



# Notification of LDZ Transportation Charges



To apply from  
1<sup>st</sup> April 2020





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# 1.0 Introduction



This publication sets out the Local Distribution Zone (LDZ) transportation charges which will apply from 1<sup>st</sup> April 2020 for the use of the Wales & West Utilities Ltd (WWU) Distribution Network (DN), 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 Uniform Network Code (UNC) obligations upon WWU.

Our final transportation price change will be an average decrease of 5.0% comprising:

Average Price Change				
<b>-5.0%</b> (Indicative: -4.8%)				
Transportation Income			Exit Capacity	
Final: -0.6% (Indicative: -0.2%)			Final: -42.6% (Indicative: -43.4%)	
Capacity		Commodity	Exit Zone	
System	Customer			
Final: -0.0% (Indicative: -0.5%)	Final: -1.8% (Indicative: -1.9%)	Final: -3.4% (Indicative: 22.1%)	SW1	-42.1% (-43%)
			SW2	-41.6% (-43%)
			SW3	-38.6% (-40%)
			WA1	-42.0% (-42%)
			WA2	-78.8% (-79%)

Please note that Ofgem has published a consultation and minded to position with regard to Exit Capacity Charges. We are currently working with the NTS and Ofgem. If there is a material change to our forecast or allowed revenue from this work we may require a price change this October.

For more information about these changes, or our charges, please do not hesitate to contact the pricing team on 02920 278838.





## 1.1. Changes between Indicative and Final pricing statements

The prices have been set in accordance with the RIIO GD1 Price Control charging principles and the apportionment of charges as set out in Uniform Network Code (UNC) Section Y.

In setting prices, WWU must consider what revenue is forecast to be collected against what it is allowed, or plans to collect. Our final charges are lower than those presented at our Indicative statement in October 2019.

	Forecast collection for 2020/21 (£'m)	Forecast allowance for 2020/21 (£'m)	Delta required to be resolved (£'m)	Price change required
Transportation	413.5	410.9	-2.7	-0.6%
Exit Capacity	48.5	27.9	-20.6	-42.6%
<b>At Final</b>	<b>462.0</b>	<b>438.7</b>	<b>-23.2</b>	<b>-5.0%</b>
At Indicative	463.9	441.5	-22.4	-4.8%
Change since indicative	-1.9	-2.8	-0.8	-0.2%

Our forecast collection in 2020/21 has decreased by £1.9m (0.4%), which is the result of an updated AQ assumption for 2020/21 following the 'Snapshot of SOQs' we received from Xoserve in December. This snapshot is used to determine charging AQ's and SOQ's from the 1 April 2021.

The forecast allowance for 2020/21 has decreased by £2.8m since publication of the indicative charges in October 2019. This is largely a result of a lower RPI forecast issued by HMT in December 19 than previously forecast (-£2.3m). It also reflects a small adjustment to the 2020/21 MODt adjustment to base revenue, following the completion of the November 19 Annual Iteration Process (-£0.4m).





## 1.2. Uniform Network Code (UNC)

UNC is supported by an integrated set of computer systems currently referred to as UK Link. The charges and formulae in this booklet will be used in the calculation of charges within UK Link, which are definitive for billing purposes.

There are a number of areas of the UNC that impact upon the cost to Shippers of using the transportation network, such as imbalance charges, scheduling charges, capacity over-runs and ratchets, top-up neutrality charges and contractual liability. Reference should be made to the UNC – as modified from time to time – for details of such charges and liabilities. The UNC and related documents can be found on the Joint Office of Gas Transporters website ([www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)).

## 1.3. Invoicing

The Xoserve Invoicing team produce and issue the invoices that are derived from the transportation charges shown within this publication. To clarify the link between pricing and invoicing, charge codes and invoice names are included in Section 6. For more information on invoicing, please contact Xoserve, the invoicing service provider, via e-mail at [css\\_billing@xoserve.com](mailto:css_billing@xoserve.com).

