# 2025/26 Indicative Statement

## 150-day notice of transportation charges effective from 1st April 2025

we are the network

# Indicative Notice of LDZ Transportation Charges from 1 April 2025

## 1. Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2025 for Northern Gas Networks Limited (NGN), in line with the Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The definitive notice of distribution transportation charges effective from 1 April 2025 will be published by 31 January 2025, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

## 2. Indicative Distribution Charges

- The LDZ price change for 2025/26 is an increase of **+1.6%.** This represents a 6.3% increase in Allowed Revenue, combined with peak day capacity changes impacting unit rates by -4.7%, to ensure we collect Revenue of £529m.
- The Exit Capacity price change for 2025/26 is an increase of +**86.3%.** This represents a 98.2% increase in Allowed Revenue, combined with peak day capacity changes impacting unit rates by -11.9%, to ensure we collect revenue of £51.3m.

The table below shows the year-on-year movement in Allowed Revenue. Prices are set to establish unit rates on 3 separate income streams as illustrated below for LDZ, Exit and Supplier of Last Resort charges. Inflationary growth is assumed to be +1.6%.

| **Year on Year £ movements** | LDZ | Exit | SOLR | **Total** |
|---|---|---|---|---|
| **24/25 Allowed Revenue (nominal)** | **497.6** | **25.9** | **0.7** | **524.2** |
| Totex changes | 26.3 | | | **26.3** |
| Update to NGT Exit Rates | | 25.4 | | **25.4** |
| Shrinkage | 18.4 | | | **18.4** |
| Tax Changes | 6.4 | | | **6.4** |
| Other Pass Through Costs | 1.6 | | | **1.6** |
| SOLR Claims | | | (1.5) | **(1.5)** |
| Incentives and Other Revenue allowances | (2.5) | | | **(2.5)** |
| Other changes (including under recovery) | (3.9) | | | **(3.9)** |
| Inflation | (14.8) | | | **(14.8)** |
| **25/26 Allowed Revenue (nominal)** | **529.0** | **51.3** | **(0.7)** | **579.6** |
| *Year on Year £ movement* | *31.5* | *25.4* | *(1.5)* | ***55.4*** |
| *Year on Year % movement* | *6.3%* | *98.2%* | *(200.9%)* | ***10.6%*** |
| **Price Change Breakdown** | | | | |
| Year on Year AR % movement | *6.3%* | *98.2%* | *(200.9%)* | ***10.6%*** |
| Capacity changes | *-4.7%* | *-11.9%* | | |
| **Overall Price Change** | **1.6%** | **86.3%** | | |

we are the network

**<u>Supporting notes for the largest Allowed Revenue movements above:</u>**

- **Totex Changes (+£26.3m):** This is an amalgamation of several factors resulting in a higher allowance in relative terms.

  The year-on-year profile of allowances has increased by £16.0m

  Several re-openers, £6.7m, that have been submitted to Ofgem during September, and on which we are awaiting the final decisions, these include:

  - Additional resources required to ensure compliance with new HSE directives on fatigue.
  - Increased cyber resilience.
  - Small net zero projects.

  Additionally, we have included our estimate of the real price effects (RPEs), £3.3m that Ofgem will include in their updated PCFM to be published in November 2024.

- **NGT Exit Rates (+25.4m):** National Gas Transmission (NGT) over collected their revenue in 22/23, which NGN returned to customers in 24/25. Thus suppressing 24/25 when compared to our projections for 25/26. Below is a summary of the forecast and confirmed unit rates from NGT over the last few years:

| Exit capacity rates<br>Reg year | 150D notice<br>p/kWh/day | 24/25 Pricing<br>p/kWh/day | 23/24 Pricing<br>p/kWh/day |
|---|---|---|---|
| 23/24 | 0.0127 * | 0.0127 * | 0.0620 |
| 24/25 | 0.0265 * | 0.0286 | 0.0698 |
| 25/26 | 0.0311 | 0.0258 | 0.0671 |
| 26/27 | 0.0314 | 0.0276 | 0.0601 |
| 27/28 | 0.0329 | 0.0285 | |
| 28/29 | 0.0344 | | |

* Confirmed rate

- **Shrinkage (+18.4m):** Allowances have been calculated based on the forecast Heren prices; this notice assumes a price per therm of £0.91 for 24/25 and £1.02 for 25/26.

