



Transportation Charging Statement

Revision 2

Effective: 29th June 2012

Transportation Charges for Natural Gas Distribution Networks

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1. Introduction

GTC Pipelines Limited (GPL) is an Independent Gas Transporter (IGT) which transports natural gas to circa 500,000 consumers connected directly to its natural gas distribution networks.

This publication sets out the Transportation Charges which apply for the use of GPL's natural gas pipeline system from 29th June 2012 pursuant to GT Special Licence Condition 1 and Standard Licence Condition 4.

In this Transportation Charging Statement, the methodology for calculating transportation charges relating to **RPC** (Relative Price Control) Supply Points is as contained in Section 2.

Details of transportation charges relating to **Legacy Supply Points** previously owned by **GTC Infrastructure Limited (GTC)** and **Utility Grid Installations Limited (UGI)** are as contained in Section 3.

RPC Supply Point(s) means all premises that are not defined as Legacy Supply Points (below) and are charged under Special Licence Condition 1.

Legacy Supply Point(s) means existing or future premises in respect of which GPL makes, or shall make, charges to shippers under standard condition 4 (Charging of Gas Shippers – General) and at least one of the premises that forms part of the same clearly identifiable site or project was connected to GPLs system and gas had entered that premises' service pipe before 1 January 2004.

Ofgem has agreed the following **Migration Dates** with GPL of:

31 December 2010 for supply points previously owned by GTC; and

31 December 2020 for all supply points previously owned by UGI

whereby all Legacy Domestic Supply Points with an Annual Quantity (AQ) of not greater than 73,200 kWh prior to 1st January 2004 will migrate to RPC charging arrangements.

Legacy Commercial Supply Points and **Legacy Domestic Supply Points with an AQ of greater than 73,200 kWh prior to 1st January 2004 that were previously owned by GTC** will be charged at a daily rate that has been fixed for a period of 20 years from the date that the meter was fitted and which will not be subject to inflation under derogation arrangements approved by Ofgem.

Legacy Commercial Supply Points and **Legacy Domestic Supply Points with an AQ of greater than 73,200 kWh prior to 1st January 2004 that were previously owned by UGI** will be charged in accordance with RPC Charging Arrangements.

GPL's Transportation Charges are governed by the Office of Gas and Electricity Markets (Ofgem) to ensure that they meet relevant objectives as detailed in the Gas Transporters' Standard and Special Licence Conditions.

Details of GPL and its activities can be found on GPL's internet site www.gtc-uk.co.uk.

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2. GPL Gas Transportation Charging Methodology – Relative Price Control (RPC) Supply Points – Special Licence Condition 1

All GPL Supply Points that are not charged under Legacy arrangements will be charged under RPC arrangements as are detailed in this Section 2 of the Transportation Charging Methodology.

GPL has referred to Ofgem's RPC Guidance Version 6.0 dated 13/09/07 and Special Condition 1. Charging of Gas Shippers – Relative Price Control in preparing this Methodology. For the avoidance of doubt, any discrepancy between the aforementioned documents is unintentional and both Special Condition 1 and the RPC Guidance Version 6.0 (or any subsequent amendments) will take precedence.

For the purposes of this section 2, defined terms shall have the following meanings:

- Ct** *means the charge ceiling determined in accordance with 2.2*
- CSEP** *means the incumbent Distribution Networks (DNs) connected system exit point charges as published in the prevailing transportation charges statement at Entry Point excepting all charges for metering, meter reading, CSEP Administration charges, NTS Entry Capacity Charges where determined by auction, or other charges determined in writing by the Authority*
- Entry Point** *means the date at which $t=1$ allocated in accordance with 2.1*
- Ft** *means the charge floor determined in accordance with 2.2*
- RPI** *means the value published in October of each year by the Authority and calculated as the percentage change (whether of a positive or negative value) in the arithmetic average of the retail price index determined in respect of April to September (both inclusive) of the current calendar year and the arithmetic average of the retail price index determined with respect to April to September of the previous calendar year.*

