Cadent
Your Gas Network

Indicative Gas Transportation Charges

From 1 April 2020

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

Issued 1 November 2019

Contents

Introduction

This notice provides the indicative gas transportation charges that will apply from 1st April 2020 for the East of England, London, North West and West Midlands Gas Distribution Networks, in line with the Gas Transporter Licence requirement to provide 150 days' notice of such proposals. Notice of final gas distribution transportation charges will be published by 31st January 2020 in accordance with Gas Transporter Licence and Uniform Network Code requirements.

Cadent appreciates that customers value accurate and stable price signals via the indicative charge setting process. To this end, an emphasis is placed on minimising the movement between indicative and final positions, whilst also providing clarity on any potential areas of uncertainty.

With customer's needs in mind:

- Indicative charges are based on the latest available actual and forecast data for supply point capacity requirements, allowed revenue and collectable revenue.
- Analysis and explanation of the key factors that impact on annual price changes is provided.
- Any potential areas of uncertainty ahead of final charge setting are highlighted.
- Updates to the positions previously reported in the September quarterly revenue forecasts (known as 'MOD0186' reports) are detailed.
- A companion unit price schedule in spreadsheet format has been published alongside this notice.

Table 1: Average Indicative Transportation Price Change from 1st April 2020

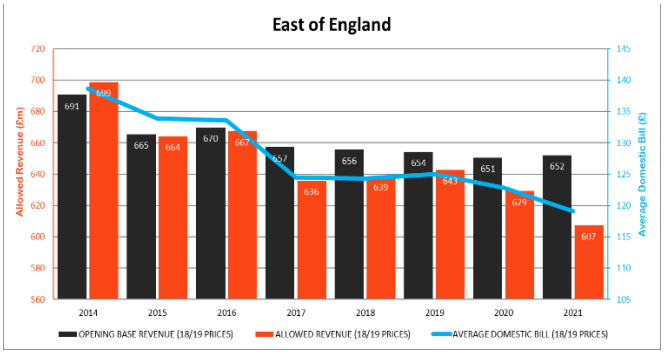
NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
AGGREGATE PRICE CHANGE	(0.7%)	+0.6%	+0.7%	(1.1%)

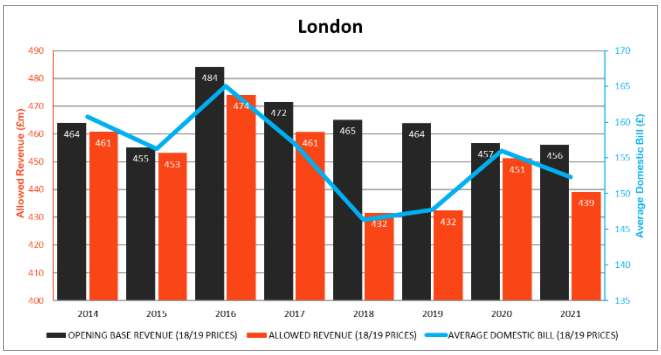
The indicative price changes are driven by the year on year change in Maximum Allowed Revenue and movements in supply point peak capacity requirements. These are explained in further detail within this notice.

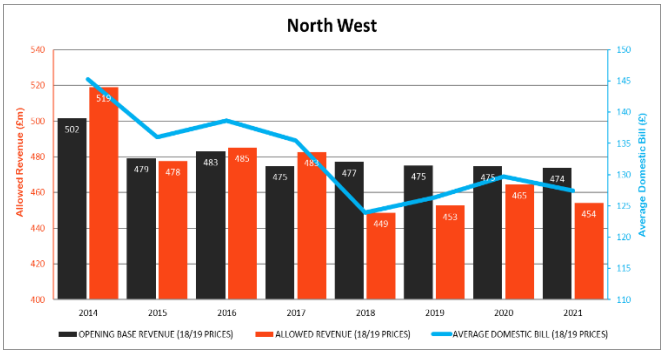
Average Domestic Bills

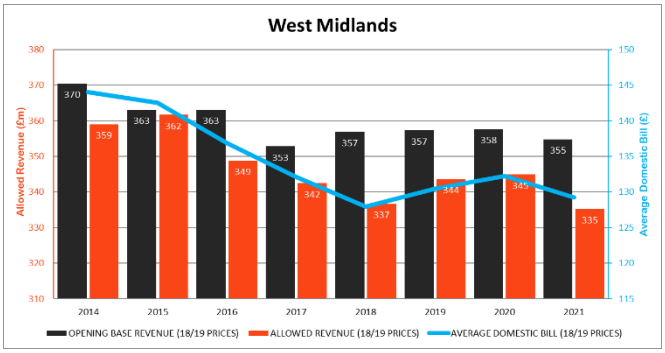
We anticipate that 8 year allowed revenues will be more than 2% lower than the level indicated in the RIIO GD-1 Final Proposals in real terms. This equates to approximately £384m in 2018/19 prices. The reduction is primarily driven by the indexation of the cost of debt element of the weighted average 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, forecasts indicate a reduction in bills of around £16 (equivalent to 11%) over the 8-year price control. The graphs below illustrate actual and forecast revenue against opening allowances per the RIIO GD-1 final proposals, and forecasts for impact to the average domestic bill over the eight-year period:









