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## **Publication of the changes in the relevant Gas Transporters' single supply point charge<sup>1</sup> and Retail Price Index effective from 1 January 2016**

Special Condition 1<sup>2</sup> of the Independent Gas Transporters' (IGTs) licences sets out the arrangements for determining the maximum charge that licensees may levy on premises subject to the Relative Price Control (RPC) regime.

As part of these arrangements, the percentage change in the retail price index (RPI) and the percentage change in the weighted average of the relevant gas transporters' single supply point charge (wSSP) are used to calculate the annual change in the floor and ceiling<sup>3</sup> and the annual change in transportation charges. We publish both the RPI and wSSP each year in time for changes to take effect from 1 January of the following year.

Pursuant to Special Condition 1 of IGTs' licences, this letter specifies:

- the wSSP for year 2015; and
- the RPI for year 2015.

These figures should be used to adjust transportation charges from 1 January 2016 in accordance to Special Condition 1 of IGTs' licences.

### **The change in the weighted average of the relevant Gas Transporters' single supply point charge**

The wSSP for year 2015 is the percentage change between the averages of the relevant Gas Transporters' single supply point charge of years 2014 and 2015, for each network region, where a year is defined from 1 October to 30 September inclusive. Table 1 provides the wSSP for each of the eight network regions. The underlying calculations are described in Appendix 1.

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<sup>1</sup> The relevant Gas Transporters include the eight Distribution Networks. The single supply point charge comprises transmission and distribution charges.

<sup>2</sup> Special Condition 1 Charging of Gas Shippers – Relative Price Control was introduced in IGTs' licences in January 2004.

<sup>3</sup> The floor and ceiling are defined in Special Condition 1 and explained in Ofgem's July 2003 document *The Regulation of Independent Gas Transporter Charging – Final Proposals*.

Table 1 wSSP per region

Region	wSSP (%)
East of England	1.19
North of England	5.19
London	4.24
North West	2.38
Scotland	0.69
South of England	-0.53
Wales and the West	0.65
West Midlands	2.27

Under Special Condition 1, the annual change in IGT transportation charges applied under RPC is controlled by a 5 per cent floor and ceiling. Not including the impact of the percentage uplift for RPI, this means that the maximum amount by which RPC charges can increase is 10 per cent in any one year.

### **The change in the Retail Price Index**

The RPI is defined as the percentage change between the average of the RPI for the period 1 April to 30 September 2014 and the average of the RPI for the period 1 April to 30 September 2015.

The RPI for 2015 is **0.97 per cent**. This figure should be applied from 1 January 2016 in accordance with Special Condition 1. The underlying calculations are described in Appendix 1.

If you have any queries in relation to this letter, please do not hesitate to contact Rupika Madhura by phone on 020 7901 7091 or by e-mail at [rupika.madhura@ofgem.gov.uk](mailto:rupika.madhura@ofgem.gov.uk).

Yours sincerely,



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## Appendix 1 – Methodology

1.1. This appendix illustrates the calculations underlying the values of wSSP and RPI to be applied from 1 January 2016 in accordance with Special Condition 1 of the IGTs' licences.

1.2. This methodology uses a consistent approach in calculating the change in the weighted average of the relevant Gas Transporters' Single Supply Point charge (wSSP) and the change in the Retail Price Index (RPI).

### The change in the weighted average of the relevant Gas Transporters' single supply point charge

1.3. The wSSP for year 2015 is determined as the percentage change between the average single supply point (SSP) charge (based on unit rates) for the period from 1 October 2013 to 30 September 2014 and the average SSP charge for the period from 1 October 2014 to 30 September 2015.

1.4. Stakeholders can understand the SSP charges by using the [Joint Office transportation charge calculator](#) and enter the following inputs shown in table A1.1.

Table A1.1: Joint Office transportation calculator

Question	Enter
Where are you entering gas into the system?	National Balancing Point (NBP)
Where are you transporting gas to?	Distribution/CSEP connected load
Please input Post Code	Enter post code
Are you on a Shorthaul tariff?	No
Please enter your ratio of throughput for the period Oct-Apr	Enter load factor for your LDZ
What type of load is the site?	Non Daily Metered Site
Is the site monthly read?	No
Annual AQ kWh/annum (AQ)	12,500
SOQ Calculation Method	EUC code entry
EUC Code	xx:E1501B

1.5. The input figures are shown in Table A1.2 and are updated annually in accordance with the following measures:

- Annual quantity (AQ) – the medium gas kWh is used for this calculation as per Ofgem's current published average domestic consumption kWh: [Typical Domestic Consumption Values](#)
- Load factor – consistent with Energy Networks Association (ENA): [Proposed Load Factors: Oct 2014 to Sept 2015](#)

Table A1.2: 2015 wSSP inputs

Company	GDN	LDZ	AQ	Load Factor
NGGD	East of England	EA	12,500	31.40%
		EM	12,500	32.80%
	London	NT	12,500	30.20%
	North West	NW	12,500	32.60%
	West Midlands	WM	12,500	30.50%
NGN	North of England	NE	12,500	35.60%
		NO	12,500	34.50%
SGN	Scotland	SC	12,500	34.90%
	South of England	SE	12,500	28.40%
		SO	12,500	28.70%
WWU	Wales & the West	SW	12,500	29.80%
		WN (WA1)	12,500	34.10%
		WS (WA2)	12,500	31.80%

1.6. The SSP unit rate charge is calculated for each of the eight network regions. The SSP unit rates as shown in Table A1.3 are derived from averaging charges across exit zones within each of the network regions<sup>4</sup>.

1.7. The calculations were performed for the two relevant periods, 1 October 2013 to 30 September 2014 and 1 October 2014 to 30 September 2015. The percentage change between these two periods within each network region gives the wSSP in Table 1 and Table A1.3.

Table A1.3: 2015 wSSP Unit Charge

Region	Unit rate Oct 13 – Sept 14	Unit rate Oct 14 – Sept 15	wSSP (%)
East of England	0.9145	0.9254	1.19
North of England	0.9141	0.9616	5.19
London	1.0750	1.1206	4.24
North West	0.9853	1.0087	2.38
Scotland	0.9085	0.9148	0.69
South of England	1.1110	1.1051	-0.53
Wales and the West	1.0491	1.0559	0.65
West Midlands	0.9848	1.0072	2.27

<sup>4</sup> As an example, the London network comprises the average of the SSP unit rates across its three exit zones NT1, NT2 and NT3.

## The change in the Retail Price Index

1.8. The RPI for year 2015 is the percentage change between the arithmetic average of the RPI for the period from 1 April 2014 to 30 September 2014 and the arithmetic average of the RPI for the period from 1 April 2015 to 30 September 2015. The calculation is shown in Table A1.4.

Table A1.4: Calculating the 2015 RPI

Defined Period	Arithmetic Average	RPI (%)
April-September 2014	256.42	0.97
April-September 2015	258.90	

1.9. The RPI for the relevant periods uses the data published by the Office for National Statistics: [ONS Consumer Price Indices - RPI indices: 1987 to 2015.](#)