

# Southern Gas Networks Indicative Notice of Change to Transportation Charges from 1 April 2025



**SGN**

Your gas. Our network.

# Contents

<b>1 Introduction.....</b>	<b>3</b>
<b>2 Indicative changes to Distribution Transportation Charges on 1 April 2025 .....</b>	<b>3</b>
<b>3 Uncertainties Impacting April 2025 Final Transportation Charges.....</b>	<b>4</b>
<b>4 LDZ Indicative Unit Charge Rates from 1 April 2025 .....</b>	<b>4</b>
<b>5 Supplier of Last Resort Charges.....</b>	<b>6</b>
<b>6 April 2025 LDZ Indicative System Entry Commodity Charge .....</b>	<b>7</b>
<b>7 Methodology Changes .....</b>	<b>7</b>
<b>8 Distribution Network (NTS) Exit Capacity Charges (ECN) .....</b>	<b>7</b>
<b>9 Exit Capacity Indicative Charges (ECN) 1 April 2025 .....</b>	<b>7</b>

## 1 Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2025, in line with our Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The published indicative tariffs are run in conjunction with the GD2 Annual Iteration Process (AIP) timeline, which distribution networks undertake with Ofgem from September through to early January each year. However, as the indicative tariffs publication date is prior to the end of the AIP, there are a number of components that could have significant impact on tariffs between the published indicative view and the final published position in January.

The definitive notice of distribution transportation charges from 1 April 2025 will be published by 1 February 2025, in accordance with the two months' notice requirement within the UNC.

## 2 Indicative changes to Distribution Transportation Charges on 1 April 2025

The average change to charge levels from 1 April 2024 is forecast to be an increase of 8.4%.

The levels of charges have been constructed based on the latest available forecasts of the Allowed and Collected Revenues for 2025/26, which are still subject to change.

The key movements of the indicative price change which includes revenue associated with both SoLR and NTS Exit Capacity charges are set out below:

	% Movement
Calculated "Base" revenue	0.3%
Pass through costs	2.5%
Inflation impact (incl. true up)	0.7%
GD1 Legacy adjustments	0.1%
K correction factor	0.0%
ADJ term (excl. inflation)	8.5%
Impact of demand forecast	-3.6%
<b>Total movement</b>	<b>8.4%</b>

- The small decrease in Calculated "Base" revenue relates to the reduction in price control deliverable (PCDs) allowance and forecast totex spend in 2025/26 compared to 2024/25 latest forecast.
- Increases in forecast pass-through costs can mainly be attributed to an increase in National Grid NTS exit rates. This increase is partly offset by reductions in forecast shrinkage costs (which are driven by wholesale gas prices) and reduction in SoLR costs.
- Inflationary impacts include a forecast for 2025/26 currently based on the OBR March 2024 view in line with Ofgem's methodology. However, the inflationary impact is offset largely by a decrease in forecast inflation for 2024/25, compared to the forecast included in last years tariffs.

## 2025/26 Indicative Notice of Charges- Southern Gas Networks

- 2025/26 contains a slight reduction in GD1 legacy revenues as prior years adjustments fall away.
- The largest impact on revenues this year is the impact of adjustments (ADJt) affecting current years revenues. Last years revenue/tariffs were materially impacted by over-recovery of revenue in 2023/24 driving 2024/25 revenues down. There is less impact of 2024/25 under/over recoveries impacting 2025/26 revenues, resulting in a positive impact on ADJt.
- Finally, following two years of material reductions in demand, this year, as wholesale gas prices have stabilised has seen an increase in demand. This increase in demand results in a reduction to tariffs i.e. more demand to recover revenue from = lower unit rates.

### 3 Uncertainties Impacting April 2025 Final Transportation Charges

At this stage there are still significant uncertainties which will inevitably cause the actual change in the charges, which will be published on 1 February 2025, to be different from the indicative change.

The major uncertainties are:-

- The OBR October inflation forecast due to be published on 30 October 2024;
- The extent of final SoLR claims;
- The cost of wholesale gas affecting shrinkage pass through costs;
- The level of future supply point capacity and numbers (aggregate demand);

### 4 LDZ Indicative Unit Charge Rates from 1 April 2025

Average LDZ Indicative Unit Rates Change	3.8%
--	------

These charge rates have been balanced in line with industry requirements to reflect the required proportions between Capacity (95%) and Commodity (5%) revenue. They have also been adjusted to maintain the agreed revenue split between System Charges (72.8%) and Customer Charges (27.2%). Listed below are two sets of rates, one indicates SGN BP view and the other Ofgem's DD.