## 1.4. Distribution Price Control Formula – RIIO GD1

Distribution charges are derived in relation to a price control formula set by Ofgem within the RIIO framework. This formula dictates the maximum revenue that can be earned from the transportation of gas. Should the DN operator earn more or less than the maximum permitted revenue in any formula year, a compensating adjustment is made two years hence. Under the revised Licences the normal date for changing any of the charges will be 1 April annually.

Within the Network price control, revenue recovery is split between LDZ system charges and LDZ customer charges. The relative level of these charges is based on the relative level of costs of these areas of activity. LDZ exit capacity charges recover the costs passed through from National Grid Transmission.

The prices levied for 2020/21 are set in accordance with the current forecast maximum allowed revenue for transportation income and for exit capacity income, are set to recover less than maximum allowed revenue. Section 2 sets out in more detail how our allowance is derived.





## 1.5. Theft of Gas

The licensing regime places incentives on Transporters, Shippers and Suppliers to take action in respect of suspected theft of gas. Certain costs associated with individual cases of theft are recovered through transportation charges. The charges reflect these requirements, with the Transporter not gaining or losing financially when taking one year with another.

The total transportation income for 2020/21 has been decreased by £0.2m in respect of net recoveries made in 2018/19 by WWU under its licence obligation.



## 2.0 Allowed Revenue



### 2.1. Maximum Allowed Revenue

RIIO GD1 requires networks to set charges to collect the forecast allowed revenue calculated under the price control. This allowance is split between transportation revenue, and Exit Capacity revenue which recovers the costs incurred from utilising the upstream network, the National Transmission System (NTS).

	Forecast allowed revenue for 2019/20 (£'m)	Forecast allowed revenue for 2020/21 (£'m)	Movement (£'m)	Movement (%)
Transportation	416.9	410.9	-6.0	-1%
Exit Capacity	58.0	27.9	-30.1	-52%
Total	474.9	438.7	-36.2	-8%

Final allowed revenue is not known until the completion of the relevant year. This is because some licence terms will not crystallise until the completion of the relevant year. Currently 2020/21 allowed revenue forecast includes an assumption for:

1. NIA (National Innovation Allowance) which is allowed based on the minimum of either 90% of incurred expenditure in the year or 90% of 0.5% of base allowance.

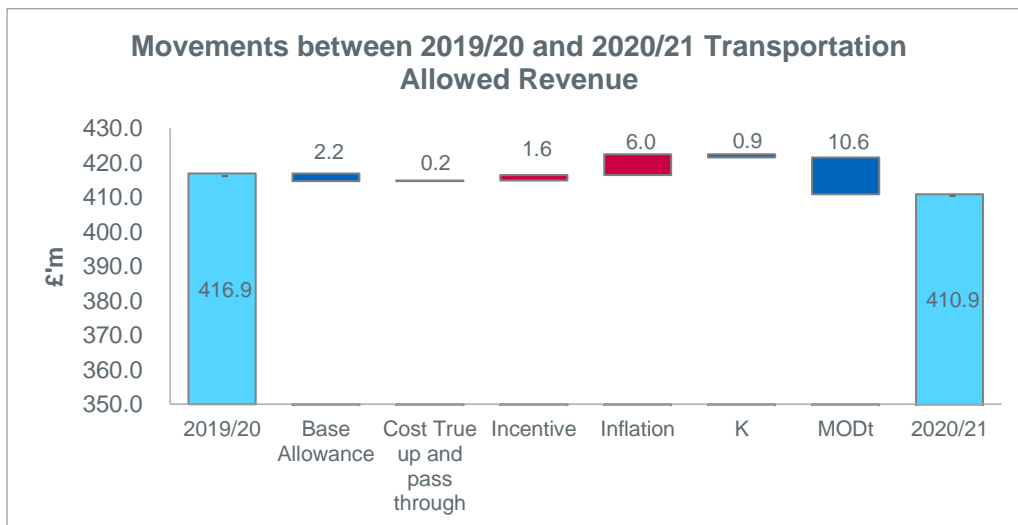




## 2.2. Transportation Revenue (£410.9m)



Our forecasted maximum allowed transportation revenue decreases by £6.0m in 2020/21.