  Prices are continuing to return to pre-energy crisis levels and showing less volatility than the last two years. Underlying costs are fairly consistent year on year, however revenue allowances year on year are distorted by the inclusion of a -£26.5m true up, relating to 23/24, but collected within 24/25 revenue.

  Below is a summary of gas prices used:

| Year | 150D Notice<br>£/therm | Pricing 2024/25<br>£/therm | Pricing 2023/24<br>£/therm |
|---|---|---|---|
| 22/23 | 1.75 | 1.75 | 2.19 |
| 23/24 | 0.83 | 1.00 | 3.03 |
| 24/25 | 0.91 | 1.25 | 2.24 |
| 25/26 | 1.02 | 1.10 | 1.59 |

- **Inflation (-14.8m):** Included in the above numbers is a finalised rate for 23/24 and assumed rates for 24/25 and 25/26. This is based on the Office for Budget Responsibility (OBR) forecasts compiled in March 2024. This should be compared to the rates in previous pricing statements below.

| Inflation | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
|---|---|---|---|---|---|
| 150D Notice | 3.674% | 8.774% | 5.547% | 2.813% | 1.562% |
| Final Pricing 24-25 | 3.674% | 8.774% | 6.250% | 3.047% | 1.710% |
| Final Pricing 23-24 | 3.674% | 8.765% | 5.198% | 0.321% | -0.451% |

- **Tax (+£6.4m):** The main factor driving the increase is the updated assumptions on full expensing following the submission of our actual 22/23 tax computations.

**3. Uncertainties around Indicative Transportation Charges**

There remains uncertainty on the following areas at the time of publication:

- The final decision on the re-openers discussed above.
- NGN may submit further updates on shrinkage allowances to be included in the 60-day notice to reflect the very latest gas price Heren forecast.
- The dry run Annual Iteration Process (AIP) used to generate the 150-day notice, uses inflation forecast data as published in March 2024 OBR forecasts. Ofgem will publish an updated PCFM following the next OBR forecast, which will then be used in the 60-day notice.
- Ofgem will finalise their view of Real Price effects (RPE's), cost of debt and equity assumptions in their November publication of the PCFM.
- SOQ change**:** We have assumed a 5.2% increase in capacity levels for 2025/26, driven largely by domestic customers. A final snapshot of capacity data will be available during the first week of December.
- Supplier of Last Resort: 2025/26. Ofgem's current minded-to positions indicate c.£0.7m to return to customers, which has been included in this publication. The final position will be included in the 60-day notice.

**4. Further Information**

If you have any queries or require any further details on this notice, please contact:

**Jenny Schofield**
**Pricing Manager**
Northern Gas Networks
1100 Century Way
Thorpe Park
Leeds
LS15 8TU
07711 774258

we are the network

## Appendix 1 - Indicative Unit Charges effective from 1st April 2025

**LDZ System Capacity Charges - Directly Connected Supply Points and Connected Systems**

| Charge band (kWh/annum) | Current (24/25) | | Effective from 1st April 2025 |
|---|---|---|---|
| | Capacity p / peak day kWh / day | | **Capacity p / peak day kWh / day** |
| Up to 73,200 | 0.2850 | | 0.2895 |
| 73,200 to 732,000 | 0.2449 | | 0.2488 |
| >732,000 | 2.8739 X SOQ ^ -0.2834 | | 2.9197 x SOQ ^ -0.2834 |
| Subject to a minimum rate of: | 0.0073 | | 0.0074 |
| Minimum reached at SOQ of: | 1,436,130,960 | | 1,447,349,549 |

**LDZ System Commodity Charges - Directly Connected Supply Points and Connected Systems**

| Charge band (kWh/annum) | Current (24/25) | | Effective from 1st April 2025 |
|---|---|---|---|
| | Commodity p / kWh | | **Commodity p / kWh** |
| Up to 73,200 | 0.0450 | | 0.0457 |
| 73,200 to 732,000 | 0.0385 | | 0.0391 |
| >732,000 | 0.4941 X SOQ ^ -0.2940 | | 0.5020 x SOQ ^ -0.2940 |
| Subject to a minimum rate of: | 0.0013 | | 0.0013 |
| Minimum reached at SOQ of: | 595,762,461 | | 628,788,575 |

**LDZ Customer Capacity Charges**

| Charge band (kWh/annum) | Current (24/25) | | Effective from 1st April 2025 |
|---|---|---|---|
| | Capacity p / peak day kWh / day | | **Capacity p / peak day kWh / day** |
| Up to 73,200 | 0.1522 | | 0.1546 |
| 73,200 to 732,000 | 0.0054 | | 0.0055 |
| >732,000 | 0.1162 X SOQ ^ -0.2100 | | 0.1181 x SOQ ^ -0.2100 |

