

Indicative Notice of Change to Transportation Charges

From 1st April 2024



Table of contents

Introduction	3
Our Allowed Revenue	4
Indicative Transportation Charges	6
Reason for the price change	7
Uncertainties and assumptions	8
Current and Indicative Charges from 1st April 2024	9
Indicative LDZ System Entry Commodity Charge for Distributed Gas	11
Further information	12

Introduction

This notice provides indicative levels of gas transportation charges that will apply from the 1st April 2024, in line with our Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The definitive notice of distribution transportation charges from the 1st April 2024 will be published by the 1st February 2024, in accordance with the two months' notice requirement within the Uniform Network Code.

Our Allowed Revenue

RIIO-GD2 requires networks to set charges to collect the forecast allowed revenue calculated under the price control. This allowance is split between Transportation revenue, Exit Capacity revenue which recovers the costs incurred from utilising the upstream network, the National Transmission System (NTS) and Supplier of Last Resort (SoLR) revenue.

RIIO-GD2 began on the 1st April 2021, and we are currently in the process of agreeing our revenue allowances with the Regulator for 2024/25 as part of the 2023 Annual Iteration Process (AIP). In line with the provisions set out in Special Condition 8.2 of our RIIO-GD2 Gas Transporter Licence, the Price Control Financial Model (PCFM), which calculates our allowed revenues, will be published by Ofgem by the 31st January 2024. The forecast allowed revenues presented in this notice are on the basis of the first draft PCFM submitted to Ofgem on the 27th September 2023, as part of the 2023 AIP.

Transportation

<i>Nominal values</i>	Allowed revenue for 2023/24 (£'m)	Forecast collection for 2024/25 at current charge rates (£'m)	Forecast allowed revenue for 2024/25 (£'m)	Delta required to be resolved (£'m)	Price change required
Transportation Revenue	514.0	460.9	474.4	13.5	2.9%

Allowed revenue for 2023/24 is £514.0m. If transportation charge rates were not adjusted in 2024/25, we would collect a forecast of £460.9m. Forecast allowed revenue for 2024/25 is £474.4m which reflects a decrease of £39.6m upon the previous year and a variance to forecast collection at the current charge rates of £13.5m.

Exit Capacity

<i>Nominal values</i>	Allowed revenue for 2023/24 (£'m)	Forecast collection for 2024/25 at current charge rates (£m)	Allowance for 2024/25 (£m)	Delta required to be resolved (£m)	Price change required
Exit Capacity Revenue	33.5	28.6	28.3	-0.3	-1.0%

Our Allowed Revenue

Allowed revenue for 2023/24 is £33.5m. If exit capacity charge rates were not adjusted in 2024/25, we would collect a forecast of £28.6m. Forecast allowed revenue for 2024/25 is £28.3m which reflects a decrease of £5.2m upon the previous year and a variance to forecast collection at the current charge rates of -£0.3m. The allowed revenue in 2024/25 is made up of our base allowance plus the cost true up and correction factor from 2022/23 and 2023/24. The base allowance in 2024/25 is calculated using the latest published final and indicative price information from National Gas NTS.

SoLR

At the time of publication of this document, no SoLR minded-to position or direction in respect of 2024/25 values has been provided by Ofgem, therefore the SoLR revenue and unit rates will be included within WWU's final price setting for 2024/25 in January 2024.

Indicative Transportation Charges

To collect the estimated Allowed Revenue, for 2024/25 of £502.7m, prices are forecast to change as follows:

	Forecast Allowed Revenue 2024/25 £m	Indicative Price Change on 1 April 2024
Transportation	474.4	2.9% increase
Exit Capacity	28.3	1.0% decrease
SoLR	TBC	TBC
Total	502.7	2.7% increase

We are also required to levy charges for transportation income excluding exit capacity and SoLR in the proportions set out in the Uniform Network Code Section Y (UNC). Our Charges should seek to recover allowances in the following proportion:

System Charges		Customer Capacity
71.8%		28.2%
System Capacity (plus any Optional Tariff)	Commodity	
95%	5%	

Therefore, we will adjust the specific unit rates to bring collection in line with the proportions set out in UNC. All networks are required to maintain such revenue splits to retain cost reflectivity in their charging.

