£M)	645.9	434.6	453.3	345.0
FORECAST UNDER/OVER RECOVERY (£M)	1.7	1.0	(0.3)	0.7
FORECAST UNDER/OVER RECOVERY %	+0.3%	+0.2%	(0.1%)	+0.2%

2019/20 Forecast Revenue Recovery

The current forecast for collectable revenue in 2019/20 is shown in Table 7 below. As unit prices have decimalisation restrictions it is difficult to set charges to recover the exact amount of allowed revenue. In order to comply with our Licence, we must use best endeavours in setting charges to ensure that collectable revenue for each network does not exceed maximum allowed revenue for the relevant formula year. In practice prices are set to achieve a minimised level of under-recovery. Consequently, our final charge calculation delivers a small inherent under recovery, as shown below.

Table 7: Collectable Revenue Forecast 2019/20

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2018-19 ALLOWED REVENUE (£M)	652.0	467.4	481.3	357.4
2018-19 COLLECTABLE REVENUE FORECAST (£M)	651.6	467.1	481.1	357.2
FORECAST UNDER RECOVERY (£m)	(0.4)	(0.2)	(0.2)	(0.2)
FORECAST UNDER RECOVERY %	(0.1%)	(0.0%)	(0.0%)	(0.0%)

Changes in Aggregate Demand

As a consequence of the Project Nexus implementation in June 2017, Annual Quantities (AQs) now develop on a rolling basis as opposed to fixing at mid-year under the former Annual AQ Review process. For the purposes of final charge setting a snapshot of AQ and SOQ was taken in December 2018. This will (subject to low level impacts via the AQ amendment window) become effective for transportation charge purposes from 1st April 2019. Essentially this provides much greater certainty on chargeable volumes and significantly reduces revenue collection risks, as mid-year step changes in demand will no longer have a bearing.

To provide assurance on the price setting process rolling AQs and SOQs have been monitored on a monthly basis. As previously noted, we have observed that there has been a greater degree of change in demand than anticipated from the positions reported within our indicative charges. Charts A and B below show the cumulative percentage change in AQs and SOQs since the start of 2018.

Chart A: Cumulative monthly movement in aggregate Annual Quantities (AQs)

