

Scotland Gas Networks Notice of LDZ Transportation Charges 2023/24

Effective from 1 April 2023

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SGN

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1 Introduction

This publication gives Notice of the LDZ transportation charges expected to apply from 1 April 2023 for the use of Scotland 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 Scotland 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 2023

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 | Capacity | 891 |
| LDZ Commodity | ZCO | 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 | 0.2571 |
| 73,200 to 732,000 | 0.2314 |
| >732,000 kWh | $1.4940 \times \text{SOQ}^{-0.2338}$ |
| Subject to a minimum rate of | 0.0114 |
| Minimum reached at SOQ of | 1,139,342,178 kWh |



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

| Charge Band (kWh/annum) | Commodity p/kWh |
|------------------------------|--------------------------------------|
| Up to 73,200 | 0.0376 |
| 73,200 to 732,000 | 0.0336 |
| >732,000 kWh | $0.2743 \times \text{SOQ}^{-0.2597}$ |
| Subject to a minimum rate of | 0.0017 |
| Minimum reached at SOQ of | 317,145,612 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 | $902 \times [(\text{SOQ})^{-0.834}] \times D + 772 \times (\text{SOQ})^{-0.717}$ |

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 | 0.1479 |
| 73,200 to 732,000 | 0.0048 |
| >732,000 kWh | $0.0995 \times \text{SOQ}^{-0.2100}$ |

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 | 40.8617 |
| Monthly read | 43.5090 |

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 Scotland 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 Scotland 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. Scotland Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The SoLR costs impacting 2023/24 charges are £18.7m. 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 | 0.0239 |
| 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) |
|----------------------------|------------------|---------------------------------------|
| Aberdeen Conference Centre | TECAOS | 0.0921 (credit) |
| Crofthead Farm | CROFOS | 0.1082 (credit) |
| Brewdog | BREWDBIO | 0.1080 (credit) |
| Beyside Port Gordon | POG2OS | 0.0921 (credit) |
| Grissan Girvan | GIR1 / GIR2 | 0.0202 (credit) |
| Mains of Keithnick | COUPOS | 0.1078 (credit) |
| Grissan Riverside | RIVEOS | 0.0923 (credit) |
| Charlesfield St Boswells | BOSWOS | 0.1080 (credit) |
| Dunnswood Road Cumbernauld | DUNNOS | 0.1081 (credit) |



| | | |
|------------------------------|--------|-----------------|
| East Memus Farm | CARNOS | 0.1081 (credit) |
| Foveran / Savock Farm | FAVROS | 0.1080 (credit) |
| Lockerbie Biomethane | LOKIOS | 0.0922 (credit) |
| Moray Hill Farm / Tornagrain | MORYOS | 0.0920 (credit) |
| Peacehill Farm | PEACOS | 0.0921 (credit) |
| Peterhead | DOWNOS | 0.0922 (credit) |
| Port Gordon Portside | POG1 | 0.0921 (credit) |
| Tambowie Farm | TAMBOS | 0.1081 (credit) |
| Skeddoway Farm | SKEDOS | 0.1080 (credit) |
| Strathcathro | STRCOS | 0.0920 (credit) |
| Tornagrain 2 | MOR2 | 0.0202 (credit) |
| Oban LNG Medium Pressure | OBIG | 0.0729 (credit) |
| Campbeltown LNG Low Pressure | CAM1 | 0.1829 (credit) |
| Thurso LNG Medium Pressure | THU1 | 0.0811 (credit) |
| Wick LNG Medium Pressure | WIC1 | 0.0837 (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 1 October 2012. National Grid Transmission invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DN 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 DN recovery of exit capacity costs from April 2021/22. These costs are a straight passthrough therefore only reflect the level of costs DN 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. This has caused a significant increase in charging rates in Scotland for the year 2021/22. In prior years Scotland's location in relation to large network entry points brought about markedly low charging rates.



Exit Capacity Charges relating to SIU's:

The four Scottish Independent Networks located at Oban (LO), Thurso (LT), Wick (LW) and Campbeltown (LC) are classified as distinct Exit Zones within the Sites and Meters database although the NTS Exit Capacity is now booked at the Isle of Grain following the closure of both Avonmouth and Glenmavis NTS LNG Offtakes. The ECN rates for the four SIU Exit Zones reflect the distinct network at Stranraer is also classified as a separate Exit Zone (LS) within the Sites and Meters database.

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

| Invoice | Charge Code |
|--------------|-------------|
| LDZ Capacity | ECN |

| Exit Zone | ECN Charge Rate (p/peak day/kWh/day) |
|-----------|--------------------------------------|
| SC01 | 0.0191 |
| SC02 | 0.0208 |
| SC04 | 0.0205 |
| LC | 0.0202 |
| LO | 0.0202 |
| LT | 0.0202 |
| LW | 0.0202 |
| LS | 0.0177 |