Note: The 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 transportation unit prices are driven by both changes to allowed revenues and average demand, this approach best emulates true network level variability. Additionally, numbers have been presented in 2018/19 prices to isolate the real price impacts of the RIIO framework. This approach differs to that adopted by Ofgem in their 2016/17 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 Indicative 2020/21 Price Change

A breakdown of the average indicative price change in gas distribution transportation charges from 1st April 2020 is shown in Table 2 below. The principal factors driving these changes are:

- The expected movement in allowed revenue between 2019/20 and 2020/21 which is calculated in accordance with the Gas Transporter Licence. The key drivers behind this are a lower cost of debt allowance and lower pass through costs, offset to a degree by the movement in year on year inflation.
- The vast majority of Gas Distribution charges are based on supply point peak day capacity requirements (SOQ). Supply point SOQs are influenced by underlying annual quantities (AQs), and for Class 3 and 4 sites, also by annual changes to EUC load factors. On average SOQs have reduced, so prices are increased to account for the lower charging base.
- Current year revenue collection has an impact on 2020/21 allowed revenues as prices are adjusted to offset any under/over collection from the prior year

Table 2: 2020/21 average indicative price change (high level summary)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
MOVEMENT IN ALLOWED REVENUE	(1.4%)	(0.6%)	(0.2%)	(0.8%)
PRIOR YEAR OVER / UNDER RECOVERY	+0.1%	(0.2%)	+0.1%	(0.9%)
ESTIMATED IMPACT OF LOAD FACTORS	+0.6%	+1.6%	+0.6%	+1.0%
CHANGES IN AGGREGATE DEMAND	+0.0%	(0.1%)	+0.2%	(0.4%)
AGGREGATE PRICE CHANGE	**(0.7%)**	**+0.6%**	**+0.7%**	**(1.1%)**

This reflects a low level of movement in average price changes compared to the positions reported in our MOD0186 report published in September 2019. The movements are driven by ongoing developments in demand positions, updated revenue collection forecast along with updated forecasts for Network Innovation Allowance spend.

Table 3: Movement in average price change since Sep-19 quarterly revenue forecast

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
SEP-19 MOD0186 PRICE CHANGE	**(0.9%)**	**+0.6%**	**+0.6%**	**(0.7%)**
DEMAND UPDATES	(0.3%)	(0.1%)	+0.1%	(0.1%)
UPDATED REVENUE COLLECTION FORECAST	+0.4%	+0.0%	(0.1%)	(0.5%)
NETWORK INNOVATION ALLOWANCE REFORECAST	+0.1%	+0.1%	+0.1%	+0.1%
NOV-19 INDICATIVE PRICE CHANGE	**(0.7%)**	**+0.6%**	**+0.7%**	**(1.1%)**

The 2020/21 indicative transportation unit rates are shown in full in Appendix B

2020/21 Allowed Revenue

The movement in Allowed Revenue between 2019/20 and 2020/21 is one of the factors contributing to the average indicative price change. The key elements driving this movement are:

- The Price Control Financial Model (PCFM) reduction predominantly driven by a lower cost of debt allowance, which is linked to an external index
- Other PCFM adjustments, mainly specified streetworks costs
- Pass through costs have decreased principally due to NTS Exit capacity costs being lower in 2018/19 compared to the prior year so revenues are adjusted in 2020/21 with the two lagged mechanism
- Inflationary increases to uplift into 2020/21 prices have been slightly offset by lagged inflation true up from 2018/19.

A trace between allowed revenues for 2019/20 and 2020/21 is shown in Table 4 below. Further analysis of 2020/21 Allowed Revenue analysed by components can be found in **Appendix A**.