- SSP** means the DN's single supply point charges for premises as published in the prevailing transportation charges statement at Entry Point excepting all charges for metering, meter reading, CSEP Administration charges, NTS Entry Capacity Charges where determined by auction, or other charges determined in writing by the Authority
- Tct** means the maximum charge GPL may levy subject to the floor and ceiling in 2.2
- Tct-1** means the maximum charge GPL may charge each premises subject to the floor and ceiling in the preceding year of part thereof
- WSSPr** means the percentage change in the average of the DN's single supply point charge from year t-1 to year t for each Network Region values for which shall be published and determined in October of each year by the Authority
- Δr** means the annual percentage change in respect of the DN region in which the premises are located, set in accordance with the table below for the period 2004 to 2014

Region	Annual percentage change
Scotland	0.42
North & Yorkshire	1.13
North West	1.40
East England	1.64
West Midlands	1.57
Wales and South West	0.36
North London	1.23
South & South East	1.51

2.1 Determining the Entry Point to RPC

GPL will allocate an RPC Entry Point on an individual Connected System Exit Point (CSEP) basis within 60 days of the binding contractual agreement between GPL and the consumer requiring the connection or the appointed agents of either party.

The date of Entry Point to RPC for all supply points on a particular CSEP will be either:

- i) the date of the binding contractual agreement; or
- ii) the date of the connection of individual premises.

GPL's Transportation Charges are indexed at the Entry Point to RPC via the following formula:

$$\mathbf{Tct = SSP - CSEP}$$

2.1.(a) Example of Indexation of GPL Transportation Charges

In the following example it is assumed that there are 50 x 3 bedroom detached properties and 50 x 4 bedroom detached properties on a particular CSEP, the Exit Zone is EA4, the total CSEP Annual Quantity for RPC purposes is 2,055,250 kWh and the Entry Point to RPC is the date of binding contractual agreement – which in this case is 1st July 2004.

The prevailing DN charging statement in this example is the Transco statement dated 1st April 2004.

3 Bed detached <i>property</i>	-	SSP = £82.94 p.a CSEP = £42.59 p.a
		Indexed GPL Transportation
		Charge = £40.35 p.a
		= 11.05 pence per day

4 Bed detached <i>property</i>	-	SSP = £100.37p.a CSEP = £51.50 p.a
		Indexed GPL Transportation
		Charge = £48.87 p.a
		= 13.39 pence per day

2.2 Setting the Floor and Ceiling Around GPL's Indexed Transportation Charges

When the RPC Entry Date for a property has been assigned in accordance with 2.1 above, a floor and ceiling is set around the indexed charge. This will form the basis for both the setting of initial transportation charges for supply points with an RPC Entry Point of binding contractual agreement that are not connected within the same calendar year as indexation and annual adjustments to the ongoing GPL Transportation Charge for all supply points.

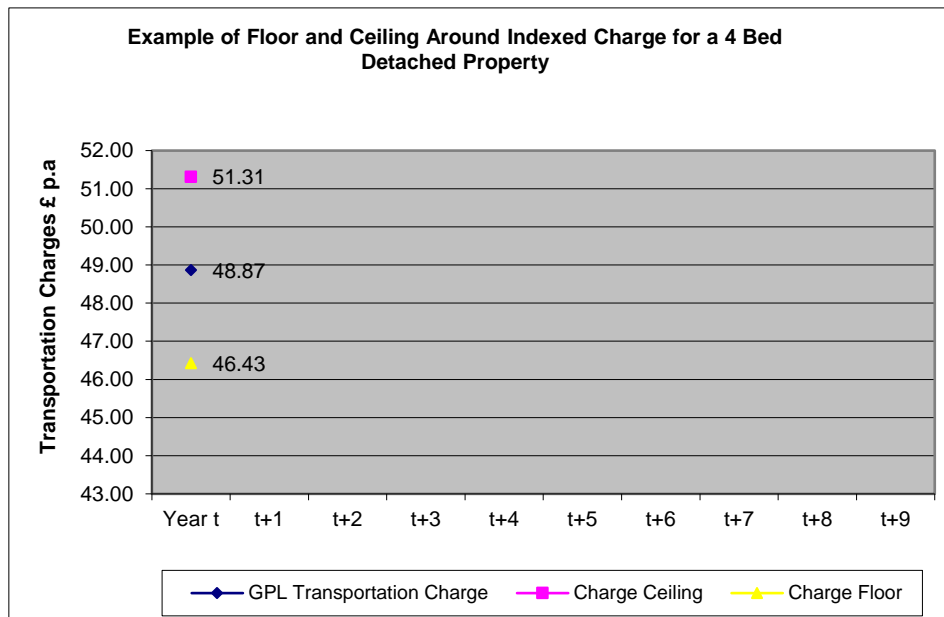
The GPL Transportation Charges floor and ceiling at Entry Point is calculated as follows:

$$C_t = T_{Ct} \times (1+0.05)$$

$$F_t = T_{Ct} \times (1-0.05)$$

2.2(a) Example of GPL Transportation Charge Floor and Ceiling around the Indexed Charge at Entry Point

Using the same assumptions as in 2.1 (a) and the formula in 2.2 above, a 4 bed detached property would have a ceiling and floor around GPLs indexed charge at year t of £51.31 and £46.43 per annum respectively.



2.3 Setting the Path of the Floor and Ceiling around the GPL Transportation Charge

Once the floor and ceiling around the indexed GPL Transportation Charge has been set at Entry Point, the path of the floor and ceiling (outside of which GPL's Transportation Charges cannot fall) must also be set for subsequent years using the following formulae:

$$C_t = C_{t-1} \times \left(1 - \frac{\Delta r}{100}\right) \times \left(1 + \frac{RPI}{100}\right)$$

$$F_t = F_{t-1} \times \left(1 - \frac{\Delta r}{100}\right) \times \left(1 + \frac{RPI}{100}\right)$$

For **New Build Domestic Premises** indexation of the path of the floor and ceiling will apply to the total annual charge (£ per annum).

For **Domestic Infill Premises**, indexation of the path of the floor and ceiling will apply to the unit charges (pence per kWh) at the time the premises entered RPC.

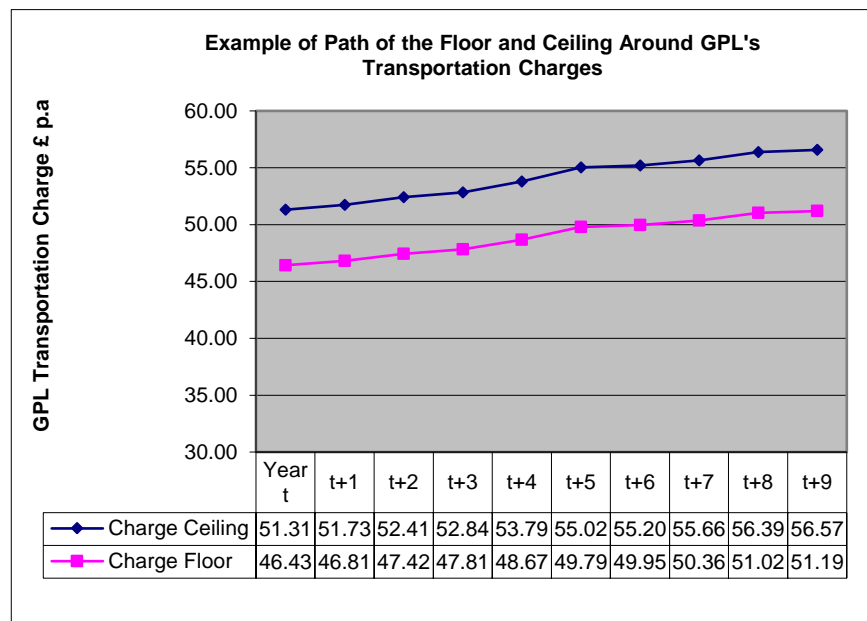
For **Industrial and Commercial Supply Points**, the GPL Transportation charge will be the SSP minus the CSEP charge based upon the relevant assessment of annual quantity for the calendar year ahead agreed with the Shipper.

A floor and ceiling is applicable to the unit charges (pence per kWh) and total annual charges for these supply points.

Where a GPL Supply Point is designated as an **Interruptible Supply Point** (pursuant to the GPL Network Code) there will be no variation to the GPL Firm Transportation Charge.