The most notable movements in the underlying drivers which make up the network allowance are:

1. A lower base allowance, set at final proposals for RII0-GD1.
2. Higher incentive revenue, the majority of which relates to increased environmental emissions incentive income.
3. Increased RPI uplift to nominals taking final proposals from 2009/10 prices to current prices. This reflects inflation in the UK of over 3% and is representative of the cost inflation a network would anticipate to experience.
4. A greater give back from MODt reflecting predominantly the reductions in cost of debt allowance compared to at final proposals.

## 2.3. Exit Capacity Revenue (£27.9m)

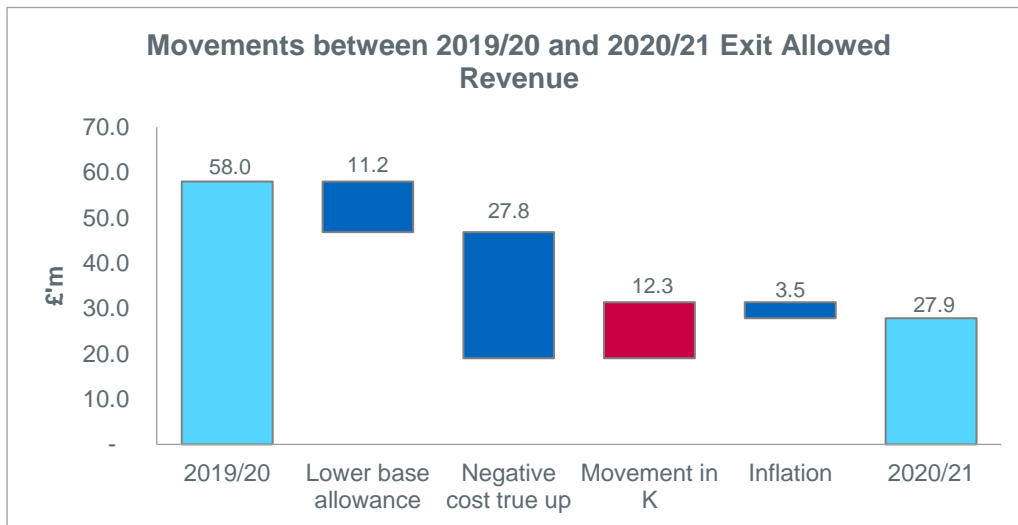
Following the implementation of Uniform Network Cost Modification 0195AV, industry arrangements for the charging of NTS Exit Capacity costs changed on 1<sup>st</sup> October 2012. National Grid Transmission (NTS) invoices Distribution Networks (DNs) based on the NTS published prices effective, and the Exit Point bookings made by the DN. Ofgem provide an allowance to networks to recover the anticipated cost of Exit Capacity, and a mechanism to adjust where these costs fall outside those anticipated.







For 2020/21 our allowances decrease to £27.9m:



The most significant movement relates to the cost true up. The figure of £27.8m represents the difference between the cost true up from 2017/18 and 2018/19 respectively. In 2017/18 WWU was subject to a large cost increase which meant the cost true up in 2019/20 was a positive to WWU of £13.9m, whereas in 2018/19 our exit costs were much lower than our allowance, therefore the opposite was true. The resulting cost true up impacting 2020/21 is a give back of £13.9m, so the movement year on year is £27.8m.

We continue to work with NTS and the industry, in delivering a more predictable and stable charging regime from the NTS and to ensure that we have better alignment between costs and allowances for RII0-GD2. This should result in a reduction in the volatility of charges to ourselves and those consequently passed on to our customers through our exit capacity charges two years later. It is expected this new regime for NTS will be effective from October 2020.

The negative movement in base allowance reflects an increase to 2019/20 base allowance that WWU requested in 2017/18 on the basis of indicative NTS charges at the time. There was no such increase requested for 2020/21.

In December 2018 WWU implemented a price decrease as NTS costs from October 2018 were significantly lower than forecast (using previous NTS indicatives as a basis). This price decrease meant that we did not recover our total allowed revenue and the corresponding positive 'k' falls into the 2020/21 regulatory year.