Table 4: Year on year movement in Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
2019/20 ALLOWED REVENUE	**650.5**	**466.5**	**480.3**	**356.6**
BASE REVENUE PER FINAL PROPOSALS	1.5	(0.6)	(1.0)	(3.1)
UPLIFT TO 2020/21 PRICES	13.6	9.2	9.7	7.3
INFLATION TRUE UP FROM 2018/19	(2.3)	(1.6)	(1.7)	(1.2)
COST OF DEBT ALLOWANCE (PCFM)	(6.7)	(5.3)	(4.7)	(3.6)
OTHER PCFM ADJUSTMENTS (MAINLY SPECIFIED STREETWORKS)	(9.3)	(1.1)	1.1	(0.3)
COST PASS THROUGH	(7.0)	(4.4)	(5.4)	(4.1)
NETWORK INNOVATION ALLOWANCE	0.9	0.5	0.6	0.4
OUTPUT INCENTIVES	1.7	1.5	1.1	1.2
(OVER) / UNDER COLLECTION OF REVENUE B/F	(1.5)	(1.0)	(0.6)	0.6
2020/21 ALLOWED REVENUE	**641.3**	**463.7**	**479.4**	**353.9**
% CHANGE IN ALLOWED REVENUE	**(1.4%)**	**(0.6%)**	**(0.2%)**	**(0.8%)**

2019/20 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 the 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 or 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). A 3-year rolling average movement in demand has been adopted 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 the use of best endeavours to not over recover beyond the Maximum Allowed Revenue set by the Licence. In practice, a low level of under recovery is targeted in price setting in order to discharge this obligation.
- Network Innovation spend has an impact on revenue collection as variances between actual spend and initial forecast (utilised in price setting) are accounted for within year. This has materialised in 2019/20. The change in allowed revenue based on the current NIA forecast can be seen in table 5 below.

Against the demand conditions that have materialised, current prices are slightly too low for the East of England and North West and too high for London and West Midlands. Table 5 below shows the 2019/20 revenue collection forecast as at October 2019.

Table 5: Collected Revenue Forecast 2019/20

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
ALLOWED REVENUE (£M)	**650.5**	**466.5**	**480.3**	**356.6**
CHANGE TO ALLOWED REVENUE BASED ON CURRENT NIA FORECAST (£M)	(1.6)	(0.9)	(1.0)	(0.8)
DEMAND RELATED CHANGES (£M)	0.9	2.0	0.8	4.1
COLLECTED REVENUE FORECAST (£M)	**649.8**	**467.6**	**480.0**	**360.0**
FORECAST UNDER/OVER RECOVERY %	(0.1%)	+0.2%	(0.1%)	+0.9%

The benefits of the 'Project Nexus' implementation in June 2017 have started to become more apparent from 2018/19 and 2019/20. Fixed peak day capacity positions (SOQs) are now being utilised for the entirety of a charging year, significantly reducing the risk of over or under recovery of revenue that was previously caused by step changes in demand at the commencement of each gas year.

It is anticipated that revenue collection risks will be largely limited to seasonal variations on commodity driven revenue (+/- 0.2% collection risk), and the impact of organic expansions and contractions in the chargeable base (including the CSEP growth) on capacity driven revenue (+/-0.2% collection risk).

Changes in Aggregate Demand

As a consequence of Xoserve's Project Nexus implementation, AQs and SOQs will become largely fixed for a charging year based on a snapshot taken in December. This will provide much greater certainty on chargeable volumes and significantly reduce revenue collection risks, as mid-year step changes in demand will no longer have a bearing. This means that for capacity driven revenue, collection risks should only really now be influenced by low level organic movements in the chargeable base.

Rolling AQs have been monitored since 2019/20 prices were set to inform the indicative price process as robustly as possible. As at October 2019 a cumulative increase in AQs has been observed in the East of England and West Midlands networks with a decrease in the London and North West networks (note that an **increase** in AQ will drive a **decrease** in unit prices and vice versa).

Xoserve will provide a snap shot of AQs and SOQs in early December 2019, which will largely crystallise chargeable volumes for 2020/21. It is anticipated that final volume positions will be incorporated into the December 2019 quarterly revenue forecast by way of update ahead of final charge setting at the end of January 2020.