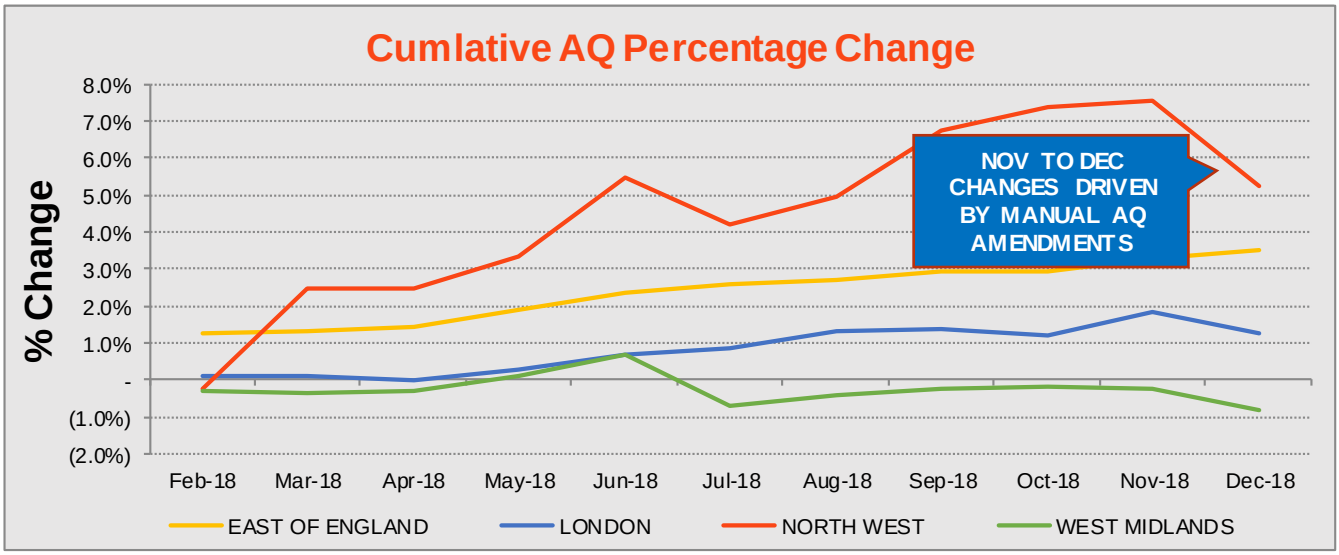
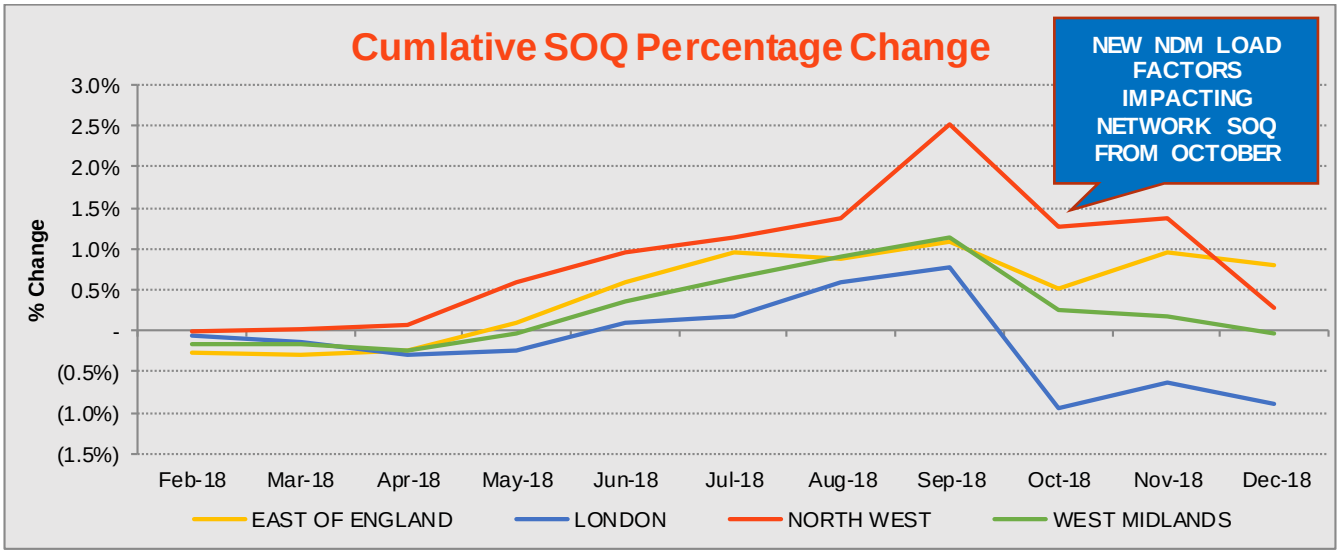


Chart B: Cumulative monthly movement in aggregate Supply Point Capacity (SOQs)



Manual corrections to AQ and SOQ

In early December 2018 Xoserve confirmed there were a number of outstanding data defects, meaning the rolling AQ/SOQ for affected MPRNs held in the system required adjustment. These were estimated as part of a defect analysis and the most reliable AQ/SOQ for each MPRN identified. Subsequent validations on AQ/SOQ values were carried out to ensure that complete and accurate positions were included in our price calculations. As such, Xoserve provided an AQ/SOQ snapshot on 20th December inclusive of the anticipated effect of data corrections in order to provide the most accurate view of Formula Year chargeable positions going live on 1st April 2019.

