

Notification of LDZ Transportation and SoLR Charges

To apply from
1st April 2024 – 31st March 2025

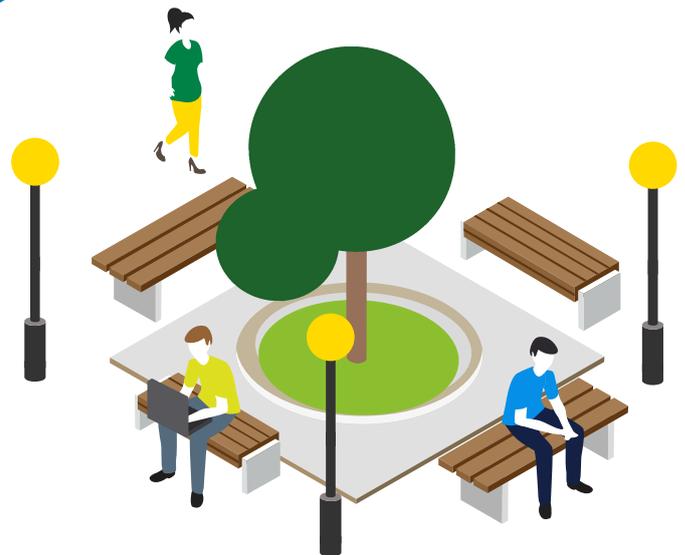


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Introduction

This publication sets out the Local Distribution Zone (LDZ) transportation charges which will apply from 1st April 2024 to 31st March 2025 for the use of the Wales & West Utilities Ltd (WWU) Distribution Network (DN), as required by Uniform Network Code (UNC) TPD B 1.8.2a and Standard Special Condition A4 of the Gas Transporter Licence (GTL). This document does not override or vary any of the statutory, licence or Uniform Network Code (UNC) obligations upon WWU.

Our final price change on 1st April 2024, will be an average increase of 8.0% over 2023/24 prices. This comprises:

| Total Revenue | | | | | |
|-------------------------------|-------------------------------|--------------------------------|-----------------------------|----------------|-------------------------------|
| 8.0 % (Indicative 2.7%) | | | | | |
| Transportation Income | | | Exit Capacity | | SoLR |
| 7.9% (Indicative: 2.9%) | | | 8.8% (Indicative: -1.0%) | | -96.8% (Indicative: - TBC) |
| Capacity | | Commodity | By Exit Zone | | |
| System | Customer | | SW1 | 0.0160 / 8.8% | |
| 7.5% (Indicative: 2.1%) | 9.7% (Indicative: 4.4%) | 2.6% (Indicative: 9.1 %) | SW2 | 0.0270 / 10.2% | |
| | | | SW3 | 0.0181 / 11.0% | |
| | | | WA1 | 0.0215 / 12.0% | |
| | | | WA2 | 0.0202 / 8.6% | |

For more information about these changes, or our charges, please contact the pricing team at pricing@wwutilities.co.uk.

Revenue

Total revenue

RIIO-GD2 requires networks to set charges to collect the forecast allowed revenue calculated under the price control. These charges are split between:

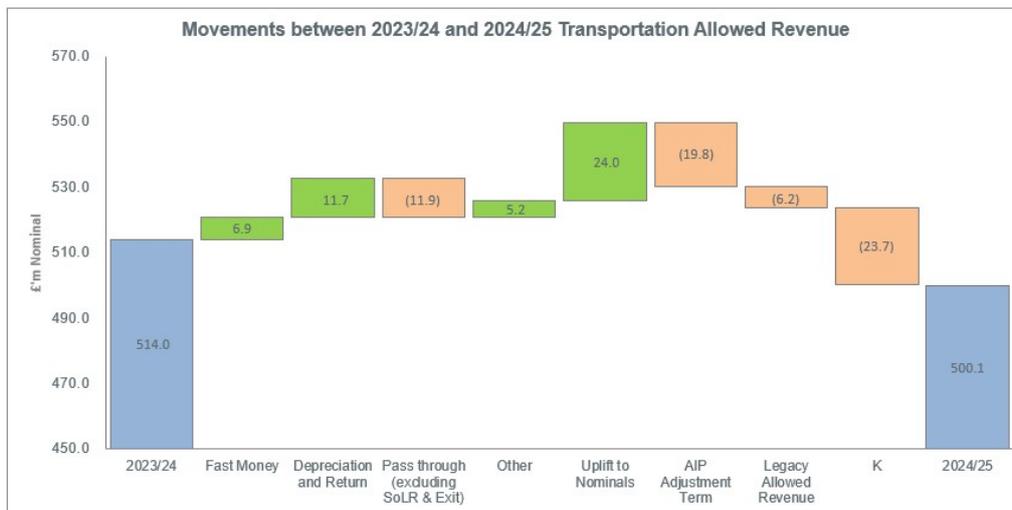
- 1) transportation allowed revenue (excluding exit capacity);
- 2) exit capacity revenue, which recovers the costs incurred from utilising the upstream network, the National Transmission System (NTS); and
- 3) SoLR revenue which a network is obligated to charge under its licence.