Table 6: Cumulative Percentage Change in Rolling AQs and SOQs

CHANGE %	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
AQ	0.2%	(0.5%)	(2.7%)	0.2%
SOQ	(0.1%)	(1.3%)	(1.8%)	(0.3%)

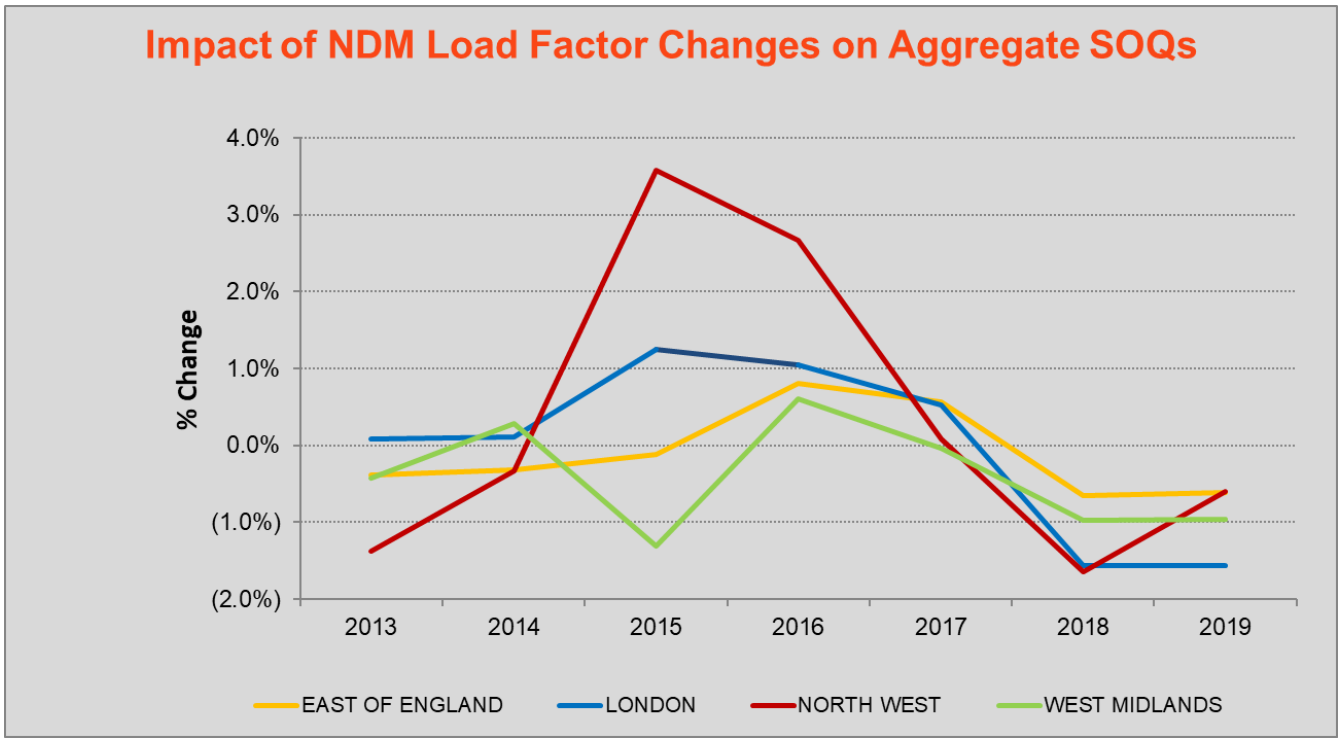
Impact of Changes to NDM Load Factors

Load factors are used to derive peak day capacity requirements (SOQs) for Meter Classes 3 and 4. These 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 following charging year, providing greater predictability and stability in charges.

Chart A below shows the estimated impact of load factor implementation on aggregate SOQs over the past 7 years (note this has an inverse impact on unit prices).

Chart A: Movement in Annual Load Factors



Uncertainties Ahead of Final Charge Setting

Our indicative charges are set using the best available forecast data. However there are still some areas of uncertainty which will impact the determination of our final charges.

The overarching driver for price changes will be the expected level of movement in allowed revenue from 2019/20 to 2020/21. As a result of the standard two-year lagging of financial adjustments under RIIO GD-1, allowed revenue for 2020/21 is largely predictable at this stage, with a low level of uncertainty attached. The remaining areas of uncertainty at the point of indicative charge publication are:

- Allowed revenues are expressed in nominal terms by reference to a forecast RPI factor (RPIFt) which references HM Treasury "Forecasts for the UK Economy" released in November. For indicative price setting, RPIFt is based on the August 2019 HM Treasury publication; however, there is relatively short-range stability in this data, so significant further change arising from this is not anticipated.

- The adjustment to allowed revenue for 2020/21 (MODt) arising from Ofgem's Annual Iteration Process (AIP). A robust forecast is in place for this, which is aligned to the 2018/19 Revenue Reporting Process.

- The Cost of debt component of Cadent's cost of capital will be determined in November which will be utilised for the final charges.

- The Network Innovation Allowance (NIAt) is a mechanism that is not subject to standard two-year lagging (so outcomes affect allowed revenue in-flight during 2020/21). For indicative price setting, this is based on a recently updated forecast.

