

Independent gas transporters,
gas shippers
and other interested parties

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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 2015

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. 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 2014; and
- the RPI for year 2014.

These figures should be used to adjust transportation charges from 1 January 2015 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 2014 is the percentage change between the averages of the relevant Gas Transporters' single supply point charge of years 2013 and 2014, 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

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*.

Region	wSSP (%)
East of England	8.68
North of England	7.80
London	8.34
North West	6.69
Scotland	12.07
South of England	8.00
Wales and the West	6.95
West Midlands	7.47

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 2013 and the average of the RPI for the period 1 April to 30 September 2014.

The RPI for 2013 is **2.44 per cent**. This figure should be applied from 1 January 2015 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 Keavy Larkin by phone on 0207 901 3136 or by e-mail at Keavy.Larkin@ofgem.gov.uk.

Yours sincerely,



Andrew Burgess
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Appendix 1

This appendix illustrates the calculations underlying the values of wSSP and RPI to be applied from 1 January 2015 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 2014 is determined as the percentage change between the average single supply point (SSP) charge (based on unit rates) for the period from 1 October 2012 to 30 September 2013 and the average SSP charge for the period from 1 October 2013 to 30 September 2014.

The SSP unit rate charge is calculated for each of the eight network regions. The SSP unit rates as shown in Table 2 are derived from averaging charges across exit zones within each of the network regions.⁴

The calculations were performed for the two relevant periods, 1 October 2012 to 30 September 2013 and 1 October 2013 to 30 September 2014. 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 12 – Sept 13	Unit rate Oct 13 – Sept 14	wSSP (%)
East of England	0.8620	0.9368	8.68
North of England	0.8718	0.9397	7.80
London	1.0112	1.0955	8.34
North West	0.9475	1.0109	6.69
Scotland	0.8335	0.9341	12.07
South of England	1.0524	1.1366	8.00
Wales and the West	0.9915	1.0603	6.95
West Midlands	0.9402	1.0104	7.47

The change in the Retail Price Index

The RPI for year 2014 is the percentage change between the arithmetic average of the RPI for the period from 1 April 2013 to 30 September 2013 and the arithmetic average of the RPI for the period from 1 April 2014 to 30 September 2014. The calculation is shown in Table 3.

Table 3: Calculating the RPI

Defined Period	Arithmetic Average	RPI (%)
April-September 2013	250.30	2.44
April-September 2014	256.42	

The RPI for the relevant periods uses the data published by the Office for National Statistics.⁵

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

⁵ [ONS Consumer Price Indices - RPI indices: 1987 to 2014](#)