EDF Business
Solutions

Monitor for gas

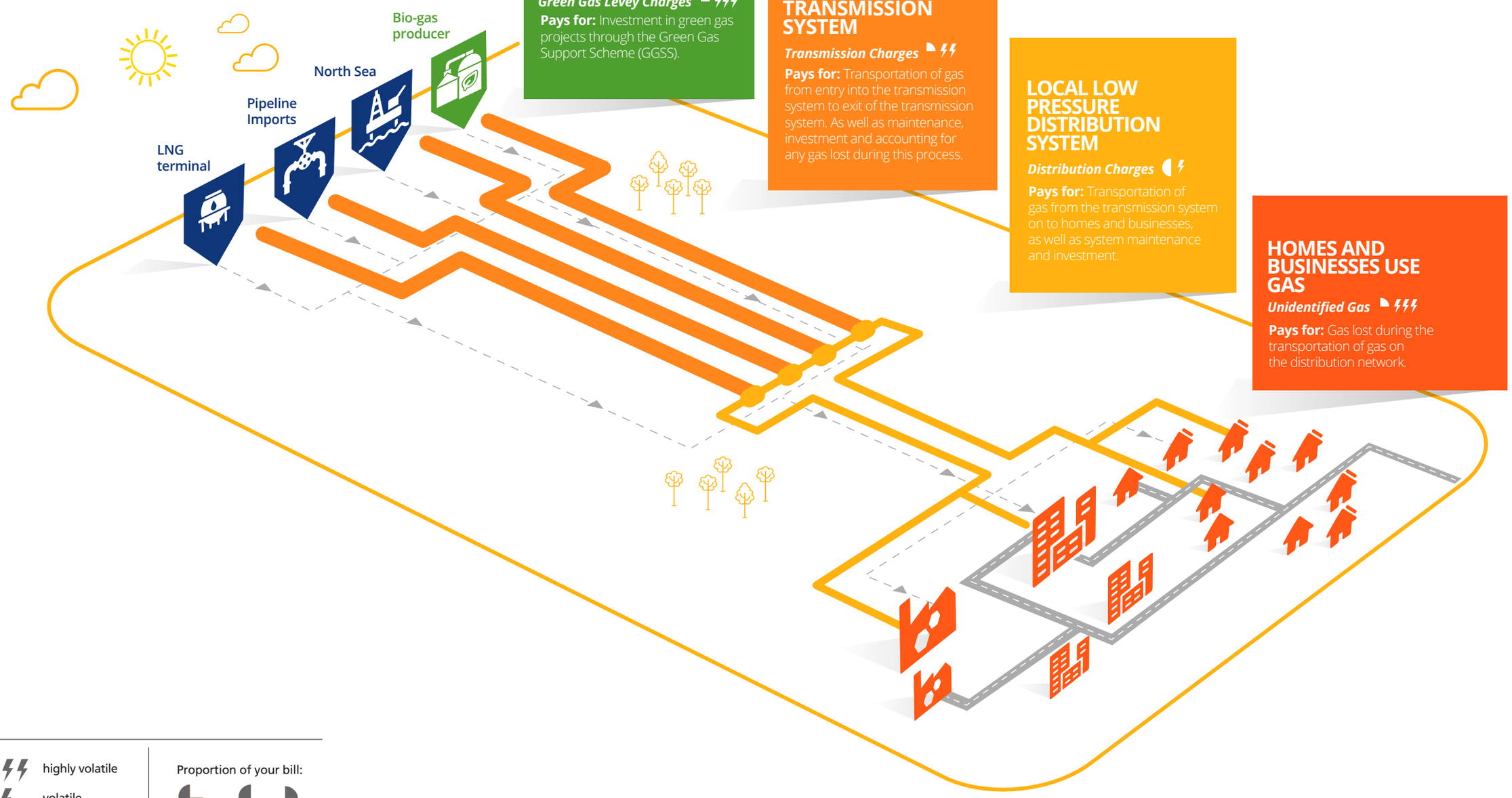
Keeping you in touch with non-energy costs associated with your gas supply

ISSUE 1 2024

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	Proportion of your bill:
volatile	large medium small
relatively stable	

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NECs - Overview of annual cost changes