- The revocation of supply licences may result in further claims under the Supplier of Last Resort (SoLR) process. Currently Ofgem have directed one SoLR claim for 2020/21 which has already been factored into allowed revenues. Should any further claims progress in sufficient time for final charge setting in January 2020, they can be accommodated within next years allowed revenue and unit price determinations.

- Miscellaneous Pass-through for Net Theft of gas is currently assumed to be nil at the point of setting prices, due to uncertainty and low materiality.

- Changes in Aggregate Peak Load: the bulk of transportation charges are driven by capacity, which provides general stability, but there still remains a degree of uncertainty for indicative charge setting due to the peak day capacity (SOQ) determination process finalising in December of each year. For the purposes of the indicative prices, this has been estimated using latest available provisional demand information provided by Xoserve.

Charging Methodology

The current charging methodology requires revenue to be 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 indicative transportation charges to change by varying levels around these average positions.

Tables 7 and 8 below show the average price change by component and their weighted contribution to the overall price change. The significant price reduction for ECN is driven by reductions in exit capacity costs between 2017/18 and 2018/19 which impacts 2020/21 prices with the two-year lagged mechanism.

Table 7: Indicative price change by component

PRICE CHANGE %	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY	(0.7%)	(0.5%)	+1.1%	(1.0%)
LDZ SYSTEM CAPACITY	+0.3%	+1.6%	+1.9%	(0.2%)
LDZ CUSTOMER	+0.8%	+2.1%	+2.3%	+1.1%
LDZ AGGREGATE PRICE CHANGE	**+0.4%**	**+1.7%**	**+2.0%**	**+0.1%**
ECN PRICE CHANGE	(26.6%)	(21.8%)	(12.9%)	(18.2%)
AVERAGE TRANSPORTATION PRICE CHANGE	**(0.7%)**	**+0.6%**	**+0.7%**	**(1.1%)**

Table 8: Weighted contribution to average indicative price change

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
LDZ SYSTEM COMMODITY	(0.0%)	(0.0%)	+0.0%	(0.0%)
LDZ SYSTEM CAPACITY	+0.2%	+1.0%	+1.2%	(0.1%)
LDZ CUSTOMER	+0.2%	+0.6%	+0.6%	+0.3%
LDZ AGGREGATE PRICE CHANGE	**+0.4%**	**+1.6%**	**+1.8%**	**+0.1%**
ECN	(0.8%)	(0.8%)	(0.9%)	(1.0%)
AVERAGE TRANSPORTATION PRICE CHANGE	**(0.7%)**	**+0.6%**	**+0.7%**	**(1.1%)**

There is an expectation for a minor change to the methodology specifically for the recovery of Supplier of Last Resort (SoLR) costs. A modification (0678) which is currently awaiting Ofgem approval is seeking to introduce a SoLR customer charge, which will split domestic and non-

domestic charge codes and will be calculated for each network. Charges will be calculated to recover costs from the market sector they originated.

SOLR Customer Charge Illustrative Example

Key assumptions:

- This example is based on one SoLR claim for Together Energy where the Last Resort Supply payments by network have been confirmed by Ofgem and factored into allowed revenues for 2020/21.
- The Network Allocation is determined by the split of customer numbers between the 8 Gas Distribution networks. Just the Cadent networks are shown below.
- The Last Resort Supply payment values by network are determined by apportioning the total value (£2m) of the Together Energy claim by the network allocation percentage.
- The Last Resort Supply payment has been split between a credit balance and residual balance by a ratio of 80:20 respectively. The precise ratio will be determined ahead of final price setting.
- The Domestic and Non-Domestic Numbers are based on data provided by Xoserve in August 2019
- For this example, it is assumed Together Energy have 9,000 domestic and 1,000 non-domestic meter points transferred over from the previous supplier. The precise allocation will be determined ahead of final price setting.