The specific price increases required to maintain the collection apportionment required are:

Total Revenue					
2.7 %					
Transportation Revenue		Exit Capacity		SoLR	
2.9%		-1.0%		TBC	
Capacity		Commodity	By Exit Zone		
System	Customer	9.1 %	SW1		0.0145
			SW2		0.0246
			SW3		0.0164
			WA1		0.0196
			WA2	0.0184	
2.1%	4.4%				

Reason for the price change

Reason for the price change

In setting network charges each network must consider:

1. The movement in allowed revenue year on year; and
2. Changes to the chargeable base (i.e., demand) which have occurred over the past charging year and forecast to occur in the next.

The movement in allowed revenue compared to the prior year is explained as follows:

Allowed Revenue Movement

		2023/24 (£'m)	2024/25 (£'m)	Change (£'m)	Commentary
Fast Money	18/19 prices	105.3	112.4	7.1	Reflects the profile of totex expenditure forecast year on year.
Depreciation and Return	18/19 prices	195.8	202.2	6.4	Depreciation increases each year as more totex is capitalised combined with a small increase in return on RAV.
Pass through	18/19 prices	124.5	86.2	-38.3	The decrease relates to the reduction in Shrinkage gas prices, Exit capacity costs and business rates.
Other	18/19 prices	36.8	38.0	1.2	Trivial variance.
Uplift to Nominals		111.4	110.3	-1.0	Inflation in this forecast uses the latest inflation rates and forecasts provided by Ofgem in July 2023.
AIP Adjustment Term	Nominals	-19.5	-42.7	-23.2	The AIP adjustment in 2024/25 reflects the difference in the latest actual/forecast allowances for 2022/23 and 2023/24 and those used for price setting in January 2023.
Legacy Allowed Revenue	Nominals	-0.9	-1.5	-0.6	Trivial movement in RIIO-GD1 close out adjustments.
'K'	Nominals	20.1	-2.2	-22.4	Variance reflects a significant under recovery in 2022/23 which is not expected to be repeated in 2023/24.
Total Allowed Revenue	Nominals	573.5	502.7	-70.8	
Of which					
Transportation	Nominals	514.0	474.4	-39.6	
Exit Capacity	Nominals	33.5	28.3	-5.2	
SoLR	Nominals	26.0	TBC	-26.0	

Uncertainties and assumptions

There are a number of movements that can, and are expected to, occur between these estimates and final price setting in January 2024. These include, but are not limited to:

AIP 2023

Our indicative charges are based on our latest submission (First Dry Run) of the 2023 AIP which was submitted to Ofgem on the 27th September 2023.

There could, and are expected to be, further changes to the forecast allowed revenue used to calculate our indicative price change following Ofgem's review of our submission and other updates required.

Forecast allowed revenues will be updated with finalised figures for the 60-day pricing notice due to be published by the 1st February 2024. These may include updates for the following:

- We expect updated inflation forecasts directed to us by Ofgem prior to the Final Pricing Notice being published by 1st February 2024. This update will therefore impact allowed revenue figures;
- We expect Ofgem to provide direction in respect of Supplier of Last Resort (SoLR) claims for 2024/25 later in the calendar year. Absent Ofgem's direction at the time of publication of this document, no pass through costs for SoLR in respect of 2024/25 have been included in allowed revenue at this stage; and
- Forecast shrinkage pass-through costs, given the current volatility of the wholesale gas market, will continue to be updated throughout the 2023 AIP to reflect latest market data.

Chargeable Base

A network demand snapshot is provided by Xoserve each October and used to determine the indicative price change for the upcoming regulatory year. For the final price change calculations, a snapshot is provided by Xoserve in December and any significant variations between the two snapshots would be adjusted for in the final 60-day notice of charges.

