MONITOR FOR GAS

Keeping you in touch with non-energy costs associated with your gas supply

ISSUE 1 2023
NON-ENERGY COSTS
AT A GLANCE...

Non-energy cost (NECs) components form around 20% of your bill. The cost of your energy (wholesale gas costs) make up the rest.

GREEN GAS LEVY
Green Gas Levey Charges
Pays for: Investment in green gas projects through the Green Gas Support Scheme ( GGSS).

HIGH PRESSURE TRANSMISSION SYSTEM
Transmission Charges
Pays for: Transportation of gas from entry into the transmission system to exit of the transmission system. As well as maintenance, investment and accounting for any gas lost during this process.

LOCAL LOW PRESSURE DISTRIBUTION SYSTEM
Distribution Charges
Pays for: Transportation of gas from the transmission system on to homes and businesses, as well as system maintenance and investment.

HOMES AND BUSINESSES USE GAS
Unidentified Gas
Pays for: Gas lost during the transportation of gas on the distribution network.

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Proportion of your bill:

relatively stable

highly volatile

volatile

large medium small
NECs - OVERVIEW OF ANNUAL COST CHANGES

THIS ISSUE

TRANSMISSION
- Forecast / Oct 24 - Sep 25
  - Low: £6 - £20
  - Medium: £62 - £198
  - High: £250 - £794

DISTRIBUTION
- Forecast / Apr 24 - Mar 25
  - Low: £566 - £692
  - Medium: £2,960 - £3,618
  - High: £9,497 - £11,607

GREEN GAS LEVY
- Forecast / Apr 24 - Mar 25
  - Low: £0.6 - £5.8
  - Medium: £0.6 - £5.8
  - High: £0.6 - £5.8

UNIDENTIFIED GAS
- Forecast / Oct 23 - Sep 24
  - Low: £181 - £482
  - Medium: £4,79 - £1,279
  - High: £856 - £2,282

Non-energy costs make up around 20% of a typical bill.

CUSTOMER CONSUMPTION ASSUMPTIONS
- Low: 50,000kWh AQ, average band 1 Industrial load factor
- Medium: 500,000kWh AQ, average band 3 industrial load factor
- High: 2,000,000kWh AQ, average band 4 Bucket load factor

† Based on upper annual cost forecast figure.

LOW CONSUMPTION
50,000kWh annual consumption

MEDIUM CONSUMPTION
500,000kWh annual consumption

HIGH CONSUMPTION
2,000,000kWh annual consumption
Rates for the General Non-Transmission Services charge were confirmed for the October 23 charging year at the end of July 2023. Gas years run October to September, however regulatory years which set target revenue for National Gas are set April to March. This presents risk of year-on-year volatility in the gas year rates. To reduce the spike in costs expected in October 2023 a revenue deferral of £100m was agreed between financial year 2024 to financial year 2025. National Gas are looking to propose a UNC change for 2024 intended to reduce future charge volatility.

<table>
<thead>
<tr>
<th>Consumption Level</th>
<th>Consumption Range</th>
<th>Actual</th>
<th>Forecast Outturn (high range)</th>
<th>Forecast Outturn (low range)</th>
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</thead>
<tbody>
<tr>
<td>Low</td>
<td>50,000kWh</td>
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<tr>
<td>Medium</td>
<td>500,000kWh</td>
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<tr>
<td>High</td>
<td>2,000,000kWh</td>
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**DISTRIBUTION**  
**EDF FORECAST RANGE / APRIL 2024 – MARCH 2025**

Distribution tariffs for 2023/24 were published at the end of January 2022. Every quarter each distribution network publishes their latest forecast of future revenues, the next publication is expected in September 2023.
GREEN GAS LEVY  EDF FORECAST RANGE / APRIL 2024 – MARCH 2025

Rates for the April year are published in the preceding December. The scheme is currently in its early years and we have seen low revenue requirements to date. This resulted in an early over recovery in April 2022, this additional money was re-distributed to suppliers the following year hence a particularly low rate in April 2023. There is however scope for the levy to grow quickly depending on Green Gas Support Scheme uptake, which the Green Gas Levy (GGL) funds.