Table 9: Customer Charge Illustrative values

Network	Network Allocation	Last Resort Supply Payment	Credit Balance	Residual Balance	Domestic Customers	Non-Domestic Customers
East of England	18.3%	£371,559.34	£297,247.47	£74,311.87	3,976,931	46,968
London	10.4%	£210,261.49	£168,209.19	£42,052.30	2,237,959	37,322
North West	12.2%	£248,754.36	£199,003.49	£49,750.87	2,661,735	31,053
West Midlands	8.9%	£181,532.67	£145,226.14	£36,306.53	1,941,188	24,019

The formula for calculating the SoLR customer charge per **domestic** meter point is:

$$\frac{\textit{Portion of LRSP payment attributable to customer credit balance}}{\textit{Total number meter points flagged as domestic at calculation in market}} + \left(\frac{\textit{Portion of LRSP payment not attributable to customer credit balance}}{\textit{Total number meter points flagged as domestic at calculation in market}} \times \frac{\textit{Number domestic meter points of SoLR supplier at time of transfer}}{\textit{Number domestic meter points of SoLR supplier at time of transfer + Number non domestic meter points of SoLR supplier at time of transfer}} \right)$$

In the example above this would result in a East of England yearly SoLR customer charge per **domestic** meter point as:

$$\frac{£297,247.47}{3,976,931} + \left(\frac{£74,311.87}{3,976,931} \times \frac{9000}{(9,000 + 1,000)} \right) = \textbf{£0.0916}$$

Then this yearly charge is converted into pence per supply point per day:

$$\frac{£0.244}{365} \times 100 = \textbf{0.0251p}$$

The formula for calculating the SoLR customer charge per **non-domestic** supply point is:

$$\frac{\textit{Portion of LRSP payment not attributable to customer credit balance}}{\textit{Total number meter points flagged non} - \text{domestic } \textit{at calculation in} \text{ market}} \times \left(\frac{\textit{Number non domestic meter points of SoLR supplier at time of transfer}}{\textit{Number domestic meter points of SoLR supplier at time of transfer} + \textit{Number non domestic meter points of SoLR supplier at time of transfer}} \right)$$

In the example above this would result in an East of England yearly SoLR customer charge per **non- domestic** supply point as:

$$\left(\frac{£74,311.87}{46,967} \times \left(\frac{1,000}{(9,000 + 1,000)} \right) \right) = \textbf{£0.1582}$$

Then this yearly charge is converted into a daily charge:

$$\frac{0.1582}{365} \times 100 = \textbf{0.0433p}$$

Please see a summary of charges for each network per customer. Charges are displayed as pence per supply point per day.

Table 10: Illustrative Example of Customer Charges

NETWORK	DOMESTIC CHARGE	NON-DOMESTIC CHARGE
EAST OF ENGLAND	0.0251	0.0433
LONDON	0.0252	0.0309
NORTH WEST	0.0251	0.0439
WEST MIDLANDS	0.0251	0.0414

Analysis of Price Change by Charge Band

Tables 9 to 13 provide an analysis of the price change at charge band level.

Table 11: 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	(0.7%)	(0.6%)	+1.1%	(1.0%)
73,200 KWH - 732,000 KWH PER ANNUM	(0.9%)	(0.3%)	+1.1%	(1.0%)
732,000 KWH PER ANNUM AND ABOVE	(0.7%)	(0.6%)	+1.2%	(1.1%)
TOTAL	**(0.7%)**	**(0.5%)**	**+1.1%**	**(1.0%)**

Table 12: 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	+0.3%	+1.5%	+1.9%	(0.2%)
73,200 KWH - 732,000 KWH PER ANNUM	+0.4%	+1.6%	+1.9%	(0.2%)
732,000 KWH PER ANNUM AND ABOVE	+0.4%	+1.6%	+1.9%	(0.2%)
TOTAL	**+0.3%**	**+1.6%**	**+1.9%**	**(0.2%)**

Table 13: 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%	+2.1%	+2.3%	+1.1%
73,200 KWH - 732,000 KWH PER ANNUM	-	+2.3%	+3.4%	-
732,000 KWH PER ANNUM AND ABOVE	+0.6%	+2.1%	+2.5%	+1.3%
TOTAL	**+0.8%**	**+2.1%**	**+2.3%**	**+1.1%**

Table 14: 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	+0.9%	+2.1%	+2.3%	+1.1%
732,000 KWH PER ANNUM AND ABOVE	-	-	-	-
TOTAL	**+0.9%**	**+2.1%**	**+2.3%**	**+1.1%**