The effect of the corrections to AQ and SOQ are minor in percentage terma, and are outlined in the tables below for clarity:

Table 8: AQ Corrections by Xoserve (kWh)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
SYSTEM POSITIONS	92,744,271,808	49,694,298,734	60,488,250,548	42,930,478,249
CORRECTIONS ADVISED BY XOSERVE	(164,817,323)	22,227,705	34,463,042	10,723,343
POSITION INCLUDED IN PRICE CALCULTIONS	92,579,454,485	49,716,526,439	60,522,713,590	42,941,201,592
% IMPACT OF CORRECTIONS	*(0.18%)*	*0.04%*	*0.06%*	*0.02%*

Table 9: SOQ Corrections by Xoserve (kWh)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
SYSTEM POSITIONS	725,127,072	418,219,050	465,653,417	353,620,106
CORRECTIONS BY XOSERVE	271,212	141,388	378,547	106,752
MANUALLY CORRECTED POSITIONS	725,398,284	418,360,438	466,031,964	353,726,858
% IMPACT OF CORRECTIONS	*0.04%*	*0.03%*	*0.08%*	*0.03%*

Our Gas Shipper customers are advised that Xoserve's Issue Resolution team provide industry with a useful weekly update on outstanding AQ defects, their magnitude, and timeframes for resolution. Please contact the Issue Resolution team at the following email address for more information: box.xoserve.IssueResolution@xoserve.com

Impact of Changes to NDM Load Factors

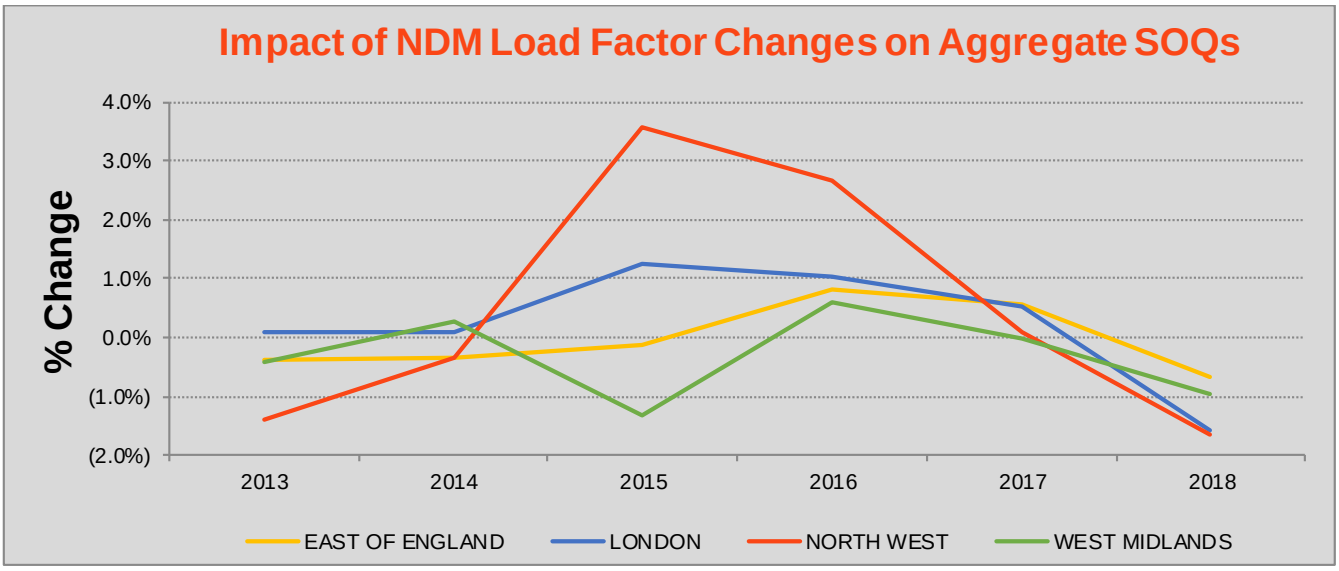
The demand data underpinning our final charges is inclusive of the impact of the implementation of the 2018 Non-Daily Metered (NDM) load factors.

