

Southern Gas Networks Indicative Notice of Change to Transportation Charges from 1 April 2026



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1 Introduction

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

The definitive notice of distribution transportation charges from 1 April 2026 will be published by 1 February 2026, in accordance with the two months' notice requirement within the UNC.

2 Indicative changes to Distribution Transportation Charges April 2026

As Ofgem are not proposing to publish their final determination for RIIO-GD3 PCR until December 2025, the price change from April 2025 is shown as an indicative range for LDZ rates.

The indicative range for LDZ charges is based on revenues reflecting the key assumptions outlined in both the Southern Business Plan (BP)¹ published in December 2024 and revised in September 2025, as well as Ofgem's Draft Determinations (DD)².

The levels of charges have been constructed based on the latest available forecasts of the Allowed and Collected Revenues for 2025/26, which are still subject to change. This indicative range is not intended to provide SGNs' view as to the revenue levels that may be contained within Ofgem's Final Determination.

The table below shows the makeup of the indicative price changes. It should be noted that the changes are driven by a combination of price control allowances, inflation and impact of reduced peak daily demand.

Table 1. Average Indicative Transportation Price Change from 1 April 2026 for both BP and DD.

	SGN Business Plan RIIO-GD3	Ofgem Draft Determination RIIO-GD3
Calculated Revenue 2026/2027	33.8%	24.8%
Adjustments to prior years revenue (ADJt)	0.4%	0.4%
2025/2026 K movement (over/under collected)	0.3%	0.3%
Movement due to forecast demand levels	3.4%	3.4%
Indicative Average Price Change 1 April 2026	37.9%	28.9%

- The Calculated Revenue reflects the revenue levels outlined in Southern revised GD3 Business Plan published post Draft Determination, as well as Ofgem's view of DDs. Both are inflated to 2026/2027 prices.
- The assumed inflation for 2026/2027 is currently 1.7% based on Ofgem's DD view. This will change for the final tariffs, once the FDs are published.

¹ RIIO-GD3 Draft Determination Response | SGN Your gas. Our network.

² RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors | Ofgem

- The adjustments to prior years revenues (ADJt), contains the actuals submitted as part of the July 2025 RRP as well as latest forecasts for 2025/26 revenue levels.
- K correction term carried forward reflects an under/over recovery from 2025/2026.
- We have assumed in Southern a 3.4% increase in SOQ from October 2025. This reduction impacts on the price change, since a capacity charging base reduction will result in an *increase* in the unit rates to maintain the same levels of income.

3 Uncertainties Impacting April 2026 Final Transportation Charges

At this stage there are still significant uncertainties which will inevitably cause the actual change in the charges, which will be published on 1 February 2026, to be different from the indicative change.

The major uncertainties are: -

- The outcome of Ofgem's final decision on revenues for RIIO-GD3 PCR;
- The forecast level of inflation for 2026/27;
- Ofgem's final position for 2026/27 SoLR claims, current forecasts include Ofgem's 'minded to' position;
- Updated forecasts for 2025/26 and GD3 pass-through costs;
- An updated forecast of costs/incentives from 2025/26, and
- The level of future supply point capacity and numbers (demand impact);

4 LDZ Indicative Unit Charge Rates from 1 April 2026

The average change for the SGN business plan and Ofgem draft determinations are shown below.

	SGN Business Plan	Ofgem Draft Determination
Average LDZ Indicative Unit Rates Change	42.6%	32.3%

These charge rates have been balanced in line with industry requirements to reflect the required proportions between Capacity (95%) and Commodity (5%) revenue. They have also been adjusted to maintain the agreed revenue split between System Charges (72.8%) and Customer Charges (27.2%). Listed below are two sets of rates, one indicates SGN BP view and the other Ofgem's DD.

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

Charge Band (kWh/annum)	Capacity p/peak day kWh Business Plan	Capacity p/peak day kWh Draft Determination
Up to 73,200	0.3630	0.3369
73,200 to 732,000	0.2882	0.2674

>732,000	$3.7849 \times \text{SOQ}^{-0.2970}$	$3.5124 \times \text{SOQ}^{-0.2970}$
Subject to a minimum rate	0.0073	0.0068

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

Charge Band (kWh/annum)	Commodity p/kWh Business Plan	Commodity p/kWh Draft Determination
Up to 73,200	0.0613	0.0565
73,200 to 732,000	0.0486	0.0448
>732,000	$0.7335 \times \text{SOQ}^{-0.3129}$	$0.6768 \times \text{SOQ}^{-0.3129}$
Subject to a minimum rate	0.0015	0.0014

LDZ Customer Capacity Charges

Charge Band (kWh/annum)	Capacity p/peak day kWh/day Business Plan	Capacity p/peak day kWh/day Draft Determination
Up to 73,200	0.1701	0.1579
73,200 to 732,000	0.0067	0.0062
>732,000	$0.1425 \times \text{SOQ}^{-0.21}$	$0.1322 \times \text{SOQ}^{-0.21}$

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

Supply Point Type	p/day Business Plan	p/day Draft Determination
Non-monthly read supply points	58.6774	54.4449
Monthly read supply points	62.4789	57.9722

5 Supplier of Last Resort Charges

Due to the volatility in the gas market and significant increases in wholesale gas prices throughout 2021 and 2022, there has been a significant number of Suppliers failures. As Ofgem has an obligation to ensure gas continues flowing for all customers, they operate the Supplier of Last Resort (SoLR process). This allows other Suppliers to bid for the customer base of the failed Supplier and if successful and subject to approval from Ofgem, claim associated costs from the wider industry.