| £'m Nominal | 2023/24 | 2024/25 | Movement | Movement (%) |
|--------------------------------|--------------|--------------|--------------|--------------|
| Transportation Allowed Revenue | 514.0 | 500.1 | -13.9 | -2.7% |
| Exit Capacity Allowed Revenue | 33.5 | 31.0 | -2.5 | -7.5% |
| SoLR Revenue | 26.0 | 0.8 | -25.2 | -96.9% |
| Total | 573.5 | 531.9 | -41.6 | -7.3% |

The percentage movements shown above reflect movements in revenues between 2023/24 and 2024/25. These are different to the price change percentages shown on page 3, due to the application of the change in demand forecast between 2023/24 and 2024/25 to calculate the final price changes.

Transportation Allowed Revenue

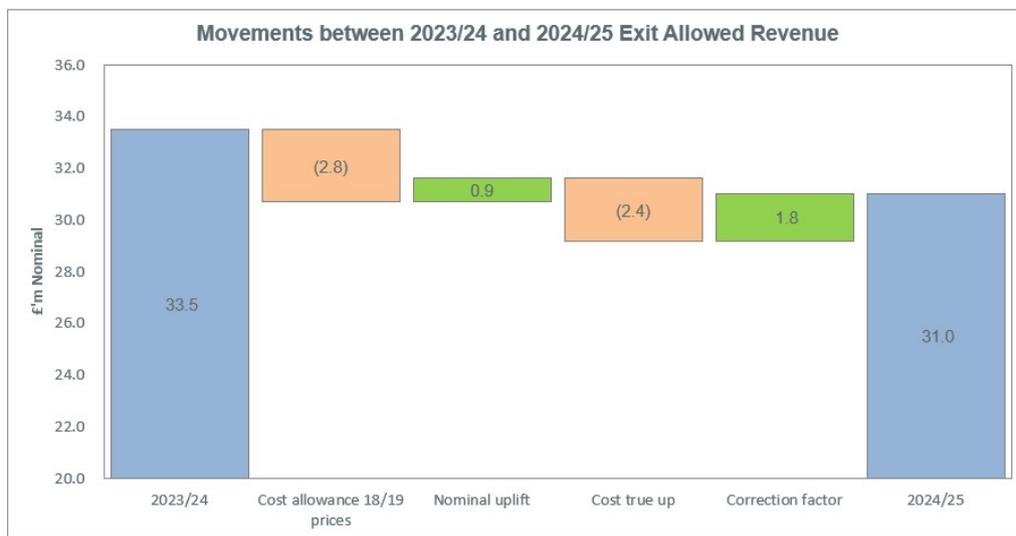
Our forecast transportation allowed revenue decreases from £514.0m in 2023/24 by £13.9m to £500.1m in 2024/25. The most notable movements in the underlying drivers are:



- 1) Fast Money – the increase in fast money reflects the profile of Totex expenditure forecast year on year and the inclusion of agreed/forecast re-openers not included in 2023/24 revenues.
- 2) Depreciation and Return – RAV depreciation increases each year as more Totex is capitalised, this is combined with a small increase in return on RAV due to higher WACC.
- 3) Pass through (excluding SoLR & Exit) – costs have decreased mainly as a result of a reduction in shrinkage gas prices slightly offset by an increase in Pension Established Deficit Repair allowance for 2024/25 following the 2023 Triennial Review.
- 4) Other – the difference is mainly attributable to an increase in the Vulnerability Carbon Monoxide Allowance slightly offset by a small reduction in the tax allowance.
- 5) Uplift to Nominals – the increase in the nominal uplift reflects the November 2023 OBR inflation predictions which increased from the inflation assumptions in the previous year.
- 6) AIP Adjustment Term - in 2024/25 this reflects the difference in the latest forecast allowances and pass-through costs for 2023/24 and those used for price setting in January 2023 for the 2023/24 regulatory year.
- 7) Legacy Allowed Revenue – the decrease compared to 2023/24 relates to updates to the estimated closeout values relating to RIIO-GD1 predominantly in respect of draft tax clawback adjustments.
- 8) K - the decrease primarily relates to a significant under recovery of allowed versus collected revenues in 2022/23 that were recovered in 2023/24 revenues and are not repeated in 2024/25.

Exit Capacity Allowed Revenue

Following the implementation of UNC Modification 0195AV, industry arrangements for the charging of NTS Exit Capacity costs changed on 1st October 2012. National Gas invoices DNs based on their use of the NTS, and the Exit Point bookings made by the DNs. Ofgem provides 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 2024/25 our allowances decrease by £2.5m from £33.5m to £31.0m:



- 1) Cost allowance 18/19 prices – the base allowance in 2024/25 is calculated using the latest published final and indicative price information from National Gas NTS and is lower than in 2023/24.
- 2) Nominal uplift – the increase in the nominal uplift reflects the November 2023 OBR inflation predictions which increased from the inflation assumptions in the previous year.
- 3) Cost true up – the RIIO-GD2 cost true up reflects the difference between cost allowances and actuals in 2022/23 and latest forecasts for 2023/24. A reduction in costs has caused a negative true up resulting in reduced allowed revenue in respect of Exit Capacity for 2024/25.
- 4) Correction factor – reflects the under recovery of allowed versus collected revenue in 2023/24 in respect of Exit Capacity which will be recovered in 2024/25 revenues.

Supplier of Last Resort Allowed Revenue

When the Office of Gas and Electricity Markets (Ofgem) revokes a supply licence (usually because of insolvency), it can appoint a 'Supplier of Last Resort' (SoLR) on a case-by-case basis to take over the supply of gas and/or electricity to the insolvent supplier's customers. The aim is to provide seamless continuity of service for customers. The regulatory regime for this is primarily provided for in the Standard Conditions of the supply licences held by Great Britain's (GB's) electricity suppliers and gas suppliers.

The gas and electricity supply standard licence conditions allow a supplier acting as SoLR to make a claim for any reasonable additional, otherwise unrecoverable, costs they incur. Historically SoLRs have claimed for the following categories of costs:

- Customer credit balances;
- Working capital; and
- Operational costs (including customer service, IT, complaints/enquiries specific to the SoLR, onboarding costs, communication and wholesale energy purchase costs).

Revenues to be raised in 2024/25 by DNs to pay valid SoLR claims will be charged to domestic customers, whether connected via an Independent Gas Transporters (IGTs) CSEP or directly connected to a DN, using the specific SoLR charge type. For valid SoLR claims received by DN's by 29 December 2023, licensees are obliged to increase, or decrease transportation charges to recover or pay the amounts in the valid claims in 2024/25. The total value of claims received by WWU by 29 December 2023 is £0.8m, a reduction of £25.2m compared to the 2022 valid claims of £26.0m reflected in 2023/24 revenues.

Transportation and SoLR Charges

These charges reflect those published in our Final Notification of LDZ Transportation and SoLR charges.