Load factors are used to derive peak day capacity requirements (SOQs) for Non-Daily Metered supply points, and are published annually by Xoserve via the Demand Estimation Sub Committee (DESC). Previously, implementation of these at the commencement of each October gas year has been both a driver of in year over or under recovery risk, and an area of forecasting uncertainty for year-ahead price setting.

Following implementation of Project Nexus, the impact of annual load factor update on charging is deferred until the start of the new charging year, providing greater predictability and stability in charges.

Chart C below shows the impact of load factor implementation on aggregate SOQs over the past 5 years (note this has an inverse impact on unit prices).

Chart C: Movement in Annual Load Factors



Charging Methodology

No changes have been made to the Gas Distribution Charging Methodology which is contained within the Uniform Network Code (UNC) or to the structure of the charges for April 2018. The current charging methodology requires that revenue is recovered to a pre-determined Distribution Network (DN) specific splits between System and Customer charges, and then a further 95/5 sub-split of System charges between Capacity and Commodity. The Customer element is comprised of Capacity and Fixed charges. Unit charges will need to be re-balanced between these categories, and at load band level. This causes individual elements of the transportation charges to change by varying levels around these average positions.

Tables 8 to 10 below confirm target revenue splits achieved against the UNC.

Table 10: Target Revenue Splits set out in the UNC

TARGET REVENUE SPLIT REQUIRED BY UNC	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY %	5.0%	5.0%	5.0%	5.0%
LDZ SYSTEM CAPACITY %	95.0%	95.0%	95.0%	95.0%
LDZ SYSTEM %	70.5%	68.1%	73.7%	74.0%
LDZ CUSTOMER %	29.5%	31.9%	26.3%	26.0%

Table 11: Revenue Splits Achieved in 2019/20 Price Setting

ACTUAL SPLITS ACHIEVED	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY %	5.0%	5.0%	5.0%	5.0%
LDZ SYSTEM CAPACITY %	95.0%	95.0%	95.0%	95.0%
LDZ SYSTEM %	70.5%	68.1%	73.7%	74.0%
LDZ CUSTOMER %	29.5%	31.9%	26.3%	26.0%

Table 12: Variance to UNC Target Splits

VARIANCE	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY	0.0%	0.0%	0.0%	0.0%
LDZ SYSTEM CAPACITY	0.0%	0.0%	0.0%	0.0%
LDZ SYSTEM	0.0%	0.0%	0.0%	0.0%
LDZ CUSTOMER	0.0%	0.0%	0.0%	0.0%

Tables 11 and 12 below provide a further breakdown of the price change for each component and its weighted average contribution to the overall price change.

Table 13: Price Change by Component

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY PRICE CHANGE	(0.1%)	+0.2%	+0.2%	+0.1%
LDZ SYSTEM CAPACITY PRICE CHANGE	(0.4%)	+5.0%	+3.5%	+1.8%
LDZ CUSTOMER PRICE CHANGE	(0.2%)	+2.1%	+1.3%	+0.5%
LDZ AGGREGATE PRICE CHANGE	**(0.7%)**	**+7.4%**	**+5.0%**	**+2.4%**
ECN PRICE CHANGE	+0.1%	+0.2%	+0.2%	+0.5%
AVERAGE TRANSPORTATION PRICE CHANGE	**(0.6%)**	**+7.6%**	**+5.2%**	**+2.9%**

