



MONITOR FOR GAS

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

ISSUE 2 2023



e-report



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.



⚡⚡⚡ highly volatile
 ⚡⚡ volatile
 ⚡ relatively stable

Proportion of your bill:
 ◐ large ◑ medium ◒ small

NECs - OVERVIEW OF ANNUAL COST CHANGES

CHANGE †	THIS ISSUE	LAST ISSUE
→ TRANSMISSION	FORECAST / OCT 24 - SEP 25 LOW: £6 - £20 MEDIUM: £62 - 198 HIGH: £250 - £794	FORECAST / OCT 24 - SEP 25 LOW: £6 - £20 MEDIUM: £62 - 198 HIGH: £250 - £794
↑ DISTRIBUTION	FORECAST / APR 24 - MAR 25 LOW: £646 - £714 MEDIUM: £3,306 - £3,654 HIGH: £12,245 - £13,533	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	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: £163 - £434 MEDIUM: £427 - £1,138 HIGH: £760 - £2,025	FORECAST / OCT 23 - SEP 24 LOW: £181 - £482 MEDIUM: £479 - £1,279 HIGH: £856 - £2,282

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

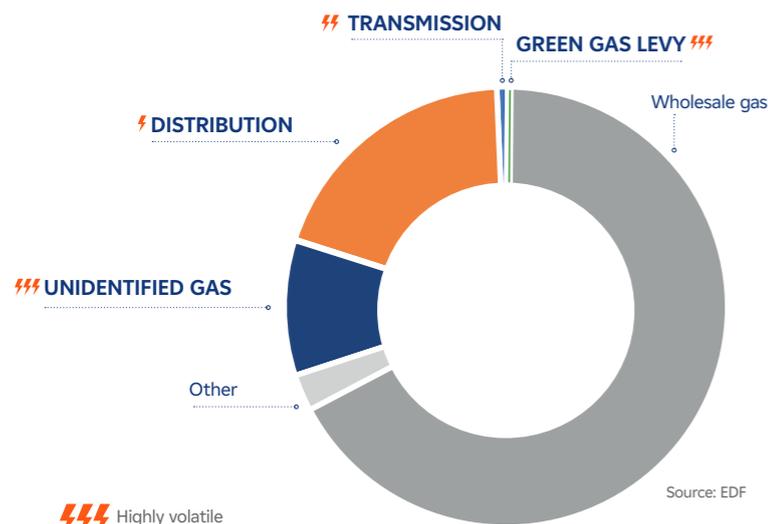
Non-energy costs
make up around

20%

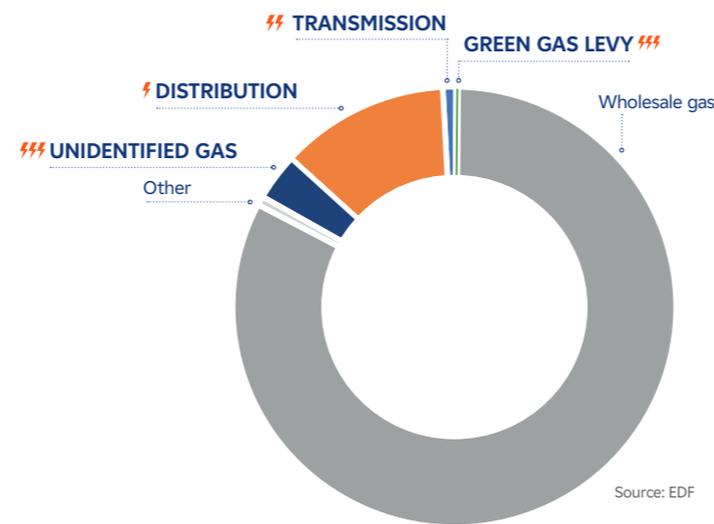
of a typical bill

† Based on upper annual cost forecast figure.

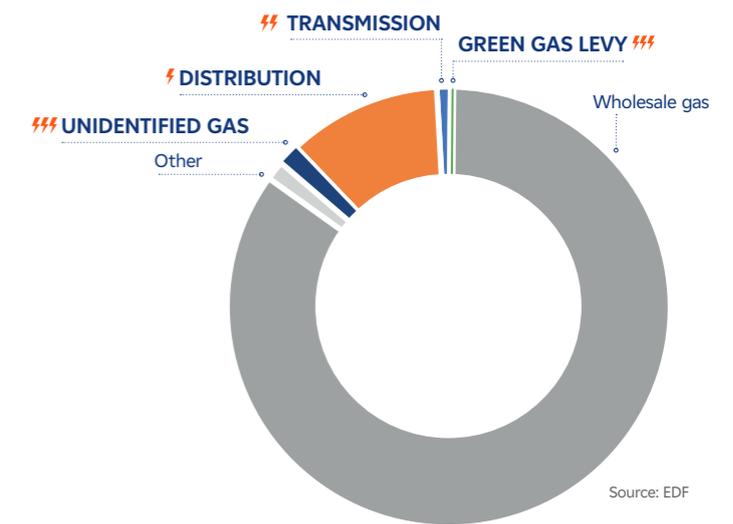
LOW CONSUMPTION
50,000kWh annual consumption