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

Charge Band (kWh/annum)	Capacity p/peak day kWh
Up to 73,200	0.2532
73,200 to 732,000	0.2009
>732,000	$2.6398 \times \text{SOQ}^{-0.2970}$
Subject to a minimum rate	0.0051

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

Charge Band (kWh/annum)	Commodity p/kWh
Up to 73,200	0.0447
73,200 to 732,000	0.0354
>732,000	$0.5351 \times \text{SOQ}^{-0.3129}$
Subject to a minimum rate	0.0011

**LDZ Customer Capacity Charges**

Charge Band (kWh/annum)	Capacity p/peak day kWh/day
Up to 73,200	0.1179
73,200 to 732,000	0.0047
>732,000	$0.0988 \times \text{SOQ}^{-0.2100}$

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

Supply Point Type	p/day
Non-monthly read supply points	40.6910
Monthly read supply points	43.3273

## 5 Supplier of Last Resort Charges

Due to the volatility in the gas market and significant increases in wholesale gas prices throughout 2021 and 2022, there has been a significant number of Suppliers failures. As Ofgem has an obligation to ensure gas continues flowing for all customers, they operate the Supplier of Last Resort (SoLR process). This allows other Suppliers to bid for the customer base of the failed Supplier and if successful and subject to approval from Ofgem, claim associated costs from the wider industry.

It is the responsibility of Southern Gas Network to recover the costs incurred by the SOLR provider and to pass those onto the new Supplier as set out under Standard Special Condition A48 of the transportation licence. Southern Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The SoLR costs impacting 2025/26 charges are forecast to be -£1.1m. There are several claims, some of which are positive and others which are negative, the overall impact this year currently forecast to be a negative impact on revenues. These are a straight passthrough therefore only reflect the level of costs DNs need to subsequently pass onto the wider shipper community.

**LDZ Supplier of Last Resort Charges**

Charge Code	LRD & LRI
Supply Point Volume Charge	Daily Rate p/p KWh
Domestic	-0.0006
I&C	-

**6 April 2025 LDZ Indicative System Entry Commodity Charge**

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. The rate associated with the LDZ System Entry Commodity Charge is calculated on a site-by-site basis. There are currently twenty three sites located within Southern Gas Networks.

SGN are aware of new DN entry points that are progressing through their engineering development these may require new DN entry rates to be published within the charging period.

Site Name	GEMINI Reference	Distributed Gas Commodity Rate(p/kWh)
Albury	ALBROS	0.1373 (credit)
Poundbury Biomass	POUNOS	0.1367 (credit)
Portsmouth Hill	POR	0.0323 (credit)
Apsley Farm	APSLOS	0.1180 (credit)
Blackpitts Brackley	HELMOS	0.1372 (credit)
Gorebasin Isle of Wight	WIGHOS	0.1372 (credit)
Ickneild Farm	IKNOS	0.1181 (credit)
St Nicholas Court Farm	NICHOS	0.1370 (credit)
Riverside AD Mitcham	MITCOS	0.1371 (credit)
Arla (Olleco) Aylesbury	ARLAOS	0.1373 (credit)
Ebbsfleet Farm	EBBSOS	0.1371 (credit)
Hill Farm Reading	HILLOS	0.1181 (credit)
Banbury PRS	BANBOS	0.0326 (credit)
Newton Longville	NETNOS	0.0326 (credit)
Kemsley	KEMYOS	0.1182 (credit)
Blaise Farm	BLAIOS	0.1181 (credit)
Court Lodge Farm	FAWKOS	0.1370 (credit)
Friday's Farm	FRITOS	0.1372 (credit)
Sheppey	SHEPOS	0.1370 (credit)
Dunsfold	DFLDOS	0.1371 (credit)

## 7 Methodology Changes

There are currently no amendments to the transportation charging methodology that will impact on charges for the period 1 April 2025 to 31 March 2026.

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

[pricing.team@sgn.co.uk](mailto:pricing.team@sgn.co.uk)

## 8 Distribution Network (NTS) Exit Capacity Charges (ECN)

Following the implementation of Uniform Network Code (UNC) modification 0195AV industry arrangements for the charging of NTS Exit Capacity costs changed on the 1 October 2012. National Grid Transmission invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DN will invoice gas shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges).

## 9 Exit Capacity Indicative Charges (ECN) 1 April 2025

The change to charge levels from 1 April 2024 is forecast to be an average decrease of 87.9%.

Southern Gas will continue to recover the charges in line with DNPC06D (i.e. at individual Exit zone level). This provides the optimum cost-reflectivity as it will more closely reflect the charges which DN will be paying to the NTS, therefore better meets the relevant objective SSC A5(5)(a).

### Assumptions relating to the calculation of the indicative ECN charges:

- The charge rates shown in Table 1 reflect the allowance proportioned to the costs based on the National Grid NTS Exit Capacity price change on 1 October 2024 for the period April to September 2025. The indicative October 2025 rates for the period October 2025 to March 2026, published on 30 April 2024.

Table 1 below shows the indicative charge rates set to recover the 2025/26 NTS Exit Capacity base allowance, 2023/24 forecast K carried forward and cost allowance adjustments for 2024/25.

**Table 1: April 2024 Indicative NTS Exit Capacity (ECN) Charge Rate**

Exit Zone	ECN Charge Rate (p/peak day/kWh/day)
SO1	0.0290
SO2	0.0354
SE1	0.0323
SE2	0.0323