Table 14: Weighted Contribution to Average Price Change

PRICE CHANGE %	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY PRICE CHANGE	(2.3%)	+6.4%	+6.7%	+3.0%
LDZ SYSTEM CAPACITY PRICE CHANGE	(0.6%)	+8.2%	+5.5%	+2.8%
LDZ CUSTOMER PRICE CHANGE	(0.8%)	+6.9%	+5.3%	+1.9%
LDZ AGGREGATE PRICE CHANGE	**(0.7%)**	**+7.7%**	**+5.4%**	**+2.6%**
ECN PRICE CHANGE	+2.6%	+5.6%	+2.1%	+7.7%
AVERAGE TRANSPORTATION PRICE CHANGE	**(0.6%)**	**+7.6%**	**+5.2%**	**+2.9%**

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Analysis of Price Change by Charge Band

Tables 15 to 18 provide an analysis of the price change by charge type and load band.

Table 15: LDZ System Commodity Price Change by Charging Band

LDZ SYSTEM COMMODITY PRICE CHANGE BY CHARGING BAND	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	(2.4%)	+6.3%	+6.7%	+3.0%
73,200 KWH - 732,000 KWH PER ANNUM	(2.1%)	+6.4%	+6.8%	+3.1%
732,000 KWH PER ANNUM AND ABOVE	(2.0%)	+6.5%	+6.8%	+3.1%
TOTAL	**(2.3%)**	**+6.4%**	**+6.7%**	**+3.0%**

Table 16: LDZ System Capacity Price Change by Charging Band

LDZ SYSTEM CAPACITY PRICE CHANGE BY CHARGING BAND	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	(0.6%)	+8.2%	+5.4%	+2.8%
73,200 KWH - 732,000 KWH PER ANNUM	(0.6%)	+8.2%	+5.5%	+2.8%
732,000 KWH PER ANNUM AND ABOVE	(0.5%)	+8.2%	+5.5%	+2.8%
TOTAL	**(0.6%)**	**+8.2%**	**+5.5%**	**+2.8%**

Table 17: LDZ Customer Capacity Price Change by Charging Band

LDZ CUSTOMER CAPACITY PRICE CHANGE BY CHARGING BAND	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	(0.8%)	+6.9%	+5.3%	+1.9%
73,200 KWH - 732,000 KWH PER ANNUM	-	+7.3%	+3.6%	+3.3%
732,000 KWH PER ANNUM AND ABOVE	(1.0%)	+6.7%	+5.3%	+2.2%
TOTAL	**(0.8%)**	**+6.9%**	**+5.3%**	**+1.9%**

Table 18: LDZ Customer Fixed Price Change by Charging Band

LDZ CUSTOMER FIXED PRICE CHANGE BY CHARGING BAND	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
UP TO 73,200 KWH PER ANNUM	-	-	-	-
73,200 KWH - 732,000 KWH PER ANNUM	(0.8%)	+7.0%	+5.3%	+1.9%
732,000 KWH PER ANNUM AND ABOVE	-	-	-	-
TOTAL	**(0.8%)**	**+7.0%**	**+5.3%**	**+1.9%**

Table 19: ECN Price Change by Exit Zone

Please note: ECN charges are based on flat rates by Exit Zone rather than by Load Bands. Given that ECN revenue represents only around 6% of total Allowed Revenue on average, this can result in relatively low unit rates that are more sensitive to changes in aggregate SOQ at Exit Zone level, and depending on the concentration of SOQ within an Exit Zone, seemingly more marked percentage movements against the network average. Hence we have shown both the pence per peak day kWh movement and percentage movement in our analysis.

