

Independent gas transporters,
gas shippers and other interested
parties

Date: 14 November 2018

Publication of the changes in the relevant Gas Transporters' single supply point charge¹ and Retail Price Index, effective from 1 January 2019

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 2018; and
- the RPI for year 2018.

These figures should be used to adjust transportation charges from 1 January 2019 in accordance with 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 2018 is the percentage change between the averages of the relevant Gas Transporters' single supply point charge of years 2017 and 2018, 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	0.55
North of England	-3.66
London	-2.70
North West	-3.73
Scotland	-3.43
South of England	0.67
Wales and the West	-1.13
West Midlands	0.10

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, as defined in paragraph 2 of Special Condition 1, is the percentage change between the average of the RPI for the period 1 April to 30 September 2017 and the average of the RPI for the period 1 April to 30 September 2018.

The RPI for 2018 is **3.33 per cent**. This figure should be applied from 1 January 2019 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 Paul.Guillon@ofgem.gov.uk.

Yours sincerely,

Chris Brown
Head of EST Strategy & Emerging Issues, Systems & Networks

Appendix 1 – Methodology

1.1. This appendix illustrates the calculations underlying the values of wSSP and RPI to be applied from 1 January 2019 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 2018 is determined as the percentage change between the average single supply point (SSP) charge (based on unit rates) for the period from 1 October 2016 to 30 September 2017 and the average SSP charge for the period from 1 October 2017 to 30 September 2018.

1.4. Stakeholders can understand the SSP charges by using the Joint Office transportation charge calculator⁴ and enter the following inputs shown in table A1.1.

Table A1.1: Joint Office transportation calculator

Question	Enter
Where are you entering gas?	National Balancing Point (NBP)
Where are you transporting gas to?	Distribution/CSEP connected load
Additional Information	Enter post code
Distribution Network Details	Will automatically populate
Distribution CSEP/Connected loads – please specify the site type	Non Daily metered, Non CSEP
Is the site monthly read?	No
Annual AQ kWh/annum (AQ)	12,000 (medium)
% of AQ in winter period	Enter load factor for your LDZ
Peak day usage Calculation Method	EUC code
Select EUC Code ⁵	E1601B for October 2017 Transportation Charge Calculator
	E1701B for October 2018 Transportation Charge Calculator

1.5. The input figures 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 based on the

⁴ <http://www.gasgovernance.co.uk/DNcharges>

⁵ Due to the implementation in June 2017 of Project Nexus, two separate load factors were used, one for each calculator.

Typical Domestic Consumption Values (TDCV)⁶. The TDCV of 12,000 was used when determining wSSP for year 2018.

- Load factor – as available via Xoserve and within the Joint Office calculator.

1.6. The SSP unit rate charge is calculated for each of the eight network regions. The SSP unit rates as shown in Table A1.2 are derived from averaging charges across exit zones within each of the network regions⁷.

1.7. The calculations were performed for the two relevant periods, 1 October 2016 to 30 September 2017 and 1 October 2017 to 30 September 2018. The percentage change between these two periods within each network region gives the wSSP in Table 1 and Table A1.2.

Table A1.2: 2018 wSSP Unit Charge

Region	Unit rate Oct 16 – Sept 17	Unit rate Oct 17 – Sept 18	wSSP (%)
East of England	0.9064	0.9113	0.55
North of England	0.9601	0.9249	-3.66
London	1.1149	1.0848	-2.70
North West	1.0400	1.0012	-3.73
Scotland	0.9905	0.9565	-3.43
South of England	1.1007	1.1081	0.67
Wales and the West	1.0770	1.0648	-1.13
West Midlands	0.9852	0.9862	0.10

The change in the Retail Price Index

1.8. The RPI for year 2018 is the percentage change between the arithmetic average of the RPI for the period from 1 April 2017 to 30 September 2017 and the arithmetic average of the RPI for the period from 1 April 2018 to 30 September 2018. The calculation is shown in Table A1.3.

Table A1.3: Calculating the 2018 RPI

Defined Period	Arithmetic Average	RPI (%)
April-September 2017	272.88	3.33
April-September 2018	281.98	

⁶ Available from <https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/typical-domestic-consumption-values>

⁷ As an example, the London network comprises the simple average of the SSP unit rates across its three exit zones NT1, NT2 and NT3.

1.9. The RPI for the relevant periods uses the data published by the Office for National Statistics: ONS Consumer Price Indices - RPI indices⁸.

⁸ <https://www.ons.gov.uk/search?q=RPI+indices>