## 3.0 Transportation Charges



### 3.1. Final Charges from 1 April 2020

	Current Price effective from 1 April 2019	Final Prices effective 1 April 2020
<b>LDZ SYSTEM COMMODITY CHARGES</b>	<b>Pence per kwh</b>	
UP TO 73,200 KWH PER ANNUM	0.0346	<b>0.0334</b>
73,200 KWH - 732,000 KWH PER ANNUM	0.0302	<b>0.0292</b>
732,000 KWH PER ANNUM AND ABOVE	0.3508	<b>0.3389</b>
	x SOQ ^	
	-0.2775	<b>-0.2775</b>
SUBJECT TO A MINIMUM RATE OF	0.0025	<b>0.0024</b>

	<b>Pence per peak day kwh per day</b>	
<b>LDZ SYSTEM CAPACITY CHARGES</b>		
UP TO 73,200 KWH PER ANNUM	0.1993	<b>0.1993</b>
73,200 KWH - 732,000 KWH PER ANNUM	0.1729	<b>0.1729</b>
732,000 KWH PER ANNUM AND ABOVE	1.5485	<b>1.5485</b>
	x SOQ ^	
	-0.2513	<b>-0.2513</b>
SUBJECT TO A MINIMUM RATE OF	0.0147	<b>0.0147</b>

	<b>Pence per peak day kwh per day</b>	
<b>LDZ CUSTOMER CAPACITY CHARGES</b>		
UP TO 73,200 KWH PER ANNUM	0.1068	<b>0.1049</b>
73,200 KWH - 732,000 KWH PER ANNUM	0.0042	<b>0.0041</b>
732,000 KWH PER ANNUM AND ABOVE	0.0843	<b>0.0828</b>
	x SOQ ^	
	-0.2100	<b>-0.2100</b>





LDZ CUSTOMER FIXED CHARGES	Pence per day	
73,200 KWH - 732,000 KWH PER ANNUM - BI ANNUAL READ SITES	33.1802	<b>32.5830</b>
73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES	35.3297	<b>34.6938</b>

EXIT CAPACITY UNIT RATES BY EXIT ZONE	Price effective from 1 April 2019	Final Prices effective 1 April 2020
	Pence per peak day kwh per day	
SW1	0.0126	<b>0.0073</b>
SW2	0.0413	<b>0.0241</b>
SW3	0.0472	<b>0.0290</b>
WA1	0.0545	<b>0.0316</b>
WA2	0.0033	<b>0.0007</b>

### 3.2. 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:

Pence per peak day kWh per day
$902 \times [(SOQ)^{-0.834}] \times D + 772 \times (SOQ)^{-0.717}$

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".





## 4.0 Other Charges

### 4.1. Shared supply meter point arrangements

An allocation service for daily metered supply points with AQs of more than 58,600 mWh per annum is available. This allows up to four (six for Very Large Daily Metered Customers, those with an AQ of more than 1,465,000 mWh/annum) 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

	Telemetered	Non-telemetered
Set-up charge	£107.00	£183.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£2.96

#### Transporter Service

	Telemetered	Non-telemetered
Set-up charge	£107.00	£202.00
Shipper-shipper transfer charge	£126.00	£210.00
Daily charge	£2.55	£3.05



## 5.0 LDZ System Entry



### 5.1.DN Entry Commodity Charge/Credit

DN Entry Commodity charges reflect the costs of receiving gas from an entry point at a lower pressure tier than the NTS. The charge/credit will differ according to the amount of gas entering the network system, the pressure tier at which the gas enters the system and the operational costs resulting from the entry point.

The charge, which comprises the following three elements, is an adjustment to the full transportation charge:

- i. **Lower System Usage:** For the gas received from this source the Shippers will get a credit in recognition that the gas has entered the network at a lower pressure tier, thus using less of the network system.
- ii. **Avoidance of Exit Capacity:** The Shipper will receive a credit for the avoidance of exit capacity charges as they have not taken gas which has entered the Wales & West network through the National Transmission offtake point.
- iii. **Operational Costs:** The Shipper will be charged an operational cost, principally maintenance, relating to the equipment owned and operated by the Gas Distribution Network.