When BEIS consulted on the development of the GGL scheme there was an ambition to move the charge to a volumetric charging base from April 2024, this has not been confirmed.

UNIDENTIFIED GAS  EDF FORECAST RANGE / OCTOBER 2024 – SEPTEMBER 2025

The latest allocation of unidentified gas weightings were published in April 2023. These weightings set the share that each user will pay towards national unidentified gas as a proportion of their annual consumption. This was the first set of weightings to include the equalisation of prepayment and non-prepayment meter weighting factors following approval from Ofgem.

Outturn Unidentified Gas (UiG) is billed to Gas shippers using outturn UiG which is reconciled over a number of years.

There are some open Uniform Network Code (UNC) modifications which would look to alter how the Allocation of Unidentified Gas is calculated, this could result in significant shifts in customer liability for UiG.
**GAS TRANSMISSION**

**WHAT IT COVERS:**
Transmission charges are levied by National Gas Transmission who own and operate the transportation of gas. This is from the entry point into the system, which could be from a variety of sources such as liquified natural gas (LNG) tankers, direct pipelines from Europe or North Sea gas fields, through to an exit point which could be for example a local distribution network, a gas storage site, or a combined-cycle gas turbine (CCGT) power plant.

**INFLUENTIAL FACTORS:**
Gas Shrinkage costs recovered by National Gas Transmission accounts for the purchasing of gas that enters the transmission system but goes unbilled due to gas ‘lost’ on the transmission network. The cost of procuring this additional gas is their responsibility, given the volatility of wholesale gas prices in recent years, this cost can be particularly variable.

**HOW IT IS CALCULATED:**
Transmission companies are regulated by Ofgem through the RIIO process which runs for five years at a time. This sets the revenue level these companies can look to recover balancing investment, maintenance, and operating costs.

**IMPACT ON BILLS:**
The majority of the revenue that each network is allowed to recover is set based on the price control. The price at which this gas is purchased for as well as how much gas is required impacts the costs to end consumers. Increased meter readings and reduced gas theft all help to reduce this cost.

**GREEN GAS LEVY**

**WHAT IT COVERS:**
The Green Gas Levy (GGL) is administered by the Department for Energy Security and Net Zero and provides funding to the Green Gas Support Scheme (GGSS). The GGSS looks to provide financial incentives to biomethane projects which helps to increase the amount of green gas input into the gas networks.

**INFLUENTIAL FACTORS:**
This GGSS and thus GGL are still in their infancy, uncertainty around project uptake means the revenue required to fund the projects can be uncertain.

**HOW IT IS CALCULATED:**
A forecast of the funding required is published by the Department for Energy Security and Net Zero.

**IMPACT ON BILLS:**
This is currently a small cost since the GGSS is also small, however there is the potential for this to grow in the future.

**UNIDENTIFIED GAS**

**WHAT IT COVERS:**
Unidentified gas charges account for the cost of gas that is ‘lost’ on the distribution network and cannot be billed to an end user. This could be through gas lost naturally via transportation, theft of gas or unregistered supply points, all of which needs to be paid for by end consumers.

**INFLUENTIAL FACTORS:**
The price at which this gas is purchased for as well as how much gas is required impacts the costs to end consumers. Increased meter readings and reduced gas theft all help to reduce this cost.

**HOW IT IS CALCULATED:**
The difference in gas volumes input into the distribution system and the gas recorded by end consumer meter points is the total unidentified gas volume by Local Distribution Zone (LDZ). This is then charged at wholesale gas prices. This cost is currently then allocated to consumers based on a weighting factor set by the Allocation of Unidentified Gas Expert (AUGE).

**IMPACT ON BILLS:**
This cost is heavily impacted by the gas wholesale price as well as varying by customer user type. The allocation of the costs currently is such that users who are thought to contribute to unidentified gas more than others by the AUGE pay a higher proportion of costs.
LIKE TO KNOW MORE?
If you would like more information about our Standard Fixed Gas offering or to get a quote, please email the gas team at: ebsgastpitenders@edfenergy.com.

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