It is the responsibility of Southern Gas Network to recover the costs incurred by the SOLR provider and to pass those onto the new Supplier as set out under Standard Special Condition A48 of the transportation

licence. Southern Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The SoLR costs impacting 2026/27 charges are forecast to be -£7.3m. There are several claims, some of which are positive and others which are negative, the overall impact this year currently forecast to be a negative impact on revenues. These are a straight passthrough therefore only reflect the level of costs DNs need to subsequently pass onto the wider shipper community.

Charge Code	LRD & LRI
Supply Point Volume Charge	Daily Rate p/p KWh
Domestic	-0.0040
I&C	-

6 April 2026 LDZ Indicative System Entry Commodity Charge

The LDZ System Entry Commodity charge rates reflect the operating costs associated with the entry of the distributed gas and the benefits in terms of deemed NTS Exit and distribution network usage. The rate associated with the LDZ System Entry Commodity Charge is calculated on a site by site basis. There are currently twenty-one sites located within Southern Gas Networks. Listed below are two sets of rates, one indicates SGN BP view and the other Ofgem's DD.

Site Name	GEMINI Reference	Distributed Gas Commodity Rate(p/kWh) Business Plan	Distributed Gas Commodity Rate(p/kWh) Draft Determinations
Poundbury Biomass	POUNOS	0.1799 (credit)	0.1701 (credit)
Portsdown Hill	POR	0.0366 (credit)	0.0366 (credit)
Apsley Farm	APSLOS	0.1541 (credit)	0.1460 (credit)
Blackpitts Brackley	HELMOS	0.1802 (credit)	0.1704 (credit)
Gorebasin Isle of Wight	WIGHOS	0.1802 (credit)	0.1704 (credit)
Ickneild Farm	IKNOS	0.1542 (credit)	0.1461 (credit)
St Nicholas Court Farm	NICHOS	0.1800 (credit)	0.1702 (credit)
Riverside AD Mitcham	MITCOS	0.1801 (credit)	0.1703 (credit)
Arla (Olleco) Aylesbury	ARLAOS	0.1803 (credit)	0.1705 (credit)
Ebbsfleet Farm	EBBSOS	0.1801 (credit)	0.1703 (credit)
Hill Farm Reading	HILLOS	0.1542 (credit)	0.1461 (credit)
Banbury Tanker Hub	BANBOS	0.0369 (credit)	0.0369 (credit)

Newton Longville Tanker Hub	NETNOS	0.0369 (credit)	0.0369 (credit)
Kemsley	KEMYOS	0.1543 (credit)	0.1462 (credit)
Blaise Farm	BLAIOS	0.1542 (credit)	0.1461 (credit)
Court Lodge Farm	FAWKOS	0.1800 (credit)	0.1702 (credit)
Friday's Farm	FRITOS	0.1802 (credit)	0.1704 (credit)
Sheppey	SHEPOS	0.1800 (credit)	0.1702 (credit)
Dunsfold	DFLDOS	0.1801 (credit)	0.1703 (credit)
Chapel Lane	TBC	0.1542 (credit)	0.1461 (credit)

SGN are aware of new DN entry points that are progressing through their engineering development these may require new DN entry rates to be published within the charging period.

7 Methodology Changes

There are currently no amendments to the transportation charging methodology that will impact on charges for the period 1st April 2021 to 31st March 2022.

If you have any queries or require any further details on this notice please contact us at

pricing.team@sgn.co.uk

8 Distribution Network (NTS) Exit Capacity Charges (ECN)

Following the implementation of Uniform Network Code (UNC) modification 0195AV industry arrangements for the charging of NTS Exit Capacity costs changed on the 1 October 2012. National Grid Transmission invoice gas Distribution Networks (DNs) for booked NTS Exit Capacity and DNs will invoice gas shippers in line with DNPC06 ("Proposals for LDZ Charges to Recover NTS Exit Capacity Charges).

9 Exit Capacity Indicative Charges (ECN) 1 April 2026

The change to charging levels from 1 April 2026 is forecast to be an increase of 14.0%.

Southern Gas will continue to recover charges in line with DNPC06D (i.e. at individual Exit zone level). This provides the optimum cost-reflectivity as it will more closely reflect the charges which DNs will be paying to the NTS, therefore better meets the relevant objective SSC A5(5)(a).

Assumptions relating to the calculation of the indicative ECN charges:

- The charge rates shown in Table 1 reflect the allowance proportioned to the costs based on the National Grid NTS Exit Capacity price change on 1 October 2025 for the period April 26 to September 2026. The indicative October 2026 rates for the period October 2026 to March 2027, published on 30 April 2025.

Table 1 below shows the indicative charge rates set to recover the 2026/27 NTS Exit Capacity base allowance, 2025/26 forecast K carried forward and cost allowance adjustments for 2025/26.

Table 1: April 2026 Indicative NTS Exit Capacity (ECN) Charge Rate

Exit Zone	ECN Charge Rate (p/peak day/kWh/day)
SO1	0.0337
SO2	0.0397
SE1	0.0366
SE2	0.0366