The sum of the above three components may result in either a credit or a debit to the Shipper. The table below gives the entry commodity unit price for all known sites within the Wales & West Network set to operate during 2019/20. Where additional sites are connected which are not currently planned to flow during 2019/20 these will be published if and when information on pressure tier, specific opex costs and flows are available. Typically this may not be until a Gemini site name is allocated to the connection.





### LDZ System Entry Commodity Charge/Credit by DN Entry point

Site Name	GEMINI Name	Alias	LDZ System Entry Commodity Charge (p/kWh) Current Prices	LDZ System Entry Commodity Charge (p/kWh) Prices effective 1 April 2020
BROMHAM HOUSE FARM	BROMOS		-0.1061	-0.0969
CANNINGTON BIOMETHANE	CANNOS		-0.1096	-0.1005
BISHOPS CLEEVE BIOMETHANE	CLEEOS	Grundon Landfill / Wingmoor Farm	-0.0970	-0.0876
ENFIELD BIOMETHANE	ENFDOS		-0.0565	-0.0462
FIVE FORDS BIOMETHANE	FIVEOS		-0.0161	-0.0052
FRADDON	FRADOS	Penare Farm	-0.0920	-0.0825
FROGMARY BIOMETHANE	FROGOS		-0.1061	-0.0969
GREAT HELE BIOMETHANE	HELEOS	Nadder Lane	-0.0603	-0.0501
HELSCOTT FARM	HELLOS		-0.1061	-0.0969
ROTHERDALE	ROTHOS	Vale Green 2	-0.0727	-0.0626
SPITTLES FARM	SPITOS	Bearley Farm	-0.1061	-0.0969
SPRINGHILL BIOMETHANE	SPNGOS		-0.0515	-0.0411
PENNANS FARM	TBC		-0.1061	-0.0969
LORDS MEADOW	TBC	Crediton	-0.1061	-0.0969
NORTHWICK	NOCKOS		-0.0756	-0.0657
AVONMOUTH WESSEX	WESXOS	Wessex Water	-0.1172	-0.1081
WILLAND	WILLOS		-0.1061	-0.0969
WYKE FARM	WYKEOS		-0.1122	-0.1030
EVERCREECH BIOMETHANE	EVEROS		-0.1167	-0.1076
Trowbridge Biomethane	TRWBOS		-0.0515	-0.0531





## 6.0 Charge Types and Invoice Mapping

### 6.1. Xoserve Charge Mapping

The following list presents the core invoice and charge types reflected in this document, which are billed by Xoserve on our behalf.

A full list of current invoice and charge types is available through the Xoserve Shared Area.

	Invoice Type	Charge Type
<b>LDZ Capacity</b>		
Supply Point LDZ Capacity	CAZ	ZCA
CSEP LDZ Capacity	CAZ	891
Unique Sites LDZ Capacity Charge	CAZ	871
Unique Sites Optional Tariff	CAZ	881
<b>Customer Capacity</b>		
Customer LDZ Capacity	CAZ	CCA
Customer Capacity fixed Charge	CAZ	CFI
Unique Sites Customer Capacity	CAZ	872
<b>Commodity</b>		
LDZ Commodity	COM	ZCO
CSEP Commodity	COM	893
Unique Sites Commodity	COM	878
LDZ System Entry Commodity Charge	COM	LEC
<b>Exit Capacity</b>		
LDZ Exit Capacity	CAZ	ECN
CSEP Exit Capacity	CAZ	C04
Unique Sites Exit Capacity	CAZ	901
<b>Other Charges</b>		
LDZ Shared Supply Admin Charge	CAZ	883
CSEP Admin Charge	CAZ	894





## 6.2. Contact Us

Any questions or queries relating to this document or transportation charges in general please do not hesitate to contact our Pricing Team on 02920 278838 or visit our website:

<http://www.wwutilities.co.uk/>