MEDIUM CONSUMPTION
500,000kWh annual consumption



HIGH CONSUMPTION
2,000,000kWh annual consumption



⚡⚡⚡ Highly volatile
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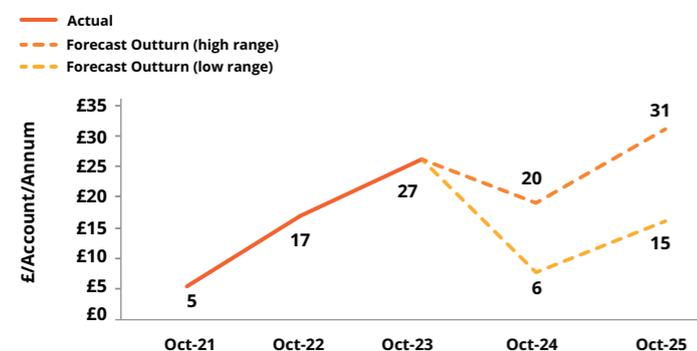
TRANSMISSION  EDF FORECAST RANGE / OCTOBER 2024 - SEPTEMBER 2025

Rates for the General Non-Transmission Services charge were confirmed for the Oct-23 charging year at the end of July 2023.

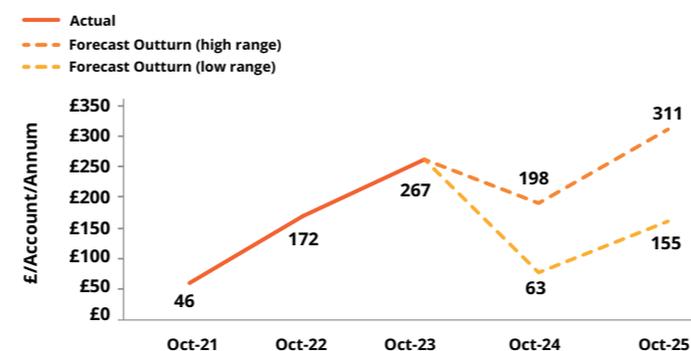
Gas years run October to September, however regulatory years which set target revenue for National Gas are set April to March. This presents risk of year-on-year volatility in the gas year rates. To reduce the spike in costs expected in October 2023 a revenue deferral of £100m was agreed between financial year 2024 to financial year 2025. National Gas will be working with industry stakeholders to look at further reforms with any implementation expected for October 2025 at the earliest.

TRANSMISSION EXPLAINED...
SEE PAGE 6

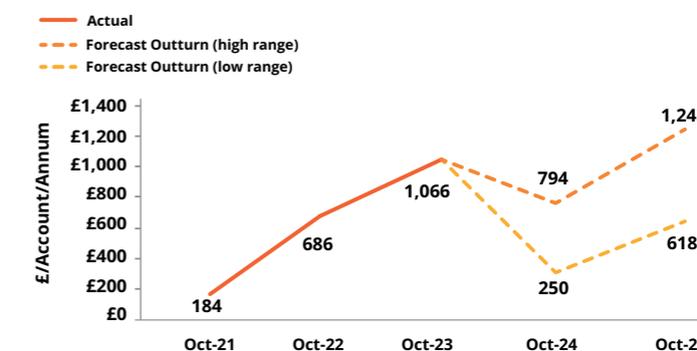
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



HIGH CONSUMPTION (2,000,000kWh annual consumption)



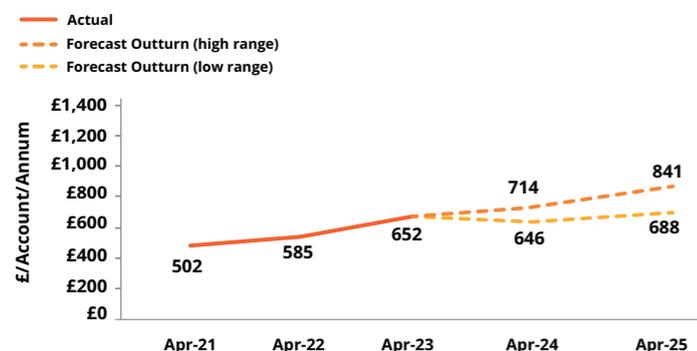
DISTRIBUTION  EDF FORECAST RANGE / APRIL 2024 - MARCH 2025

Distribution tariffs for 2023/24 were published at the end of January 2022, in November 2023 indicative tariffs for 2024/25 were published. These were higher than previously forecasted, reflecting a nationally reduced charging base resulting in higher rates to recover equivalent £ cost. We have also included an uplift to account for the latest November OBR inflation forecast which was not included in the indicatives.