Table 15: 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 2019/20	UNIT RATES 2020/21	DIFFERENCE IN RATES (PENCE)	% DIFFERENCE
EAST OF ENGLAND	EA1	0.0058	0.0043	(0.0015)	(25.9%)
	EA2	0.0057	0.0044	(0.0013)	(22.8%)
	EA3	0.0021	0.0011	(0.0010)	(47.6%)
	EA4	0.0117	0.0087	(0.0030)	(25.6%)
	EM1	0.0009	0.0000	(0.0009)	(100.0%)
	EM2	0.0046	0.0034	(0.0012)	(26.1%)
	EM3	0.0151	0.0113	(0.0038)	(25.2%)
	EM4	0.0110	0.0082	(0.0028)	(25.5%)
	AVERAGE	0.0093	0.0068	(0.0025)	(26.6%)
LONDON	NT1	0.0230	0.0178	(0.0052)	(22.6%)
	NT2	0.0122	0.0096	(0.0026)	(21.3%)
	NT3	0.0130	0.0101	(0.0029)	(22.3%)
	AVERAGE	0.0130	0.0102	(0.0028)	(21.8%)
NORTH WEST	NW1	0.0198	0.0173	(0.0025)	(12.6%)
	NW2	0.0256	0.0222	(0.0034)	(13.3%)
	AVERAGE	0.0218	0.0190	(0.0028)	(12.9%)
WEST MIDLANDS	WM1	0.0204	0.0168	(0.0036)	(17.6%)
	WM2	0.0176	0.0144	(0.0032)	(18.2%)
	WM3	0.0117	0.0094	(0.0023)	(19.7%)
	AVERAGE	0.0171	0.0139	(0.0031)	(18.2%)

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: 2020/21 Allowed Revenue (£m)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
OPENING BASE REVENUE	688.4	481.7	500.2	374.6
ANNUAL LITERATION PROCESS ADJ	(45.8)	(43.3)	(38.9)	(31.4)
RPI TRUE UP	(0.5)	(0.4)	(0.4)	(0.3)
BASE REVENUE	**642.0**	**438.0**	**460.9**	**342.9**
COST PASS THROUGH ADJ	(2.6)	25.3	15.5	9.7
NTS EXIT CAPACITY INCENTIVE ADJ	10.5	4.6	5.6	2.4
NTS EXIT CAPACITY COST ADJ	(14.4)	(7.5)	(7.9)	(3.8)
SHRINKAGE INCENTIVE ADJ	0.7	0.7	0.5	0.4
SHRINKAGE COST ADJ	(1.8)	(1.3)	(1.2)	(1.0)
ENVIRONMENTAL EMISSIONS INCENTIVE ADJ	3.1	3.2	2.2	1.9
BROAD MEASURE INCENTIVE ADJ	4.2	1.5	2.9	1.6
NETWORK INNOVATION ALLOWANCE ADJ	3.0	1.7	2.0	1.5
(OVER) / UNDER RECOVERY B/F	(3.4)	(2.4)	(1.2)	(1.5)
MAXIMUM ALLOWED REVENUE	**641.3**	**463.7**	**479.4**	**353.9**

COLLECTABLE REVENUE FORECAST	**641.0**	**463.5**	**479.1**	**353.8**
OVER / (UNDER) RECOVERY FORECAST	(0.3)	(0.2)	(0.3)	(0.2)
% OVER / UNDER RECOVERY	(0.0%)	(0.0%)	(0.1%)	(0.0%)

Appendix B: Indicative Transportation Unit Charge Rates from 1st April 2020

In response to feedback from stakeholders a supplementary accompanying spreadsheet with extractable unit rates has been produced. This 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 / 891 / 871	PENCE PER PEAK DAY KWH PER DAY			
UP TO 73,200 KWH PER ANNUM	0.1780	0.2034	0.2092	0.1931
73,200 KWH - 732,000 KWH PER ANNUM	0.1422	0.1814	0.1744	0.1741
732,000 KWH PER ANNUM AND ABOVE	0.9086 x SOQ ^ -0.2155	1.1594 x SOQ ^ -0.2133	1.3757 x SOQ ^ -0.2483	2.1335 x SOQ ^ -0.2817
SUBJECT TO A MINIMUM RATE OF	0.0174	0.0199	0.0194	0.0190
MINIMUM RATE APPLIES AT SOQ OF (KWH)	93,613,541	189,022,274	28,416,614	18,986,673

LDZ System Commodity Charges (Direct Connects & CSEPs)

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: ZCO / 893 / 878	PENCE PER KWH			
UP TO 73,200 KWH PER ANNUM	0.0287	0.0334	0.0341	0.0329
73,200 KWH - 732,000 KWH PER ANNUM	0.0229	0.0297	0.0287	0.0295
732,000 KWH PER ANNUM AND ABOVE	0.1824 x SOQ ^ -0.2376	0.1929 x SOQ ^ -0.2147	0.2488 x SOQ ^ -0.2586	0.3964 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)	69,385,081	364,412,977	26,283,277	21,715,835

