

Indicative Notice of Change to Transportation Charges

From 1st April 2023



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Introduction

This notice provides indicative levels of gas transportation charges that will apply from the 1st April 2023, 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 2023 will be published by the 1st February 2023, in accordance with the two months' notice requirement within the Uniform Network Code.

Our Allowed Revenue

RIO-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.

RIO-GD2 began on the 1st April 2021 and we are currently in the process of agreeing our revenue allowances with the Regulator for 2023/24 as part of the 2022 Annual Iteration Process (AIP). In line with the provisions set out in Special Condition 8.2 of our RIO-GD2 Gas Transporter Licence, the Price Control Financial Model (PCFM), which calculates our allowed revenues, will be published by Ofgem on the 30th November 2022. The forecast allowed revenues presented in this notice are on the basis of the latest draft PCFM submitted to Ofgem on the 31st October 2022, as part of the 2022 AIP.

Transportation

<i>Nominal values</i>	Allowed revenue for 2022/23 (£'m)	Forecast collection for 2023/24 at current charge rates (£'m)	Forecast allowed revenue for 2023/24 (£'m)	Delta required to be resolved (£'m)	Price change required
Transportation Revenue	462.1	420.6	524.1	103.5	24.5%

Allowed revenue for 2022/23 is £462.1m. If transportation charge rates were not adjusted in 2023/24, we would collect a forecast of £420.6m. Forecast allowed revenue for 2023/24 is £524.1m which reflects an increase of £62.0m upon the previous year and a variance to forecast collection at the current charge rates of £103.5m.

Exit Capacity

<i>Nominal values</i>	Allowed revenue for 2022/23 (£'m)	Forecast collection for 2023/24 at current charge rates (£m)	Allowance for 2023/24 (£m)	Delta required to be resolved (£m)	Price change required
Exit Capacity Revenue	53.3	50.4	41.8	-8.6	-17.2%

Our Allowed Revenue

Allowed revenue for 2022/23 is £53.3m. If exit capacity charge rates were not adjusted in 2023/24, we would collect a forecast of £50.4m. Forecast allowed revenue for 2023/24 is £41.8m which reflects a decrease of £11.5m upon the previous year and a variance to forecast collection at the current charge rates of £8.6m. The allowed revenue in 2023/24 is made up of our base allowance plus the cost true up and correction factor from 2021/22, and the forecast correction factor from 2022/23. The base allowance in 2023/24 is calculated using the latest published final and indicative price information from National Grid NTS.

SoLR

WWU expect a SoLR minded-to position for 2023/24 to be provided by Ofgem imminently. However, due to this figure not being provided to WWU by Ofgem at the time of publication of this document, the SoLR revenue and unit rates will now be included within the WWU Final Price Notification for 2023/24 in January 2023. Whilst we expect SoLR values for 2023/24 to be lower than 2022/23 and therefore a reduction in unit rates, we still expect significant claims to be directed by Ofgem in December 2022.

Indicative Transportation Charges

In order to collect the estimated Allowed Revenue, for 2023/24 of £565.9m, prices are forecast to change as follows:

	Forecast Allowed Revenue 2023/24 £m	Indicative Price Change on 1 April 2023
Transportation	524.1	24.5% increase
Exit Capacity	41.8	17.2% decrease
SoLR	TBC	TBC
Total	565.9	20.1% 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					
20.1 %					
Transportation Revenue		Exit Capacity		SoLR	
24.5%		-17.2%		TBC	
Capacity		Commodity	By Exit Zone		
System	Customer	62.4 %	SW1		0.0185
23.4%	23.6%		SW2		0.0306
			SW3		0.0204
			WA1		0.0241
			WA2	0.0234	

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.
2. Changes to the chargeable base which have occurred over the past charging year and forecast to occur in the next.

The movement in Allowed Revenue can be seen when compared to the prior year as:

Allowed Revenue Movement

		2022/23 (£'m)	2023/24 (£'m)	Change (£'m)	Commentary
Fast Money	18/19 prices	101.9	106.9	5.0	Reflects the profile of totex expenditure forecast year on year.
Depreciation and Return	18/19 prices	185.6	188.2	2.6	Depreciation increases each year as more totex is capitalised, this is offset by a reduction in return on RAV due to the reducing allowed return on debt.
Pass through	18/19 prices	197.6	123.8	-73.8	The decrease relates to the reduction in SoLR claims in 2023/24 compared to 2022/23. This has slightly been offset by an increase in Shrinkage gas prices.
Other	18/19 prices	12.2	36.3	24.1	The difference is made up of a large increase to our tax allowance as a result of super deductions for eligible capital expenditure which were processed as a tax trigger event in the PCFM.
Uplift to Nominals		84.7	94.1	9.4	Inflation in this forecast uses the latest inflation rates and forecasts provided by Ofgem in 2022.
AIP Adjustment Term	Nominals	25.4	-4.0	-29.4	The AIP adjustment in 2023/24 reflects the difference in the latest forecast allowances for 2022/23 and those used for price setting in January 2022.
Legacy Allowed Revenue	Nominals	-0.1	-0.9	-0.8	2022/23 legacy allowed revenue is made up of negative adjustments to Legacy MOD and Legacy TRU figure. In 2022/2023 included many GD1 close out adjustments.
'K'	Nominals	4.5	21.5	17.0	Reflects under recoveries in 2021/22 and 2022/23.
Total Allowed Revenue		611.7	565.9	-45.8	
Of which					
Transportation	Nominals	462.1	524.1	62.0	
Exit Capacity	Nominals	53.3	41.8	-11.5	
SoLR	Nominals	96.3	TBC	TBC	

Uncertainties and assumptions

There are a number of movements that can, and are expected to, occur between these estimates and the final values published in final price setting by 1st February 2023. These include, but are not limited to:

AIP 2022

Our indicative charges are based on our latest submission (Final Run) of the 2022 AIP which was submitted to Ofgem on the 31st October 2022.

