

2024/25 Indicative Statement

**150-day notice of transportation
charges effective from 1st April 2024**

Indicative Notice of LDZ Transportation Charges from 1 April 2024

1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2024 for Northern Gas Networks Limited (NGN), in line with the Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The definitive notice of distribution transportation charges effective from 1 April 2024 will be published by 31 January 2024, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

2. Indicative Distribution Charges

- The LDZ price change for 2024/25 is an increase of **+7.1%**. This represents a 4.8% decrease in revenue. An assumed drop in demand of 11.0% has been included within the unit rates to ensure we collect Revenue of £480.7m.
- The exit capacity price change for 2024/25 is a decrease of **(21.7%)**. This represents a 29.9% decrease in revenue. An assumed drop in demand of 11.0% has been included within the unit rates to ensure we collect Revenue of £26.3m.

Table 1 shows the year-on-year movement in Allowed Revenue. Prices are set to establish unit rates on 3 separate income streams as illustrated below for LDZ, Exit and Supplier of Last Resort charges.

Table 1: Year on Year £ movements	LDZ	Exit	SOLR	Total
23/24 Allowed Revenue (nominal)	505.1	37.6	26.0	568.6
Shrinkage	(42.5)			(42.5)
SOLR claims			(26.5)	(26.5)
Inflation	(18.9)			(18.9)
Update to NGT Exit rates from Oct 22		(11.2)		(11.2)
Tax Changes	(10.6)			(10.6)
Other changes	1.5	(0.0)		1.5
Incentives	2.0			2.0
Rates	4.9			4.9
Pension buy in	6.1			6.1
Totex changes	33.0			33.0
24/25 Allowed Revenue (nominal)	480.7	26.3	(0.5)	506.5
<i>Year on Year £ movement</i>	<i>(24.4)</i>	<i>(11.2)</i>	<i>(26.5)</i>	<i>(62.1)</i>
<i>Year on Year % movement</i>	<i>(4.8%)</i>	<i>(29.9%)</i>	<i>(101.9%)</i>	<i>(10.9%)</i>
Price Change Breakdown				
Year on Year AR % movement	(4.8%)	(29.9%)	(101.9%)	(10.9%)
Capacity changes	12.0%	8.2%		
Overall Price Change	7.1%	(21.7%)		

Supporting notes for the largest Allowed Revenue movements above:

- **Shrinkage:** Allowances have been calculated based on the latest prices available; this assumes a price per therm of £1.12 for 23/24 and £1.36 for 24/25. Prices are less volatile than this time last year but could still move significantly from week to week as we approach finalisation; the 150-day notice was prepared using current forecasts.
- **Inflation:** Included in the above numbers is an assumed CPIH inflation rate of 5.4% for 23/24 and 0.7% for 24/25 based on the Office for Budget Responsibility (OBR) forecasts compiled in March 2023.
- **Tax:** As announced in the spring budget in March 2023. From 01 April 2023 there was a change in capital allowances for plant and machinery, whereby spend between 01 April 2023 and 1 April 2026, can apply a full-expensing model for main rate expenditure; and a 50% first year allowance on the special rate expenditure. The previous temporary super-deductions were expected to cease on 01 April 2023 therefore, there is a reduction in tax charges and as a result, allowances.
- **Totex Changes:** this is the largest increase, an amalgamation of several factors resulting in a higher allowance in relative terms:
 - Outperformance of Totex allowances in 21/22, which was returned to customers during 23/24 via the Totex sharing mechanism suppressing the revenue allowance last year.
 - The level of out-performance in 22/23 was not as marked as 21/22 so there is less to return to customers.
 - We are currently forecasting to spend more than the in-year allowances for the remainder of GD2.
- **Pension Deficit:** NGN allowances from 23/24 to 25/26 include revenue allowances to cover additional costs that will be paid to further de-risk the scheme.
- **NGT Exit Rates:** Due to National Gas Transmission (NGT) over collecting in 22/23, Exit prices are falling from 1 October 2023 so this will be passed onto the customers in our 24/25 prices.

3. Uncertainties around Indicative Transportation Charges

There remains uncertainty on the following areas at the time of publication:

- NGN may submit further updates on shrinkage allowances to be included in the 60-day notice to reflect the very latest gas price Heren forecast.
- The dry run Annual Iteration Process (AIP) used to generate the 150-day notice, uses inflation forecast data as published in March 2023 OBR forecasts. Ofgem have confirmed that a new PCFM will be published following the OBR forecast, published on 22 November, which will be used in the 60-day notice.
- SOQ/load factors change: Load factors are the relationship between Annual Quantities (AQ) and peak day demand. The method of collecting income is linked to peak day demand and as such is a critical measure in the accuracy of any price change needed. We have assumed an 11.0% decrease in capacity levels for 2024/25, driven by domestic customers. A final snapshot of capacity data will be available during the first week of December.
- Ofgem are yet to fully incorporate the detailed split between variant and non-variant allowances in the Price Control Financial Model (PCFM) as this requires a consultation exercise. We currently

estimate that the GD2 allowances are understated by £5m which will be factored into 2024 Annual Iteration Process.