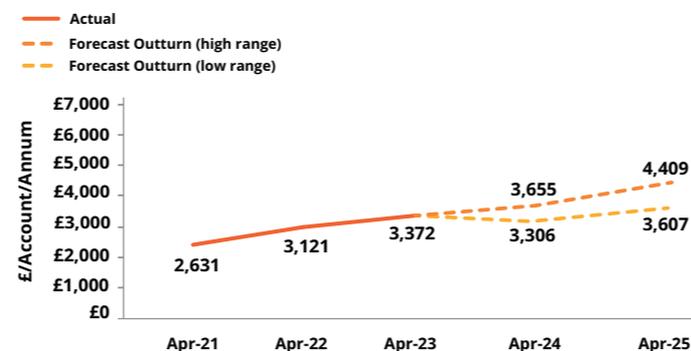
Every quarter each distribution network publishes their latest forecast of future revenues, the next publication is expected later in December 2023.

DISTRIBUTION EXPLAINED...
SEE PAGE 6

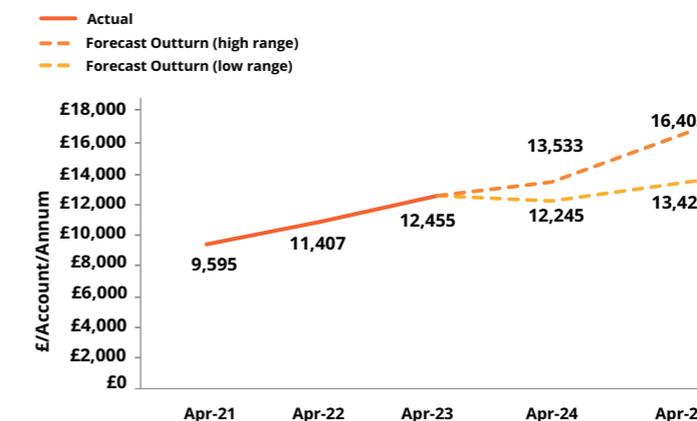
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



HIGH CONSUMPTION (2,000,000kWh annual consumption)



CUSTOMER CONSUMPTION ASSUMPTIONS

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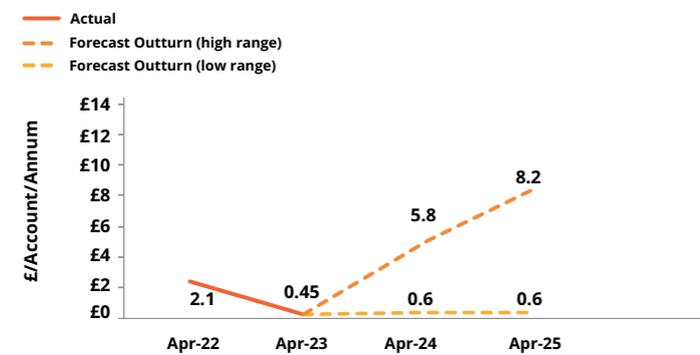
GREEN GAS LEVY EDF FORECAST RANGE / APRIL 2024 - MARCH 2025

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 Apr-22, this additional money was re-distributed to suppliers the following year hence a particularly low rate in Apr-23. There is however scope for the levy to grow quickly depending on Green Gas Support Scheme uptake, which the Green Gas Levy (GGL) funds.

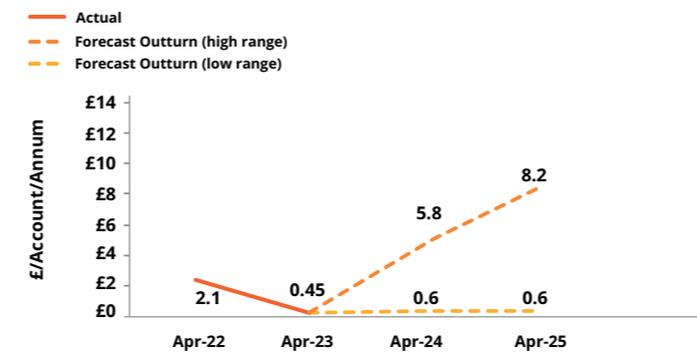
When BEIS consulted on the development of the GGL scheme there was an ambition to move the charge to a volumetric charging base from April 2024, this has not been confirmed. The Apr-24 rates will be published at the end of December 2023.