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	0.1000	0.1275	0.0982	0.0928
73,200 KWH - 732,000 KWH PER ANNUM	0.0033	0.0045	0.0030	0.0031
732,000 KWH PER ANNUM AND ABOVE	0.0709 x SOQ ^ -0.2100	0.0981 x SOQ ^ -0.2100	0.0678 x SOQ ^ -0.2100	0.0711 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	29.3501	40.2576	27.9087	29.4259
MONTHLY READ SUPPLY POINTS	31.2513	42.8652	29.7169	31.3319

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	0.0043			
EA2	0.0044			
EA3	0.0011			
EA4	0.0087			
EM1	0.0000			
EM2	0.0034			
EM3	0.0113			
EM4	0.0082			

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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			
NT1		0.0178		
NT2		0.0096		
NT3		0.0101		
NW1			0.0173	
NW2			0.0222	
WM1				0.0168
WM2				0.0144
WM3				0.0094

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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 indicative 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	0.2445			
Allens Farm		CREDIT	-0.0750			
Bay Farm	BAFMOS	CHARGE	0.0087			
Beccles, Sotterley	SOTLOS	CREDIT	-0.0553			
Beeley Wood		CREDIT	-0.0579			
Bonby		CHARGE	0.0006			
Bonby 2		CHARGE	0.0006			
Brigg Lane		CREDIT	-0.0021			
Barley Brigg Farm		CHARGE	0.0215			
Chear Fen Farms, Chittering	CHITOS	CREDIT	-0.0786			
Colwick		CREDIT	-0.0480			
Derby	DERBOS	CREDIT	-0.0701			
Euston	LANKOS	CHARGE	0.0065			
Fairfields Farm, Wormingford	FAIROS	CHARGE	0.0074			
Glebe Farm		CHARGE	0.0020			
Gonerby Moor		CREDIT	-0.0719			
Harvester Farm		CHARGE	0.0033			
Hemswell Cliff	HMWLOS	CREDIT	-0.0508			
Holkham, Norfolk	HOLKOS	CHARGE	0.0089			

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENCE PER KWH					
Ilkeston		CREDIT	-0.0691			
Lindholme, Doncaster	LINDOS	CREDIT	-0.0503			
Manor Farm, Alderton	MANROS	CREDIT	-0.0726			
Mepal	MEPAOS	CREDIT	-0.0708			
Metheringham MP / IP	METHOS	CREDIT	-0.0680			
Methwold	METWOS	CHARGE	0.0050			
North Moor Farm, Crowle	MOOROS	CREDIT	-0.0406			
Pickenham Airfield		CHARGE	0.0050			
Raynham Farm	RAYNOS	CHARGE	0.0061			
Redbourne Road, Hibaldstow	HLBDOS	CREDIT	-0.0705			
Scampton	SCAMOS	CREDIT	-0.0506			
Stoke Bardolph	STOKOS	CREDIT	-0.0643			
The Oaks		CHARGE	0.0050			
Thorpe Arnold		CREDIT	-0.0009			
Tongue End		CHARGE	0.0074			
Warden Tree Lane		CREDIT	-0.0004			
Welbeck Colliery, Meden Vale	WELLOS	CREDIT	-0.0726			
Wellington Lodge Farm		CHARGE	0.0074			
Westry	WSTYOS	CHARGE	0.0015			
Wormslade Farm		CREDIT	-0.0691			
Dagenham	DGHMOS	CREDIT		-0.0580		
Bredbury Park, Stockport	BREDOS	CHARGE			0.0142	
Crowland Street		CREDIT			-0.0817	
Cuadrilla		CREDIT			-0.0001	

NETWORK	GEMINI ID	CHARGE / CREDIT	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS
CHARGE CODE: LEC	PENCE PER KWH					
Davyhulme, Urmston	DAVYOS	CREDIT			-0.0612	
Ellesmere Port		CREDIT			-0.0131	
Garth Road		CREDIT			-0.0719	
Granox, Widnes	WIDNOS	CREDIT			-0.0770	
Barnes Farm		CREDIT				-0.0085
Cannock		CREDIT				-0.0783
Coleshill		CREDIT				-0.0481
Grindley House Farm	GRINOS	CREDIT				-0.0021
Hampton Bishop	HAMPOS	CHARGE				0.0302
Highwood Farm, Brinklow	BRINKOS	CHARGE				0.0002
Lower Drayton Farm		CREDIT				-0.0760
Minworth 2		CREDIT				-0.0823
Minworth Sewage Works	MINWOS	CREDIT				-0.0061
Roundhill	RNDHOS	CREDIT				-0.0807
Rugeley		CREDIT				-0.0022
Strongford	STRNOS	CREDIT				-0.0646
Sutton Lodge Farm		CREDIT				-0.0788