2.3 (a) Example of Path of the Floor and Ceiling around GPLs Transportation Charges

Using the assumptions as in 2.1 (a), using the formulae in 2.3 and assuming the following RPI figures (actual figures published each October by the Authority) – Year $t+1 = 2.5\%$, $t+2 = 3\%$, $t+3 = 2.5\%$, $t+4 = 3.5\%$, $t+5 = 4\%$, $t+6 = 2\%$, $t+7 = 2.5\%$, $t+8 = 3\%$ and $t+9 = 2\%$, the path of the floor and ceiling outside of which GPLs Transportation Charges cannot fall are contained in the graph below:



In the above example, the formulae used are as shown in 2.3 and, for year $t+1$, the actual values are shown below for ease of reference:

$$\text{Ceiling for year } t+1 = 51.31 \times \left(1 - \frac{1.64}{100}\right) \times \left(1 + \frac{2.5}{100}\right) = \text{£}51.73 \text{ p.a}$$

$$\text{Floor for year } t+1 = 46.43 \times \left(1 - \frac{1.64}{100}\right) \times \left(1 + \frac{2.5}{100}\right) = \text{£}46.81 \text{ p.a}$$

2.4 Initial Transportation Charges for Supply Points with an RPC Entry Date which is the date of Binding Contractual Agreement

Where GPL chooses option 2.1 i) above for a particular CSEP, all individual property charges, irrespective of actual connection date, will be indexed at SSP minus CSEP at the date of binding contractual agreement.

All Supply Points connected within the same calendar year as the date of binding contractual agreement will be charged at SSP minus the CSEP.

For all supply points connected in subsequent years, the Initial Transportation Charge levied by GPL will be set in accordance with the following formulae:

$$TC_t = TC_{t-1} \times \left(1 + \frac{wSSPr}{100} \right)$$

a) Where $TC_{t-1} \times \left(1 + \frac{wSSPr}{100} \right)$ is greater than C_t , then

$$TC_t = C_t$$

b) Where $TC_{t-1} \times \left(1 + \frac{wSSPr}{100} \right)$ is less than F_t , then

$$TC_t = F_t$$

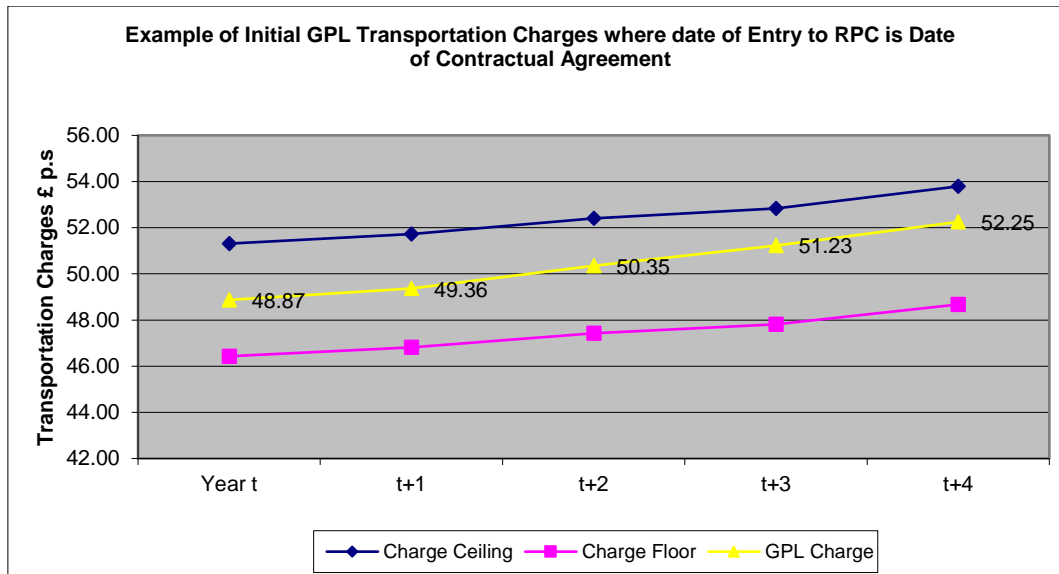
Charges under option 2.1 i) ensure that all similar property types receive the same level of transportation charge regardless of physical connection date.