GREEN GAS LEVY EXPLAINED...
SEE PAGE 6

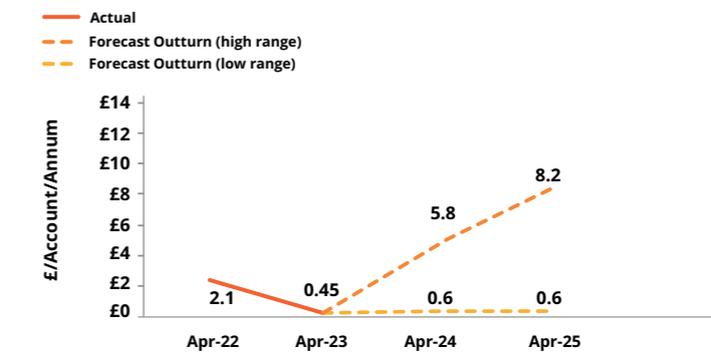
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



HIGH CONSUMPTION (2,000,000kWh annual consumption)



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.

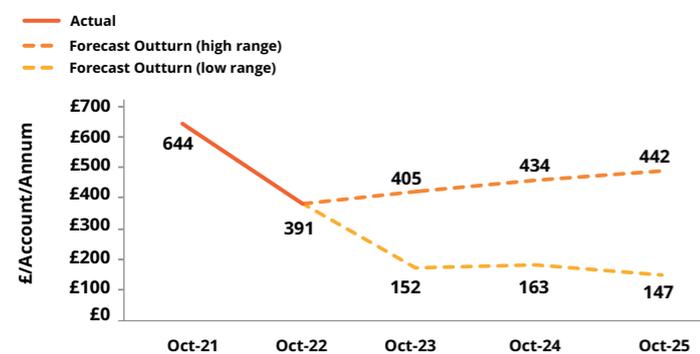
Outturn Unidentified Gas (UiG) is billed to Gas shippers using outturn UiG which is reconciled over a number of years.

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. The most recent was 0831/0831A which look to equalise UiG liability across most or all user types, the workgroup panel did not recommend implementation of either MOD, Ofgem will now look to make a final decision.

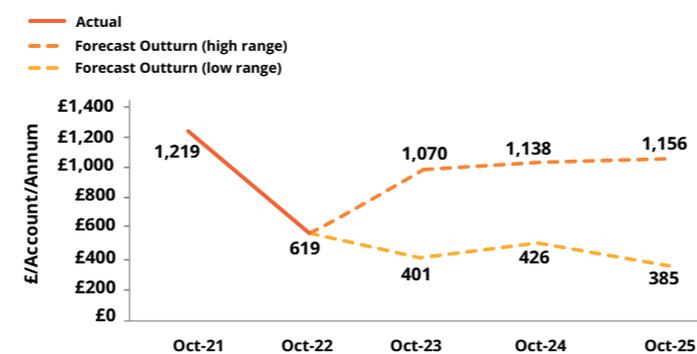
The forecast for UiG cost from Oct-23 onwards has fallen with the forward view of wholesale gas prices.

UNIDENTIFIED GAS EXPLAINED...
SEE PAGE 6

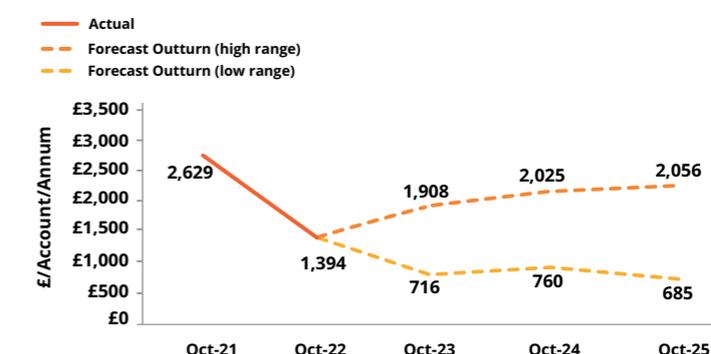
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



HIGH CONSUMPTION (2,000,000kWh annual consumption)



GAS SUPPLY – NON-ENERGY COSTS IN DETAIL...

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 Transmission part of the bill is one of the smaller elements, it is linked to wholesale prices through the cost of shrinkage which can be volatile.

GAS DISTRIBUTION

WHAT IT COVERS:

Distribution charges are levied by the 5 Gas Distribution Networks (GDN's) for transporting gas from the transmission system on to end consumers, typically domestic and non-domestic premises.

INFLUENTIAL FACTORS:

There is a RIIO price control set for the gas distribution networks 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. Inflation, under & over recoveries of revenue can also play a large part in how charges change year on year.

HOW IT IS CALCULATED:

The majority of the revenue that each network is allowed to recover is set based on the price control.

IMPACT ON BILLS:

Costs vary by each Local Distribution Zone (LDZ), there are also different rates and charging methodologies based on the size of the gas consuming premises. The main cost is determined by the premises capacity, defined as the sites peak daily gas consumption.

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 user 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.

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