**LDZ Customer Fixed Charges - 73,200 to 732,000 kWh / annum only**

| Type of Supply Point | Current (24/25) | | **Effective from 1st April 2025** |
|---|---|---|---|
| | Fixed p / day | | **Fixed p / day** |
| Non-monthly read supply points | 47.8109 | | 48.5734 |
| Monthly read supply points | 50.9075 | | 51.7194 |

**NTS Exit Capacity Charges recovered through the LDZ ECN Charge**

| Exit Zone | Current (24/25) | | **Effective from 1st April 2025** |
|---|---|---|---|
| | Capacity p / peak day kWh / day | | **Capacity p / peak day kWh / day** |
| NE1 | 0.0160 | | 0.0292 |
| NE2 | 0.0161 | | 0.0303 |
| NE3 | 0.0161 | | 0.0303 |
| NO1 | 0.0159 | | 0.0292 |
| NO2 | 0.0150 | | 0.0265 |

**Supplier of Last Resort Charges**

| Type of Supply Point | Current (24/25) | | **Effective from 1st April 2025** |
|---|---|---|---|
| | Fixed p / day | | **Fixed p / day** |
| Domestic sites | 0.0009 | | (0.0007) |

## Appendix 2 – DN Entry Indicative Unit Rates 25/26

The following table shows the indicative unit rates for sites that are flowing gas or have flowed for 1 day. Should any additional new sites start to flow gas after this publication or volumes forecasts change significantly, we will adjust in our final 60-day pricing notice.

| Xoserve Site name | Site Name | Charge Code: LEC | | Current (24/25) | | | **Effective from 1st April 2025** | |
|---|---|---|---|---|---|---|---|---|
| | | Date Connected | | Pence per kWh | Unit Rate: Charge or Credit | | **Pence per kWh** | **Unit Rate: Charge or Credit** |
| HOWDOS | Howdon | 10/12/2014 | | (0.0445) | Credit | | (0.0528) | Credit |
| FOOTOS | Teeside | 19/09/2015 | | (0.0022) | Credit | | 0.0025 | Charge |
| LEEMOS | Leeming | 25/06/2015 | | (0.0332) | Credit | | (0.0413) | Credit |
| ASPAOS | Cumbria | 25/05/2016 | | 0.0042 | Charge | | (0.0064) | Credit |
| RIDGOS | Ridge Rd Sherburn in Elmet | 19/03/2016 | | 0.0366 | Charge | | 0.0332 | Charge |
| SHEROS | Agri Sherburn in Elmet | 17/03/2016 | | (0.0290) | Credit | | (0.0082) | Credit |
| GRAVOS | Gravel Pit | 31/03/2016 | | 0.0008 | Charge | | 0.0033 | Charge |
| NEWTOS | Emerald Biogas | 23/03/2016 | | (0.0720) | Credit | | (0.0856) | Credit |
| BURTOS | Burtos Agnes | 22/03/2016 | | 0.0427 | Charge | | 0.0538 | Charge |
| LANEOS | Lanes Farm | 14/10/2019 | | (0.0546) | Credit | | (0.0580) | Credit |
| SPALOS | Spaldington | 23/10/2019 | | 0.0227 | Charge | | 0.0303 | Charge |
| BRANOS | Bran Sands | 19/12/2019 | | (0.0551) | Credit | | (0.0617) | Credit |
| WARDOS | Wardley | 23/12/2019 | | 0.0019 | Charge | | 0.0685 | Charge |
| PARKOS | Park Farm | 18/12/2019 | | (0.0428) | Credit | | (0.0304) | Credit |
| PLAXOS | Plaxton Bridge | 27/01/2020 | | 0.0829 | Charge | | 0.1728 | Charge |
| *HEDLOS | High Hedley | 29/01/2020 | | 0.1145 | Charge | | n/a | n/a |
| *MILLOS | Mill Nurseries | 13/12/2016 | | n/a | n/a | | n/a | n/a |
| CRAMOS | Cramlington | 30/03/2022 | | 0.1653 | Charge | | 0.0720 | Charge |
| DRIFIOS | Driffield | 04/05/2022 | | (0.0496) | Credit | | (0.0417) | Credit |

*No flow expected in 2025/26