Charges to recover Transportation Allowed Revenue

| | Current Price effective from 1 st April 2023 | Final Price effective from 1 st April 2024 |
|-------------------------------------|---|---|
| LDZ SYSTEM COMMODITY CHARGES | Pence per kwh | |
| UP TO 73,200 KWH PER ANNUM | 0.0573 | 0.0588 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.0500 | 0.0513 |
| 732,000 KWH PER ANNUM AND ABOVE | 0.5808 | 0.5959 |
| | x SOQ ^ | |
| | -0.2775 | -0.2775 |
| SUBJECT TO A MINIMUM RATE OF | 0.0041 | 0.0042 |

| | Pence per peak day kwh per day | |
|------------------------------------|---------------------------------------|---------|
| LDZ SYSTEM CAPACITY CHARGES | | |
| UP TO 73,200 KWH PER ANNUM | 0.2662 | 0.2862 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.2310 | 0.2483 |
| 732,000 KWH PER ANNUM AND ABOVE | 2.0682 | 2.2233 |
| | x SOQ ^ | |
| | -0.2513 | -0.2513 |
| SUBJECT TO A MINIMUM RATE OF | 0.0196 | 0.0211 |

| | Pence per peak day kwh per day | |
|--------------------------------------|---------------------------------------|---------|
| LDZ CUSTOMER CAPACITY CHARGES | | |
| UP TO 73,200 KWH PER ANNUM | 0.1385 | 0.1519 |
| 73,200 KWH - 732,000 KWH PER ANNUM | 0.0054 | 0.0059 |
| 732,000 KWH PER ANNUM AND ABOVE | 0.1093 | 0.1199 |
| | x SOQ ^ | |
| | -0.2100 | -0.2100 |

Transportation and SoLR Charges

| LDZ CUSTOMER FIXED CHARGES | Pence per day | |
|---|---------------|---------|
| 73,200 KWH - 732,000 KWH PER ANNUM - BI-ANNUAL READ SITES | 43.2421 | 47.4366 |
| 73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES | 46.0434 | 50.5096 |

Charges to recover Exit Allowed Revenue

| EXIT CAPACITY UNIT RATES BY EXIT ZONE | Current Price effective from 1 st April 2023 | Final Price effective from 1 st April 2024 |
|---------------------------------------|---|---|
| | Pence per peak day kwh per day | |
| SW1 | 0.0147 | 0.0160 |
| SW2 | 0.0245 | 0.0270 |
| SW3 | 0.0163 | 0.0181 |
| WA1 | 0.0192 | 0.0215 |
| WA2 | 0.0186 | 0.0202 |

Charges to recover SoLR Allowed Revenue

| SUPPLIER OF LAST RESORT CHARGES | Current price effective from 1 st April 2023 | Final Price effective from 1 st April 2024 |
|---------------------------------|---|---|
| | Pence per peak day kwh per day | |
| LRSP Domestic Charge | 0.0248 | 0.0008 |
| LRSP Industrial Charge | 0.0000 | 0.0000 |

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 optional LDZ charge aims to overcome this perverse situation.

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) = Registered Supply Point Capacity, or other appropriate measure, in kWh per day

D = Direct distance, in km, from the site boundary to the nearest point on the NTS.

Note that ^ means “to the power of.”

LDZ System Entry

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:

- 1) 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.
- 2) 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.
- 3) 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 2024/25. Where additional sites are connected which are not currently planned to flow during 2024/25 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 2024 |
|---------------------------|-------------|----------------------------------|--|---|
| BROMHAM HOUSE FARM | BROMOS | | -0.1676 | -0.1681 |
| CANNINGTON BIOMETHANE | CANNOS | | -0.1709 | -0.1814 |
| BISHOPS CLEEVE BIOMETHANE | CLEEOS | Grundon Landfill / Wingmoor Farm | -0.1676 | -0.1645 |
| ENFIELD BIOMETHANE | ENFDOS | | -0.1005 | -0.0993 |
| FIVE FORDS BIOMETHANE | FIVEOS | | -0.0957 | -0.0993 |
| FRADDON | FRADOS | Penare Farm | -0.1547 | -0.1645 |
| FROGMARY BIOMETHANE | FROGOS | | -0.1676 | -0.1750 |
| GREAT HELE BIOMETHANE | HELEOS | Nadder Lane | -0.0957 | -0.1731 |
| HELSCOTT FARM | HELLOS | | -0.1676 | -0.1731 |
| ROTHERDALE | ROTHOS | Vale Green 2 | -0.1070 | -0.1126 |
| SPITTLES FARM | SPITOS | Bearley Farm | -0.1676 | -0.1043 |
| SPRINGHILL BIOMETHANE | SPNGOS | | -0.0922 | -0.0957 |
| PENNANS FARM | PENSOS | | -0.1676 | -0.1731 |
| NORTHWICK | NOCKOS | | -0.1097 | -0.0993 |
| AVONMOUTH WESSEX | WESXOS | Wessex Water | -0.1778 | -0.1841 |
| WILLAND | WILLOS | Lloyd Maunder | -0.1676 | -0.0842 |
| WYKE FARM | WYKEOS | | -0.1732 | -0.1789 |
| EVERCREECH BIOMETHANE | EVEROS | | -0.1676 | -0.1429 |
| TROWBRIDGE BIOMETHANE | TRWBOS | | -0.0984 | -0.0842 |
| CHARLTON PARK | CPFAOS | | -0.1703 | -0.1645 |
| GREAT PORTHAMEL FARM | GPBTOS | GP BIOTEC | -0.0984 | -0.1021 |

Charge Types and Invoice Mapping

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. For more information on invoicing, please contact Xoserve, the invoicing service provider, via e-mail at css_billing@xoserve.com.

| | Invoice Type | Charge Type |
|-----------------------------------|--------------|-------------|
| LDZ Capacity | | |
| Supply Point LDZ Capacity | CAZ | ZCA |
| CSEP LDZ Capacity | CAZ | 891 |
| Unique Sites LDZ Capacity Charge | CAZ | 871 |
| Unique Sites Optional Tariff | CAZ | 881 |
| Customer Capacity | | |
| Customer LDZ Capacity | CAZ | CCA |
| Customer Capacity fixed Charge | CAZ | CFI |
| Unique Sites Customer Capacity | CAZ | 872 |
| Commodity | | |
| LDZ Commodity | COM | ZCO |
| CSEP Commodity | COM | 893 |
| Unique Sites Commodity | COM | 878 |
| LDZ System Entry Commodity Charge | COM | LEC |
| Exit Capacity | | |
| LDZ Exit Capacity | CAZ | ECN |
| CSEP Exit Capacity | CAZ | C04 |
| Unique Sites Exit Capacity | CAZ | 901 |
| Supplier of Last Resort | | |
| LRSP Domestic Charge | CAZ | LRD |
| LRSP Industrial Charge | CAZ | LRI |

Contact Us

If you have any questions or queries relating to this document or transportation charges in general please do not hesitate to contact our Pricing Team via email to Pricing@wwutilities.co.uk or visit our website: <http://www.wwutilities.co.uk/>

Our ambition, priorities and values

Our new ambition

Trusted to expertly serve customers and communities with safe, reliable and affordable energy services today, whilst investing wisely to create a sustainable, greener future.



Our new priorities

Demanding SAFETY ALWAYS



We never compromise on the safety, wellbeing and health of our colleagues and customers, always raising the bar and improving standards.

Driving OUTSTANDING SERVICE



We strive to exceed customer expectations by offering fair, inclusive, quality services for all, whilst looking after those most in need.

Delivering VALUE FOR MONEY



We always spend and invest money wisely; working smarter to offer affordable, value for money services.

Doing all we can to provide SUSTAINABLE ENERGY



We're future proofing to deliver reliable, greener energy for heat, power and transport, and reducing our environmental impact to achieve net zero targets.

Designing OUR FUTURE



We're building a skilled, resilient, and diverse team to work in partnership with our stakeholders. Together, helping our communities and society thrive.

Our values

We put customers first



We build trust by giving excellent service, listening and taking action on what our customers tell us.

We take pride



We take ownership and are accountable for our work, going above and beyond to get great results.

We work as a team



We build relationships with colleagues and partners, share best practice and encourage honest, open conversations.

We bring energy



We approach all our work with enthusiasm, always challenging outcomes to do better by embracing new ideas and innovative solutions.