CHANGE †	THIS ISSUE	LAST ISSUE
Transmission	FORECAST / OCT 24 – SEP 25 **LOW: £6 – £20** **MEDIUM: £63 – 198** **HIGH: £250 – £794**	FORECAST / OCT 24 – SEP 25 LOW: £6 – £20 MEDIUM: £62 – 198 HIGH: £250 – £794
Distribution	ACTUAL / APR 24 – MAR 25 **LOW: £689** **MEDIUM: £3,512** **HIGH: £12,955**	FORECAST / APR 24 – MAR 25 LOW: £646 – £714 MEDIUM: £3,306 – £3,654 HIGH: £12,245 – £13,533
Green Gas Levy	ACTUAL / APR 24 – MAR 25 **LOW: £0.4** **MEDIUM: £0.4** **HIGH: £0.4**	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: £88 – £235** **MEDIUM: £143 – £381** **HIGH: £591 – £1,576**	FORECAST / OCT 23 – SEP 24 LOW: £163 – £434 MEDIUM: £427 – £1,138 HIGH: £760 – £2,025

† Based on upper annual cost forecast figure.

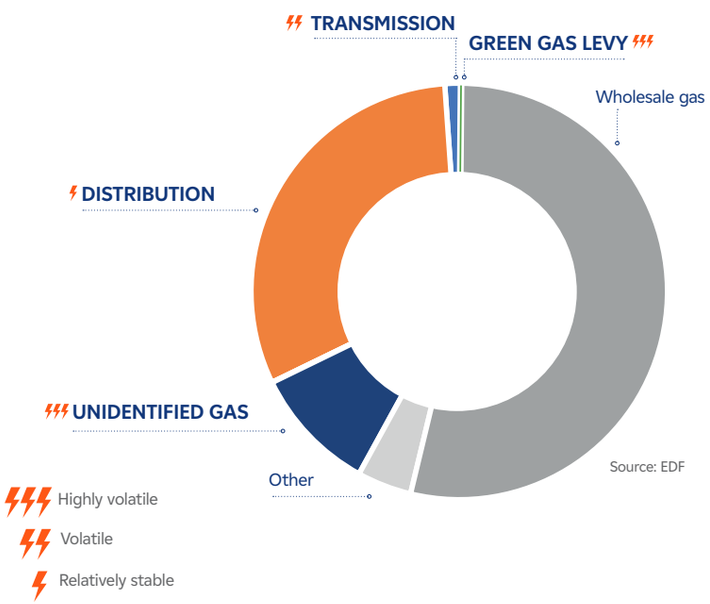
CUSTOMER CONSUMPTION ASSUMPTIONS

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

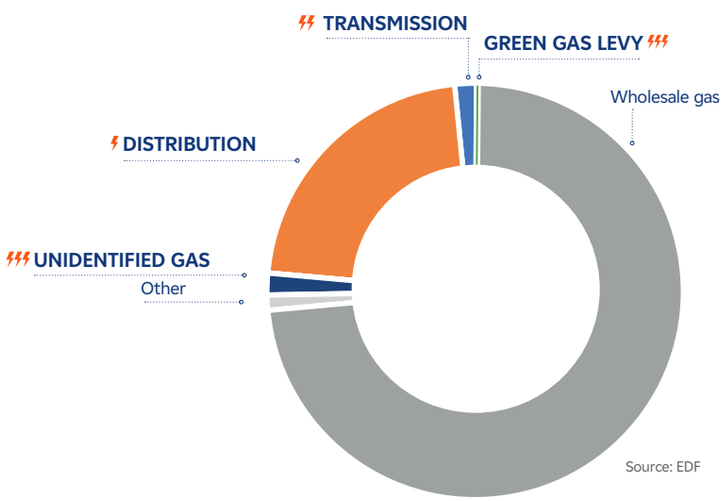
Non-energy costs make up around **30%** of a typical bill

