



Independent gas transporters,
gas shippers
and other interested parties

Promoting choice and
value for all customers

Your Ref:
Our Ref:
Direct Dial: 020 7901 7194
Email: rachel.fletcher@ofgem.gov.uk

Date: 30 October 2009

Dear Colleague,

Publication of the changes in the relevant Gas Transporters' single supply point charge¹ and in the Retail Prices Index effective from 1 January 2010 pursuant to Special Condition 1 of the Independent Gas Transporters' licences

Special Condition 1² of the Independent Gas Transporters' (IGTs) licences sets out the arrangements for determining the maximum charge that licensees may levy on each premises that is subject to the Relative Price Control (RPC) regime.

As part of these arrangements, the percentage change in the Retail Prices 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 ceiling³ and the annual change in transportation charges. Both the RPI and wSSP are determined and published by the Authority of Gas and Electricity Markets (the Authority) in October of each year to take effect from 1 January of the following year.

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

- the wSSP for year 2009; and
- the RPI for year 2009;

these figures should be used to adjust transportation charges from 1 January 2010 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 2009 is the percentage change between the averages of the relevant Gas Transporters' single supply point charge of years 2008 and 2009 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.

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

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

³ 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	16.68
North of England	12.21
London	3.66
North West	11.43
Scotland	1.57
South of England	7.59
Wales and the West	15.44
West Midlands	7.68

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

The change in the Retail Prices Index

The RPI is defined as the percentage change between the average of the Retail Prices Index for the period 1 April to 30 September 2008 and the average of the Retail Prices Index for the period 1 April to 30 September 2009.

The Authority has determined that the RPI for 2009 is **-1.33%**. This figure should be applied from 1 January 2010 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 Donald Smith by phone on 0207 901 7483 or by e-mail at donald.smith@ofgem.gov.uk.

Yours sincerely,



Rachel Fletcher
Director, Distribution

Signed on behalf of the Authority and authorised for that purpose by the Authority

Appendix 1

This appendix illustrates the calculations underlying the values of wSSP and RPI to be applied from 1 January 2010 in accordance with Special Condition 1 of the IGTs' licences.

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

The wSSP for year 2009 is determined as the percentage change between the average single supply point (SSP) charge (based on unit rates) for the period from 1 October 2007 to 30 September 2008 and the average SSP charge for the period from 1 October 2008 to 30 September 2009.

The SSP unit rate charge is calculated for each of the 8 network regions. The SSP unit rates as shown in table 2 are derived from averaging charges across exit zones within each of the network regions⁴.

The calculations were performed for the two relevant periods, 1 October 2007 to 30 September 2008 and 1 October 2008 to 30 September 2009. The percentage change between these two periods within each network region gives the wSSP in table 1.

Table 2 Calculating the wSSP

Region	Unit rate Oct 07 – Sept 08	Unit rate Oct 08 – Sept 09	wSSP (%)
East of England	0.5625	0.6563	16.68
North of England	0.5521	0.6195	12.21
London	0.6914	0.7167	3.66
North West	0.5858	0.6528	11.43
Scotland	0.5409	0.5494	1.57
South of England	0.6769	0.7283	7.59
Wales and the West	0.6215	0.7175	15.44
West Midlands	0.6344	0.6831	7.68

The change in the Retail Prices Index

The RPI for year 2009 is determined as the percentage change between the arithmetic average of the Retail Prices Index for the period from 1 April 2008 to 30 September 2008 and the arithmetic average of the Retail Prices Index for the period from 1 April 2009 to 30 September 2009. The calculation is shown in table 3.

Table 3 Calculating the RPI

Defined Period	Arithmetic Average	RPI (%)
April-September 2008	216.33	-1.33
April-September 2009	213.47	

The Retail Prices Index for the relevant periods uses the data published by the Office for National Statistics.

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