ECN PRICE CHANGE BY EXIT ZONE		UNIT RATES 2018/19	UNIT RATES 2019/20	DIFFERENCE IN UNIT RATES (PENCE)	% DIFFERENCE
EAST OF ENGLAND	EA1	0.0044	0.0058	0.0014	31.8%
	EA2	0.0041	0.0057	0.0016	39.0%
	EA3	0.0001	0.0021	0.0020	2000.0%
	EA4	0.0119	0.0117	(0.0002)	(1.7%)
	EM1	0.0001	0.0009	0.0008	800.0%
	EM2	0.0024	0.0046	0.0022	91.7%
	EM3	0.0163	0.0151	(0.0012)	(7.4%)
	EM4	0.0108	0.0110	0.0002	1.9%
	AVERAGE	0.0091	0.0093	0.0002	2.6%
LONDON	NT1	0.0229	0.0230	0.0001	0.4%
	NT2	0.0120	0.0122	0.0002	1.7%
	NT3	0.0115	0.0130	0.0015	13.0%
	AVERAGE	0.0123	0.0130	0.0007	5.6%
NORTH WEST	NW1	0.0191	0.0198	0.0007	3.7%
	NW2	0.0256	0.0256	-	-
	AVERAGE	0.0214	0.0218	0.0005	2.1%
WEST MIDLANDS	WM1	0.0185	0.0204	0.0019	10.3%
	WM2	0.0155	0.0176	0.0021	13.5%
	WM3	0.0133	0.0117	(0.0016)	(12.0%)
	AVERAGE	0.0158	0.0171	0.0012	7.7%

Contact Details

If you have any questions or require any further information in relation to this notice please contact a member of the Cadent Revenue and Pricing Team:

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Appendix A: 2019/20 Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
OPENING BASE REVENUE	672.6	472.2	490.9	369.8
ANNUAL LITERATION PROCESS ADJ	(29.2)	(36.1)	(34.6)	(26.9)
RPI TRUE UP	1.7	1.2	1.2	0.9
BASE REVENUE	**645.2**	**437.3**	**457.5**	**343.8**
COST PASS THROUGH ADJ	(1.8)	25.4	15.8	9.9
NTS EXIT CAPACITY INCENTIVE ADJ	9.9	4.6	5.8	2.3
NTS EXIT CAPACITY COST ADJ	(6.8)	(2.5)	(1.7)	1.0
SHRINKAGE INCENTIVE ADJ	0.4	0.4	0.3	0.3
SHRINKAGE COST ADJ	(3.2)	(2.0)	(2.3)	(2.0)
ENVIRONMENTAL EMISSIONS INCENTIVE ADJ	2.1	2.2	1.5	1.6
BROAD MEASURE INCENTIVE ADJ	4.2	1.1	2.4	0.7
DISCRETIONARY REWARD SCHEME ADJ	0.2	0.1	0.1	0.1
NETWORK INNOVATION ALLOWANCE ADJ	3.7	2.1	2.5	1.8
(OVER) / UNDER RECOVERY B/F	(1.8)	(1.3)	(0.6)	(2.1)
MAXIMUM ALLOWED REVENUE	**652.0**	**467.4**	**481.3**	**357.4**
COLLECTABLE REVENUE FORECAST	**651.6**	**467.1**	**481.1**	**357.2**
OVER / (UNDER) RECOVERY FORECAST	(0.4)	(0.2)	(0.2)	(0.2)
% OVER / UNDER RECOVERY	(0.1%)	(0.0%)	(0.0%)	(0.0%)

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Appendix B: Transportation Unit Charge Rates from 1st April 2019

In response to feedback from stakeholders we have produced a supplementary accompanying spreadsheet with extractable unit rates which can be found on the Joint Office of Gas Transporters website alongside this notice.

LDZ System Capacity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCA / 871 / 891	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1774	0.2003	0.2053	0.1935
73,200 KWH - 732,000 KWH PER ANNUM	0.1417	0.1786	0.1711	0.1744
732,000 KWH PER ANNUM AND ABOVE	0.9053 x SOQ ^ -0.2155	1.1415 x SOQ ^ -0.2133	1.3498 x SOQ ^ -0.2483	2.1374 x SOQ ^ -0.2817
SUBJECT TO A MINIMUM RATE OF	0.0173	0.0196	0.0190	0.0190
MINIMUM RATE APPLIES AT SOQ OF (KWH)	94,541,269	188,695,311	28,626,571	19,110,167