NON-ENERGY COSTS EXPLAINED...
SEE PAGE 6

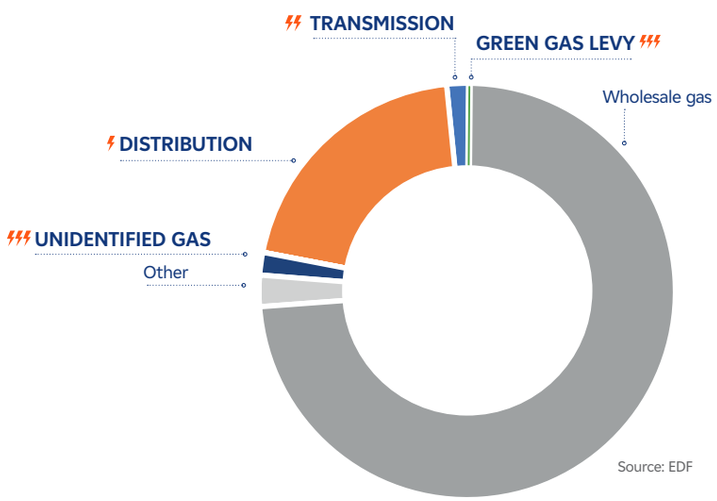
LOW CONSUMPTION
50,000kWh annual consumption



MEDIUM CONSUMPTION
500,000kWh annual consumption



HIGH CONSUMPTION
2,000,000kWh annual consumption



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CUSTOMER CONSUMPTION ASSUMPTIONS

Low: 50,000kWh AQ, average band 1 Industrial load factor
Medium: 500,000kWh AQ, average band 3 industrial load factor
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Transmission

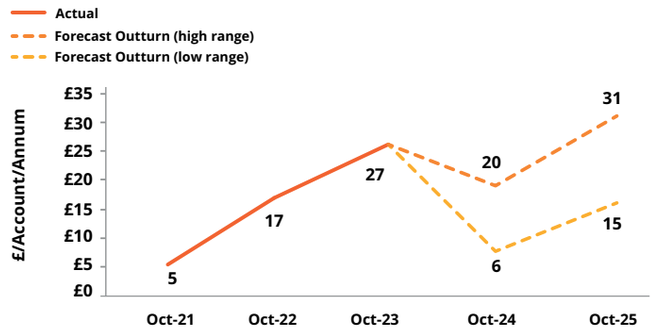
EDF FORECAST RANGE / OCTOBER 2024 – SEPTEMBER 2025

TRANSMISSION EXPLAINED...
SEE PAGE 6

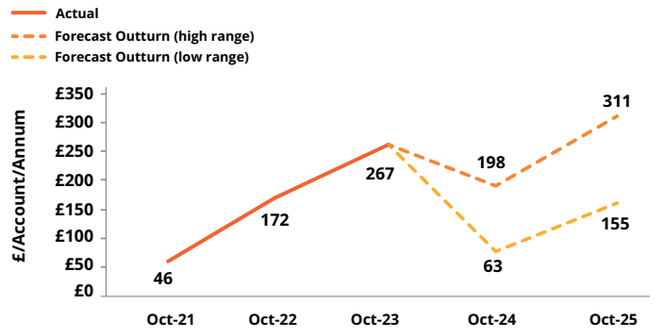
Final rates for the General Non-Transmission Services charge will be confirmed for the Oct-24 charging year at the end of July 2024.

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 have been working with industry to look at a more permanent change. UNC0857 is currently awaiting Ofgem's decision, this would look to stabilise this year-on-year revenue recovery through an improved blend of revenue forecast over two regulatory years for a single charging year.

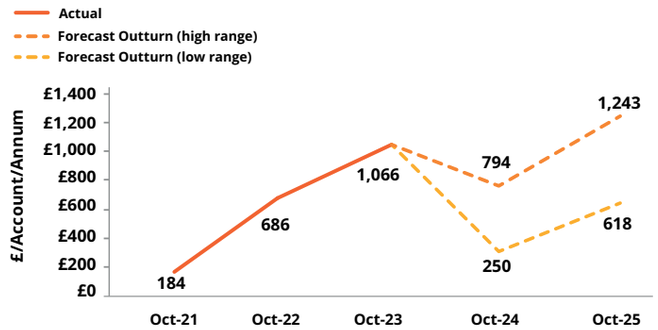
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



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



Distribution

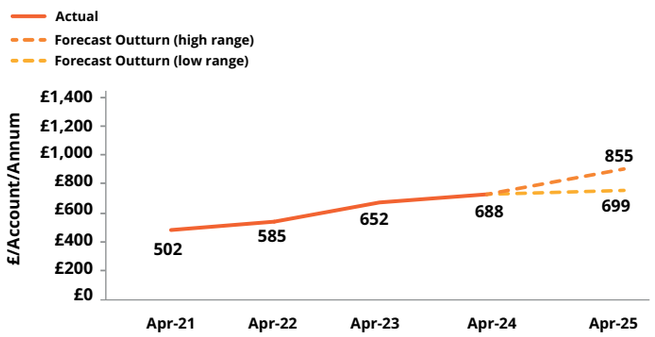
EDF FORECAST RANGE / APRIL 2024 – MARCH 2025