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 on the 1st February 2023. These may include updates for the following:

- Following the Prime Minister's announcement on 26 October that OBR forecasts will be published alongside the Autumn Statement on 17 November, we expect that the PCFM and accompanying WACC Allowance Model for the 2022 AIP to be published by Ofgem on 30 November, will include the March 2022 OBR forecasts. Due to significant increases in inflation since the March OBR forecast, current Allowed Revenues are much lower than we expect them to be than when the Final Pricing Notice is published.
- We expected Ofgem to provide its minded-to position in respect of Supplier of Last Resort (SoLR) claims for 2023/24 on Friday 28 October, which unfortunately did not materialise. Absent Ofgem's minded-to position, no pass through costs for SoLR in respect of 2023/24 have been included in Allowed Revenue at this stage. Current Allowed Revenues are much lower than we expect them to be than when the Final Pricing Notice is published.
- Updates to forecast shrinkage costs given the current volatility of the wholesale gas market. Shrinkage costs are treated as pass through expenditure within the PCFM.
- At the time of publication of this document, UNC Mod 809 has not been implemented. If it were to be so prior to the Final Notice of Charges document being published, there will be an Independent Gas Transporters (IGT) component of SoLR revenues included within figures.

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 2023

LDZ SYSTEM COMMODITY CHARGES	Pence per kwh	
	Current Price effective from 1 st April 2022	Indicative Price effective from 1 st April 2023
UP TO 73,200 KWH PER ANNUM	0.036	0.0585
73,200 KWH - 732,000 KWH PER ANNUM	0.0314	0.0510
732,000 KWH PER ANNUM AND ABOVE	0.3648	0.5924
	x SOQ ^	
	-0.2775	-0.2775
SUBJECT TO A MINIMUM RATE OF	0.0026	0.0042

LDZ SYSTEM CAPACITY CHARGES	Pence per peak day kwh per day	
	Current Price effective from 1 st April 2022	Indicative Price effective from 1 st April 2023
UP TO 73,200 KWH PER ANNUM	0.2161	0.2667
73,200 KWH - 732,000 KWH PER ANNUM	0.1875	0.2314
732,000 KWH PER ANNUM AND ABOVE	1.6787	2.0715
	x SOQ ^	
	-0.2513	-0.2513
SUBJECT TO A MINIMUM RATE OF	0.0159	0.0196

LDZ CUSTOMER CAPACITY CHARGES	Pence per peak day kwh per day	
	Current Price effective from 1 st April 2022	Indicative Price effective from 1 st April 2023
UP TO 73,200 KWH PER ANNUM	0.1119	0.1383
73,200 KWH - 732,000 KWH PER ANNUM	0.0044	0.0054
732,000 KWH PER ANNUM AND ABOVE	0.0883	0.1091
	x SOQ ^	
	-0.2100	-0.2100

LDZ CUSTOMER FIXED CHARGES	Pence per day	
	Current Price effective from 1 st April 2022	Indicative Price effective from 1 st April 2023
73,200 KWH - 732,000 KWH PER ANNUM - BI ANNUAL READ SITES	34.9290	43.1722
73,200 KWH - 732,000 KWH PER ANNUM - MONTHLY READ SITES	37.1918	45.9691

Current and Indicative
Charges from 1st
April 2023

EXIT CAPACITY UNIT RATES BY EXIT ZONE	Pence per peak day kwh per day	
	Current Price effective from 1 st April 2022	Indicative Price effective from 1 st April 2023
SW1	0.0240	0.0185
SW2	0.0385	0.0306
SW3	0.0263	0.0204
WA1	0.0309	0.0241
WA2	0.0297	0.0234

Indicative LDZ System Entry Commodity Charge for Distributed Gas

Site Name	GEMINI Name	Alias	LDZ System Entry Commodity Charge (p/kWh) Current Prices	LDZ System Entry Commodity Charge (p/kWh) Forecasted prices effective 1 st April 2023
Bromham House Farm	BROMOS		-0.1187	-0.1766
Cannington Biomethane	CANNOS		-0.1216	-0.1797
Bishops Cleeve Biomethane	CLEEOS	Grundon Landfill / Wingmoor Farm	-0.1113	-0.1766
Enfield Biomethane	ENFDOS		-0.0691	-0.1081
Five Fords Biomethane	FIVEOS		-0.0358	-0.1034
Fraddon	FRADOS	Penare Farm	-0.1071	-0.1640
Frogmary Biomethane	FROGOS		-0.1187	-0.1766
Great Hele Biomethane	HELEOS	Nadder Lane	-0.0722	-0.1034
Helscott Farm Biomethane	HELLOS		-0.1187	-0.1766
Rotherdale	ROTHOS	Vale Green 2	-0.0824	-0.1143
Spittles Farm	SPITOS	Bearley Farm	-0.1187	-0.1766
Springhill Biomethane	SPNGOS		-0.0649	-0.1000
Pennans Farm	PENSOS		-0.1187	-0.1766
Northwick Biomethane	NOCKOS		-0.0848	-0.1170
Avonmouth Wessex	WESXOS	Wessex Water	-0.1279	-0.1864
Willand Biomethane	WILLOS		-0.1187	-0.1766
Wyke Farm	WYKEOS		-0.1237	-0.1819
Evercreech Biomethane	EVEROS		-0.1275	-0.1797
Trowbridge Biomethane	TRWBOS		-0.0746	-0.1060
Absl Swindon	ABSLOS		-0.1071	-0.1640
Charlton Park	CPFAOS		-0.1211	-0.1791

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 21 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.



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UTILITIES