- Supplier of Last Resort: 24/25 Ofgem minded-to positions currently indicate c.£0.5m to return to customers, which has been included in this publication. The final position will be included in the 60 day notice.

4. Further Information

If you have any queries or require any further details on this notice, please contact:

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Appendix 1 - Indicative Unit Charges effective from 1st April 2024

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

Charge band (kWh/annum)	Current (23/24)	Effective from 1st April 2024
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
Up to 73,200	0.2549	0.2730
73,200 to 732,000	0.2109	0.2346
>732,000	$2.5701 \times \text{SOQ} - 0.2834$	$2.7531 \times \text{SOQ} - 0.2834$
Subject to a minimum rate of:	0.0065	0.0070
Minimum reached at SOQ of:	1,458,329,152	1,431,182,250

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

Charge band (kWh/annum)	Current (23/24)	Effective from 1st April 2024
	Commodity p / kWh	Commodity p / kWh
Up to 73,200	0.0402	0.0431
73,200 to 732,000	0.0344	0.0368
>732,000	$0.4419 \times \text{SOQ} - 0.2940$	$0.47374 \times \text{SOQ} - 0.2940$
Subject to a minimum rate of:	0.0012	0.0013
Minimum reached at SOQ of:	535,028,257	515,054,761

LDZ Customer Capacity Charges

Charge band (kWh/annum)	Current (23/24)	Effective from 1st April 2024
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
Up to 73,200	0.1361	0.1458
73,200 to 732,000	0.0048	0.0051
>732,000	$0.1039 \times \text{SOQ} - 0.2100$	$0.1113 \times \text{SOQ} - 0.2100$

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

Type of Supply Point	Current (23/24)	Effective from 1st April 2024
	Fixed p / day	Fixed p / day
Non-monthly read supply points	42.7575	45.8018
Monthly read supply points	45.5268	48.7682

NTS Exit Capacity Charges recovered through the LDZ ECN Charge

Exit Zone	Current (23/24)	Effective from 1st April 2024
	Capacity p / peak day kWh / day	Capacity p / peak day kWh / day
NE1	0.0207	0.0181
NE2	0.0234	0.0184
NE3	0.0234	0.0184
NO1	0.0207	0.0175
NO2	0.0192	0.0161

Supplier of Last Resort Charges

Type of Supply Point	Current (23/24)	Effective from 1st April 2024
	Fixed p / day	Fixed p / day
Domestic sites	0.0245	(0.0004)

Appendix 2 – DN Entry Indicative Unit Rates 24/25

The following table shows the indicative unit rates for sites that are flowing gas or have flowed for 1 day. Should any additional new sites start to flow gas after this publication or volumes forecasts change significantly, we will adjust in our final 60-day pricing notice.

Xoserve Site name	Site Name	Charge Code: LEC	Current (23/24)		Effective from 1st April 2024	
		Go Live Date	Pence per kWh	Unit Rate: Charge or Credit	Pence per kWh	Unit Rate: Charge or Credit
HOWDOS	Howdon	17/02/2015	(0.0414)	Credit	(0.0446)	Credit
FOOTOS	Teeside	29/09/2015	0.0363	Charge	(0.0033)	Credit
LEEMOS	Leeming	22/12/2015	0.0146	Charge	(0.0332)	Credit
ASPAOS	Cumbria	31/05/2016	(0.0098)	Credit	0.0034	Charge
RIDGOS	Ridge Rd Sherburn in Elmet	21/07/2016	0.0414	Charge	0.0335	Charge
SHEROS	Agri Sherburn in Elmet	01/12/2016	(0.0288)	Credit	(0.0290)	Credit
GRAVOS	Gravel Pit	06/12/2016	0.0193	Charge	0.0001	Charge
NEWTOS	Emerald Biogas	08/12/2016	(0.0648)	Credit	(0.0710)	Credit
BURTOS	Burtos Agnes	18/01/2017	0.0484	Charge	0.0395	Charge
LANEOS	Lanes Farm	14/10/2019	(0.0540)	Credit	(0.0541)	Credit
SPALOS	Spaldington	23/10/2019	0.0265	Charge	0.0200	Charge
BRANOS	Bran Sands	23/01/2020	(0.0558)	Credit	(0.0545)	Credit
WARDOS	Wardley	16/06/2020	0.0242	Charge	0.0007	Charge
PARKOS	Park Farm	16/01/2020	(0.0252)	Credit	(0.0425)	Credit
PLAXOS	Plaxton Bridge	27/01/2020	0.1361	Charge	0.0788	Charge
HEDLOS	High Hedley	29/01/2020	(0.0054)	Credit	0.1112	Charge
MILLOS	Mill Nurseries	n/a	n/a	n/a	n/a	n/a
CRAMOS	Cramlington	02/02/2023	(0.0269)	Credit	0.1604	Charge
DRIFIOS	Driffield	04/05/2022	(0.0451)	Credit	(0.0491)	Credit