DISTRIBUTION EXPLAINED...
SEE PAGE 6

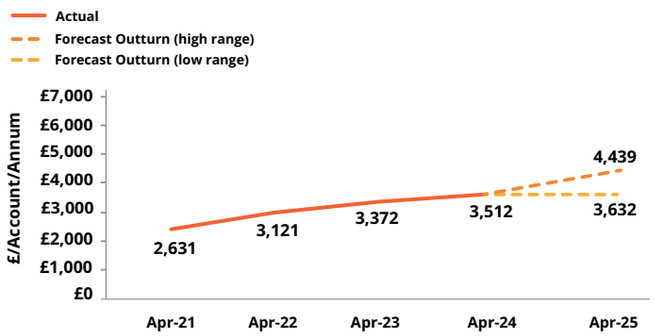
Final tariffs for the 2024/25 charging year were published at the end of January 2024. These were slightly higher than our previous forecast using the indicatives with a view of expected inflation adjustment. We have also updated our forecast for future charging years using the latest revenue reports published by each network.

Changes above are an indication from an average view across all networks; there is some variance across network location.

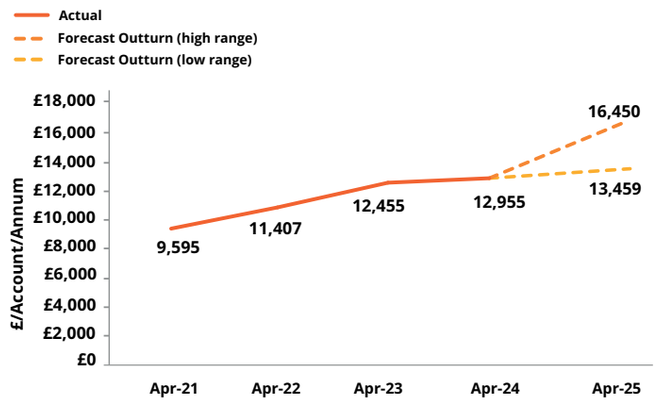
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



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



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CUSTOMER CONSUMPTION ASSUMPTIONS

Low: 50,000kWh AQ, average band 1 Industrial load factor
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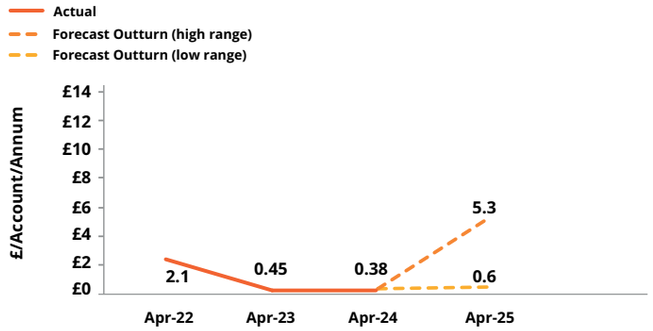
Green Gas Levy

EDF FORECAST RANGE / APRIL 2024 – MARCH 2025

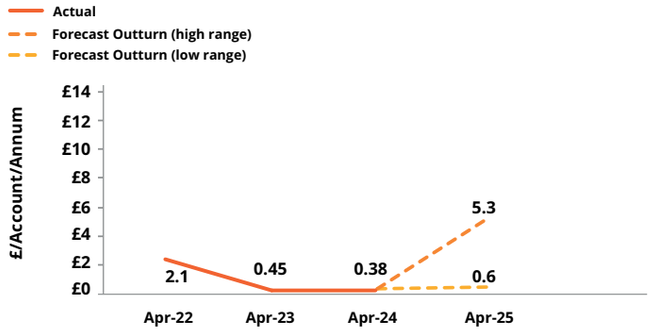
The final 2024/25 charging tariff was published in December 2023. There was some expectation that the charge may change from a £/meter to a volumetric p/kWh charge from 2024/25. This was not the case and the charge remains as a £/meter for at least another charging year. The final charge for 2024/25 is 0.105p/meter/day equivalent of 38p/meter/annum. This was below the expected rate due to the redistribution of a large over recovery from the 2022/23 charging year as a result of low up take at the start of the scheme. DESNZ expects this to grow over the coming years.