LDZ System Commodity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCO / 878 / 893	PENCE PER KWH			
UP TO 73,200 KWH PER ANNUM	0.0290	0.0336	0.0338	0.0333
73,200 KWH - 732,000 KWH PER ANNUM	0.0231	0.0298	0.0284	0.0298
732,000 KWH PER ANNUM AND ABOVE	0.1840 x SOQ ^ -0.2376	0.1938 x SOQ ^ -0.2147	0.2463 x SOQ ^ -0.2586	0.4006 x SOQ ^ -0.2911
SUBJECT TO A MINIMUM RATE OF	0.0025	0.0028	0.0030	0.0029
MINIMUM RATE APPLIES AT SOQ OF (KWH)	71,982,986	372,399,859	25,276,625	22,516,489

LDZ Customer Capacity Charges

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CCA / 872	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.0992	0.1249	0.096	0.0918
73,200 KWH - 732,000 KWH PER ANNUM	0.0033	0.0044	0.0029	0.0031
732,000 KWH PER ANNUM AND ABOVE	0.0703 x SOQ ^ -0.2100	0.0961 x SOQ ^ -0.2100	0.0662 x SOQ ^ -0.2100	0.0703 x SOQ ^ -0.2100

LDZ Customer Fixed Charges (73,200 to 732,000 kWh/ annum only)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: CFI	PENCE PER DAY			
NON MONTHLY READ SUPPLY POINTS	29.1027	39.4219	27.2699	29.0936
MONTHLY READ SUPPLY POINTS	30.9879	41.9754	29.0367	30.9780

Optional LDZ Charge for all Networks

ALL NETWORKS	
CHARGE CODE: 881	PENCE PER PEAK DAY KWH PER DAY
OPTIONAL LDZ FUNCTION	$902 \times [(SOQ)^{\wedge -0.834}] \times D + 772 \times (SOQ)^{\wedge -0.717}$

Please note the Optional LDZ Charge remains unchanged from 2017/18.

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ECN Charges by NTS Exit Zone (Direct Connects and CSEPS)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ECN / C04 / 901	PENCE PER PEAK DAY KWH PER DAY			
EA1	0.0058			
EA2	0.0057			
EA3	0.0021			
EA4	0.0117			
EM1	0.0009			
EM2	0.0046			
EM3	0.0151			
EM4	0.0110			
NT1		0.0230		
NT2		0.0122		
NT3		0.0130		
NW1			0.0198	
NW2			0.0256	
WM1				0.0204
WM2				0.0176
WM3				0.0117

DN Entry Commodity Charge / Credit

The LDZ System Entry Commodity charge/credit reflect the operating costs associated with the entry of the distributed gas and the benefits in terms of deemed NTS Exit and distribution network usage reductions. The rate associated with the LDZ system Entry Commodity Charge is calculated on a site by site basis. The following table shows the unit rates for sites that are currently flowing gas or are expected to start flowing before the end of 2019/20. Should any further sites start flowing after publication of final charges; these will be published via supplemental price notifications.

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENCE PER KWH					
ADNAMS BREWERY SOUTHWOLD	ADBIOS	CHARGE	0.8426			
ALLENS FARM		CREDIT	-0.0785			
BAY FARM	BAFMOS	CHARGE	0.0059			
BECCLES, SOTTERLEY	SOTLOS	CREDIT	-0.0586			
BEELEY WOOD		CREDIT	-0.0618			
BONBY		CREDIT	-0.0020			
BRIGG LANE		CREDIT	-0.0047			
BARLEY BRIGG FARM		CHARGE	0.0185			
CHEAR FEN FARMS, CHITTERING	CHITOS	CREDIT	-0.0821			
COLWICK		CREDIT	-0.0515			
DERBY	DERBOS	CREDIT	-0.0624			
EUSTON	LANKOS	CHARGE	0.0032			
FAIRFIELDS FARM, WORMINGFORD	FAIROS	CHARGE	0.0046			
GLEBE FARM		CREDIT	-0.0006			
GONERBY MOOR		CREDIT	-0.0755			
HARVESTER FARM		CHARGE	0.0006			
HEMSWELL CLIFF	HMWLOS	CREDIT	-0.0542			
HOLKHAM, NORFOLK	HOLKOS	CHARGE	0.0061			
ILKESTON		CREDIT	-0.0728			
LINDHOLME, DONCASTER	LINDOS	CREDIT	-0.0537			

