



Independent gas transporters,
gas shippers
and other interested parties

*Promoting choice and
value for all customers*

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Publication of the changes in the relevant Gas Transporters' single supply point charge¹ and Retail Price Index effective from 1 January 2012 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 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 ceiling³ and the annual change in transportation charges. Both the RPI and wSSP are determined and published by the Gas and Electricity Markets Authority (the Authority) towards the end of October of each year to take effect from 1 January of the following year⁴.

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

- the wSSP for year 2011; and
- the RPI for year 2011.

These figures should be used to adjust transportation charges from 1 January 2012 in accordance to Special Condition 1 of IGTs' licences.

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*.

⁴ Due to an issue with the wSSP figures for 2010, publication of the wSSP figures for 2011 was delayed.

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

The wSSP for year 2011 is the percentage change between the averages of the relevant Gas Transporters' single supply point charge of years 2010 and 2011 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.

Table 1 wSSP per region

Region	wSSP (%)
East of England	10.76
North of England	10.77
London	14.10
North West	9.35
Scotland	16.76
South of England	17.14
Wales and the West	13.89
West Midlands	9.11

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% uplift, this means that the maximum RPC charges can increase by is 10% in any one year.

The change in the Retail Price Index

The RPI is defined as the percentage change between the average of the retail price index for the period 1 April to 30 September 2010 and the average of the retail price index for the period 1 April to 30 September 2011.

The Authority has determined that the RPI for 2011 is **5.18%**. This figure should be applied from 1 January 2012 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 contact Donald Smith by phone on 0141 331 6014 or by e-mail at donald.smith@ofgem.gov.uk.

Yours faithfully,

Andrew Burgess
Associate Partner, Transmission and Distribution Policy

Appendix 1

This appendix illustrates the calculations underlying the values of wSSP and RPI to be applied from 1 January 2012 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 2011 is determined as the percentage change between the average single supply point (SSP) charge (based on unit rates) for the period from 1 October 2009 to 30 September 2010 and the average SSP charge for the period from 1 October 2010 to 30 September 2011.

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 regions⁵.

The calculations were performed for the two relevant periods, 1 October 2009 to 30 September 2010 and 1 October 2010 to 30 September 2011. 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 09 – Sept 10	Unit rate Oct 10 – Sept 11	wSSP (%)
East of England	0.6297	0.6974	10.76
North of England	0.6363	0.7048	10.77
London	0.7112	0.8115	14.10
North West	0.6816	0.7453	9.35
Scotland	0.5613	0.6554	16.76
South of England	0.7217	0.8454	17.14
Wales and the West	0.7079	0.8063	13.89
West Midlands	0.7240	0.7899	9.11

The change in the Retail Price Index

The RPI for year 2011 is determined as the percentage change between the arithmetic average of the retail price index for the period from 1 April 2010 to 30 September 2010 and the arithmetic average of the retail price index for the period from 1 April 2011 to 30 September 2011. The calculation is shown in table 3.

Table 3 Calculating the RPI

Defined Period	Arithmetic Average	RPI (%)
April-September 2010	223.98	5.18
April-September 2011	235.58	

The retail price index for the relevant periods uses the data published by the Office for National Statistics.

⁵ As an example, the London network comprises the average of the SSP unit rates across its three exit zones NT1, NT2 and NT3.