GREEN GAS LEVY EXPLAINED...
SEE PAGE 6

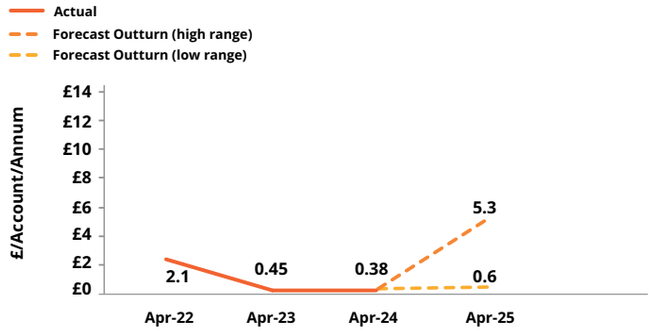
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



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



Unidentified Gas

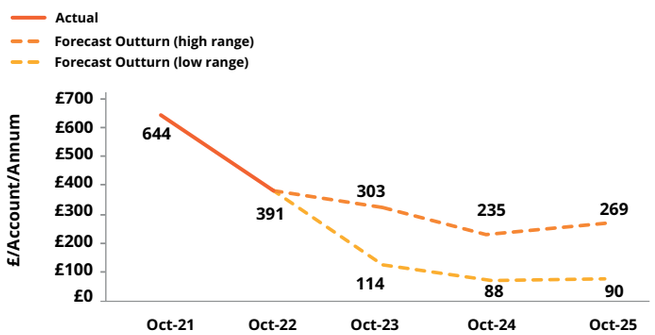
EDF FORECAST RANGE / OCTOBER 2024 – SEPTEMBER 2025

At the start of March the Allocation of Unidentified Gas Expert (AUGE) published a proposed final set of weighting factors, this will be presented at the AUGE subcommittee in mid-March where we expect the final weightings to be published at the end of the month. The latest table, in general results in small increases to liability across larger non-domestic users, offset by a more material decrease for low consuming industrial user's dependant on customer metering type. Wholesale prices have seen a sustained fall since the end of 2023, which reduces the expected £ liability of unidentified gas to the industry.

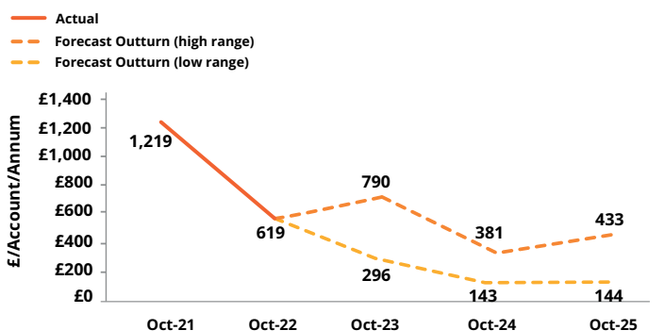
At the last issue we were awaiting a decision from Ofgem on UNC0831/0931A which looked to change the allocation of unidentified gas from a pay as contribute model to a pay as per user share model. Both modifications were rejected by Ofgem.

UNIDENTIFIED GAS EXPLAINED...
SEE PAGE 6

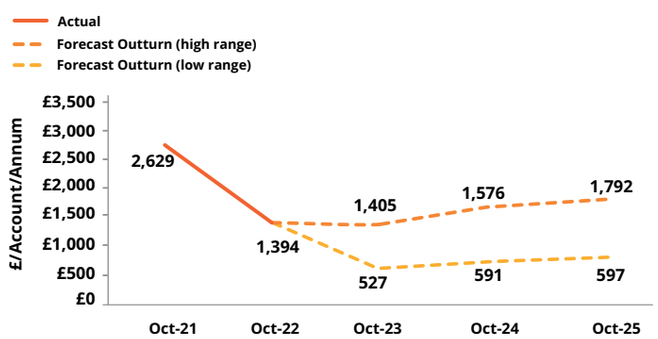
LOW CONSUMPTION (50,000kWh annual consumption)



MEDIUM CONSUMPTION (500,000kWh annual consumption)



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



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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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