2.4 (a) Example of Initial Transportation Charges for Supply Points with an RPC Entry Date which is the date of Binding Contractual Agreement

Assuming details as in 2.3 (a), using the formulae in 2.4 and assuming that;

- *wSSPr for years t+1 to t+4 are 1%, 2%, 1.75%, 2% and 2% respectively*

the Initial Transportation Charge levied by GPL shown in the following graph – for example, a 4 bed detached property connecting in Year t+4 would have the same initial charge as a 4 bed detached property connecting in year t:



In the above example, the following formulae are used

$$TC_t = TC_{t-1} \times \left(1 + \frac{wSSPr}{100} \right); \text{ or}$$

$$48.87 \times \left(1 + \frac{1.0}{100} \right) = £49.36$$

Therefore, where the $F_t = £46.81$ and $C_t = £51.73$ then the

$$TC_t \text{ (GPL Charge in year } t+1) = £49.36 \text{ p.a.}$$

2.5 Initial Charges for Supply Points with an RPC Entry Date which is the Date of Connection of Individual Premises

Where GPL choose an Entry Date of option 2.1 ii), the RPC Entry Date for many of the properties will differ according to date of actual connection.

The Initial Charge set in these circumstances will be:

SSP - CSEP at the date of connection for each individual property.

2.6 Annually Adjusted RPC Transportation Charges

GPL shall adjust its transportation charges on 1st January each year in accordance with the formulae contained in 2.4.

Where the RPC Entry Date is within the period of 1st October to 31st December, GPL are not required to adjust transportation charges on the 1st January immediately following but can adjust charges on each 1st January thereafter.

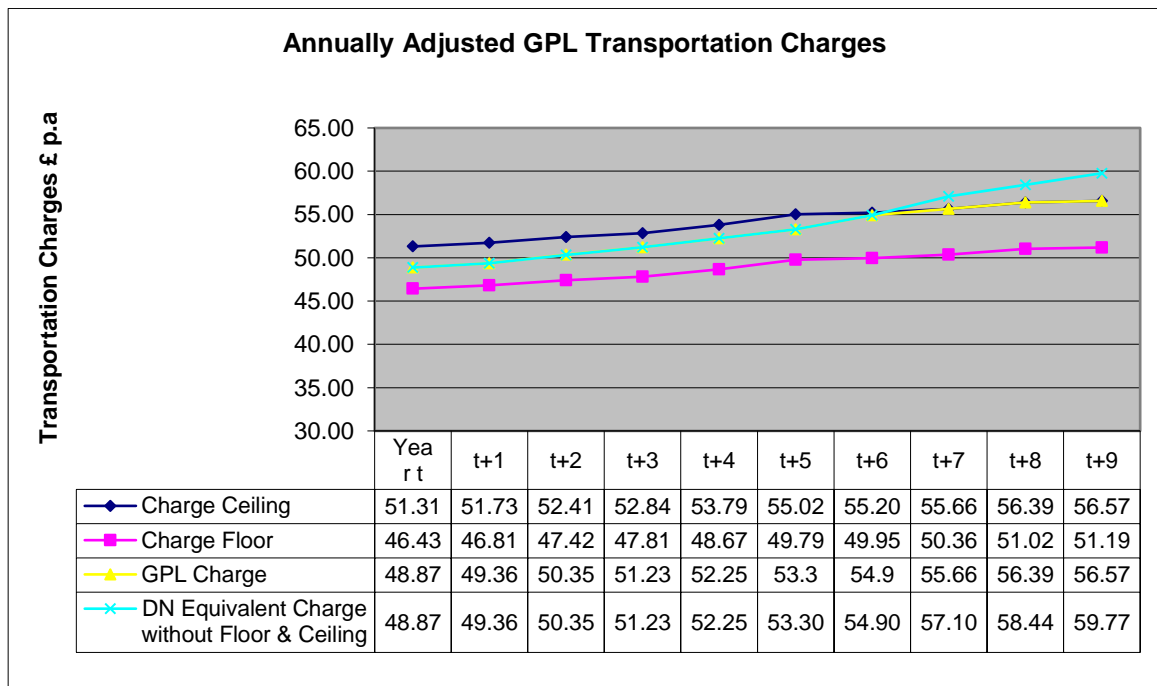
Once the RPC Entry Date has been assigned, all future transportation charges must be set in accordance with the formulae contained in 2.4 for a period of no less than ten years from Entry Date.