Current and Indicative Charges from 1st April 2024

	Current Price effective from 1 st April 2023	Indicative Price effective from 1 st April 2024
LDZ SYSTEM COMMODITY CHARGES	Pence per kwh	
UP TO 73,200 KWH PER ANNUM	0.0573	0.0625
73,200 KWH - 732,000 KWH PER ANNUM	0.0500	0.0546
732,000 KWH PER ANNUM AND ABOVE	0.5808	0.6337
	x SOQ ^	
	-0.2775	-0.2775
SUBJECT TO A MINIMUM RATE OF	0.0041	0.0045

	Pence per peak day kwh per day	
LDZ SYSTEM CAPACITY CHARGES		
UP TO 73,200 KWH PER ANNUM	0.2662	0.2718
73,200 KWH - 732,000 KWH PER ANNUM	0.2310	0.2359
732,000 KWH PER ANNUM AND ABOVE	2.0682	2.1116
	x SOQ ^	
	-0.2513	-0.2513
SUBJECT TO A MINIMUM RATE OF	0.0196	0.0200

	Pence per peak day kwh per day	
LDZ CUSTOMER CAPACITY CHARGES		
UP TO 73,200 KWH PER ANNUM	0.1385	0.1446
73,200 KWH - 732,000 KWH PER ANNUM	0.0054	0.0056
732,000 KWH PER ANNUM AND ABOVE	0.1093	0.1141
	x SOQ ^	
	-0.2100	-0.2100

	Pence per day	
LDZ CUSTOMER FIXED CHARGES		
73,200 KWH - 732,000 KWH PER ANNUM - BI ANNUAL READ SITES	43.2421	45.1448
73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES	46.0434	48.0693

Current and Indicative
Charges from 1st
April 2024

EXIT CAPACITY UNIT RATES BY EXIT ZONE	Pence per peak day kwh per day	
	Current Price effective from 1 st April 2023	Indicative Price effective from 1 st April 2024
SW1	0.0147	0.0145
SW2	0.0245	0.0246
SW3	0.0163	0.0164
WA1	0.0192	0.0196
WA2	0.0186	0.0184

Indicative LDZ System Entry Commodity Charge for Distributed Gas

Site Name	GEMINI Name	Alias	LDZ System Entry Commodity Charge (p/kWh) Current Prices effective 1 st April 2023	LDZ System Entry Commodity Charge (p/kWh) Forecasted prices effective 1 st April 2024
Bromham House Farm	BROMOS		-0.1676	-0.1778
Cannington Biomethane	CANNOS		-0.1709	-0.1907
Bishops Cleeve Biomethane	CLEEOS	Grundon Landfill / Wingmoor Farm	-0.1676	-0.1743
Enfield Biomethane	ENFDOS		-0.1005	-0.1046
Five Fords Biomethane	FIVEOS		-0.0957	-0.1046
Fraddon	FRADOS	Penare Farm	-0.1547	-0.1743
Frogmary Biomethane	FROGOS		-0.1676	-0.1844
Great Hele Biomethane	HELEOS	Nadder Lane	-0.0957	-0.1095
Helscott Farm Biomethane	HELLOS		-0.1676	-
Rotherdale	ROTHOS	Vale Green 2	-0.1070	-0.1175
Spittles Farm	SPITOS	Bearley Farm	-0.1676	-
Springhill Biomethane	SPNGOS		-0.0922	-0.1011
Pennans Farm	PENSOS		-0.1676	-
Northwick Biomethane	NOCKOS		-0.1097	-0.1046
Avonmouth Wessex	WESXOS	Wessex Water	-0.1778	-0.1933
Willand Biomethane	WILLOS		-0.1676	-0.1631
Wyke Farm	WYKEOS		-0.1732	-0.1882
Evercreech Biomethane	EVEROS		-0.1676	-0.1534
Trowbridge Biomethane	TRWBOS		-0.0984	-0.0899
ABSL Swindon	ABSLOS		-0.1547	-0.1854
Charlton Park	CPFAOS		-0.1703	-0.1854
Great Porthamel Farm	GPBTOS		-0.0984	-0.1073

Indicative LDZ System Entry Commodity Charge for Distributed Gas

The LDZ System Entry Commodity charge rates 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. There are currently 22 sites located within our network. Should further sites be connected during the charging year a separate statement will be issued specific to those new connections.

Further information

If you have any further queries or require any further details on this notice, please contact the Pricing Team: pricing@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.