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENCE PER KWH					
MANOR FARM, ALDERTON	MANROS	CREDIT	-0.0762			
MEPAL	MEPAOS	CREDIT	-0.0745			
METHERINGHAM MP / IP	METHOS	CREDIT	-0.0722			
METHWOLD	METWOS	CHARGE	0.0082			
NORTH MOOR FARM, CROWLE	MOOROS	CREDIT	-0.0442			
PICKENHAM AIRFIELD		CHARGE	0.0023			
RAYNHAM FARM	RAYNOS	CHARGE	0.0168			
REDBOURNE ROAD, HIBALDSTOW	HLBDOS	CREDIT	-0.0741			
SCAMPTON	SCAMOS	CREDIT	-0.054			
STOKE BARDOLPH	STOKOS	CREDIT	-0.0681			
THE OAKS		CHARGE	0.0023			
THORPE ARNOLD		CREDIT	-0.0035			
TONGUE END		CHARGE	0.0046			
WARDEN TREE LANE		CREDIT	-0.003			
WELBECK COLLIERY, MEDEN VALE	WELLOS	CREDIT	-0.0731			
WELLINGTON LODGE FARM		CHARGE	0.0046			
WESTRY	WSTYOS	CREDIT	-0.0011			
WORMSLADE FARM		CREDIT	-0.0728			
DAGENHAM	DGHMOS	CREDIT		-0.0613		
BREDBURY PARK, STOCKPORT	BREDOS	CHARGE			0.0099	
CROWLAND STREET		CREDIT			-0.0840	
DAVYHULME, URMSTON	DAVYOS	CREDIT			-0.0639	
ELLESMERE PORT		CREDIT			-0.0160	
GARTH ROAD		CREDIT			-0.0744	
GRANOX, WIDNES	WIDNOS	CREDIT			-0.0771	

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENCE PER KWH					
BARNES FARM		CREDIT				-0.0117
CANNOCK		CREDIT				-0.0826
GRINDLEY HOUSE FARM	GRINOS	CREDIT				-0.0075
HAMPTON BISHOP	HAMPOS	CHARGE				0.0262
HIGHWOOD FARM, BRINKLOW	BRINKOS	CREDIT				-0.0027
LOWER DRAYTON FARM		CREDIT				-0.0803
MINWORTH 2		CREDIT				-0.0865
MINWORTH SEWAGE WORKS	MINWOS	CREDIT				-0.0074
ROUNDHILL	RNDHOS	CREDIT				-0.0849
RUGELEY		CREDIT				-0.0055
STRONGFORD	STRNOS	CREDIT				-0.0687
SUTTON LODGE FARM		CREDIT				-0.0831

Other Charges for all Networks

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 for up to four (six for Very Large Daily Metered Customers) 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):

AGENT SERVICE: ADU 883	TELEMETERED	NON TELEMETERED
SET-UP CHARGE	£107.00	£183.00
SHIPPER TO SHIPPER TRANSFER CHARGE	£126.00	£210.00
DAILY CHARGE	£2.55	£2.96

TRANSPORTER SERVICE: ADU 883	TELEMETERED	NON-TELEMETERED
SET-UP CHARGE	£107.00	£202.00
SHIPPER TO SHIPPER TRANSFER CHARGE	£126.00	£210.00
DAILY CHARGE	£2.55	£3.05