2.6(a) Example of GPL Annually Adjusted Transportation Charges

Assuming details as in 2.3 (a), using the formulae in 2.4 and also assuming;

- wSSPr for years t+1 to t+9 of 2%, 1.75%, 2%, 2%, 3%, 4%, 5%, and 6% respectively

the annually adjusted GPL Transportation Charges would be as shown in the following graph:



2.7 Annual Quantity

2.7.1 New Build Domestic Premises

For the avoidance of doubt, for new build domestic premises the AQ will be set in accordance with the table contained within the IGT UNC or any subsequent amendments or revisions as approved by Ofgem.

Once established, the AQ value assigned will remain fixed for the purposes of deriving GPL Transportation Charges whilst RPC charging arrangements apply.

2.7.2 Industrial and Commercial and Domestic Infill Premises

For Industrial & Commercial and Domestic Infill premises, the AQ will be agreed by both the Shipper and GPL at the time of the original siteworks.

Any subsequent amendments made to the original AQ value for the purposes of deriving the GPL Transportation Charge will only become effective as at the 1st January immediately following any such AQ amendment.

2.8 Domestic Infill Transportation Surcharge

Where GPL provide transportation services to domestic infill premises, a maximum surcharge of 0.3412 pence per kWh can be applied adjusted on 1 January each subsequent year by a factor of:

$$\frac{\text{RPI}}{(1 + 100)}$$

This surcharge will have a maximum duration of 20 years from when the surcharge to the relevant Shipper first falls due.

3. GPL Gas Transportation Charging Methodology for Legacy Supply Points previously owned by GTC and UGI

3.1 Domestic Smaller Supply Points with an AQ not greater than 73,200 kWh

The current GPL Gas Transportation Charge for all legacy domestic smaller supply points previously owned by GTC and UGI is determined in accordance with the table below.

Table of daily domestic smaller supply point charges for Legacy Supply Points previously owned by GTC and UGI

House Type	SW, NT, WS, SO	WN, SE, NW, EA, EM, WM, NE	NO, SC
	Pence per Day	Pence per Day	Pence per Day
1 Bed	10.20	10.81	11.41
2BF, 2BT	11.70	12.44	13.19
2BS,2BD, 3BT,3BF	12.62	13.45	14.28
3BS, 2BB	13.85	14.78	15.69
3BD, 3BB	16.28	17.42	18.56
4BD, 4BT, 4BS	19.03	20.40	21.77
5BD, 5BS, 6BD	27.23	29.31	31.40

These charges will remain fixed in absolute terms until the migration to RPC charging arrangements occurs on 31 December 2010 or 31 December 2020 as appropriate, therefore in real terms, Shippers will benefit from price reductions in each year that the RPI is positive.

3.2 Commercial Supply Points and Domestic Supply Points with an AQ of greater than 73,200 kWh

All of the Legacy Commercial Supply Points and Legacy Domestic Supply Points with an AQ of greater than 73,200 kWh previously owned by GTC are charged at a daily rate under Ofgem approved derogation arrangements.

The derogation allows GPL to levy transportation charges that may be in excess of DN-equivalent charges for a similar supply point and that any premium will be for a duration of 20 years from the date of connection. All charges are fixed in real terms and will not be subject to RPI for the duration of the derogation, therefore in real terms Shippers will benefit from price reductions in each year that the RPI is positive. The daily rates applicable to these supply points will be subject to individual quotation at the time of the siteworks or at any time thereafter via the agreed transportation charges request process.

All charges for legacy supply points with an AQ above 73,200 kWh that were previously owned by UGI will be charged under PRC arrangements.

4. Other Charges

4.1 Must Reads

If a Shipper does not provide cyclical meter readings in compliance with the GPL Network Code, GPL may initiate processes to obtain a meter read referred to as an Imposed Meter Read. A charge will be made for each Imposed Meter Read obtained and this charge will be £40.00 per read.

4.2 Opening Meter Read Estimates

Shippers who are acquiring supply points through the change of supply process are required to provide a suitable meter reading within a prescribed read window of the transfer in accordance with the GPL Network Code.

For the relevant properties, if no read is received then GPL will produce an estimate. Each of these Forced Estimated Reads will be charged at £15.00 per read.