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# Southern Gas Networks Indicative Notice of Change to Transportation Charges from 1 April 2027



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# 1 Introduction

This notice provides indicative levels of the gas transportation charges that will apply from 1 April 2027, in line with our Gas Transporter Licence requirement to provide 150 days' notice of such proposals.

The published indicative tariffs are run in conjunction with the GD3 Annual Iteration Process (AIP) timeline, which distribution networks undertake with Ofgem from September through to early January each year. However, as the indicative tariffs publication date is prior to the end of the AIP, there are a number of components that could have significant impact on tariffs between the published indicative view and the final published position in January.

The definitive notice of distribution transportation charges from 1 April 2027 will be published by 1 February 2027, in accordance with the two months' notice requirement within the UNC.

# 2 Indicative changes to Distribution Transportation Charges on 1 April 2027

The average change to charge levels from 1 April 2027 is forecast to be an increase of 12.8%.

The levels of charges have been constructed based on the latest available forecasts of the Allowed and Collected Revenues for 2027/28, which are still subject to change.

The key movements of the indicative price change which includes revenue associated with both SoLR and NTS Exit Capacity charges are set out below:

| | % Movement |
|---|---|
| Calculated revenue | 2.1% |
| Inflation impact | 2.5% |
| Pass-through | 4.2% |
| K Correction factor | 5.6% |
| Impact of demand forecast | -2.5% |
| **Total movement** | **12.0%** |

- The increase in calculated revenue between 2026/27 and 2027/28 primarily reflects updated Totex forecasts, the inclusion of the Tax Trigger Event (TTE) relating to FRS 102, and the impact of Accelerated Depreciation (AD) and move to the Semi-Nominal WACC under Ofgem's price control framework.
- Inflationary adjustments to relevant allowances are based on the OBR's March 2026 forecast and have been applied in line with Ofgem's methodology.
- Increases in pass-through costs are mainly driven by higher NTS charges, increased shrinkage costs associated with wholesale gas price movements and updated prescribed rates following the latest revaluation process.
- The GD3 K correction mechanism incorporates both legacy adjustments and variances between forecast and actual revenues. The 2027/28 adjustment is primarily driven by updated forecasts for 2026/27 costs and allowances, including Totex, shrinkage and tax-related impacts.
- Forecast demand for 2027/28 is currently higher than in the previous year. Higher forecast demand increases the recovery base and therefore reduces tariff rates, all else being equal.

# 3 Uncertainties Impacting April 2027 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 2027, to be different from the indicative charges.

The major uncertainties are:-

- Wholesale gas prices remain a key uncertainty and will directly influence shrinkage pass-through costs.
- The proposed change to the shrinkage methodology for Own Use Gas (OUG) may increase network shrinkage volumes from April 2027, subject to Ofgem approval.
- The indicative tariffs do not currently include the potential impact of UNC Modification 0903 on NTS costs. Should Ofgem approve the modification in February 2027, SGN would seek a mid-year tariff adjustment to recover the resulting increase in costs from October 2027.
- The indicative tariffs include a Tax Trigger Event (TTE) relating to the implementation of FRS 102. Discussions with Ofgem remain ongoing and the final treatment of the TTE has yet to be confirmed.
- The Office for Budget Responsibility's (OBR) October inflation forecast, due to be published at the end of October, was not available in time to be incorporated into this indicative tariff assessment.
- Future supply point numbers and capacity levels (aggregate demand) remain subject to change and may affect the final tariff position.

# 4 LDZ Indicative Unit Charge Rates from 1 April 2027

| | |
|---|---|
| Average LDZ indicative Unit Rates Change | 11.2% |

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/day |
|---|---|
| Up to 73,200 kWh | 0.3866 |
| 73,200 to 732,000 kWh | 0.3069 |
| > 732,000 kWh | $4.0316 \times SOQ^{-0.2970}$ |
| Subject to a minimum rate of | 0.0078 |

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

| Charge Band (kWh/annum) | Commodity p/kWh |
|---|---|
| Up to 73,200 kWh | 0.0704 |
| 73,200 to 732,000 kWh | 0.0559 |
| > 732,000 kWh | 0.8443 x SOQ ^ - 0.3129 |
| Subject to a minimum rate of | 0.0018 |

**LDZ Customer Capacity Charges**

| Charge Code | CCA |
|---|---|
| **Charge Band (kWh/annum)** | **p/peak day kWh/day** |
| Up to 73,200 | 0.1794 |
| 73,200 to 732,000 | 0.0071 |
| > 732,000 | 0.1503 x SOQ ^ - 0.2100 |

**LDZ Customer Fixed Charge**s- 73,200 to 732,000 kWh/annum

| Charge Code | CFI |
|---|---|
| **Supply Point Fixed Charge** | **Fixed Charge p/day** |
| Non-monthly read | 61.9022 |
| Monthly read | 65.9127 |

# 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 Supplier 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 Networks 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. Scotland Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The SoLR costs impacting 2027/28 charges are forecast to be -£0.5m. 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.

**LDZ Supplier of Last Resort Charges**

| Charge Code | LRD & LRI |
|---|---|
| **Supply Point Volume Charge** | **Daily rate p/p kWh** |
| Domestic | -0.0003 |
| I&C | - |

# 6 April 2027 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 nineteen sites located within Southern Gas Networks.

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.

| Site Name | GEMINI Reference | Distributed Gas Commodity Rate(p/kWh) |
|---|---|---|
| Poundbury Biomass | POUNOS | 0.2057 (credit) |
| Portsdown Hill | POR 1-5 | 0.0409 (credit) |
| Apsley Farm | APSLOS | 0.1759 (credit) |
| Blackpitts Brackley | HELMOS | 0.2060 (credit) |
| Gorebasin Isle of Wight | WIGHOS | 0.2060 (credit) |
| Icknield Farm | IKNOS | 0.1760 (credit) |
| St Nicholas Court Farm | NICHOS | 0.2058 (credit) |
| Riverside AD Mitcham | MITCOS | 0.2058 (credit) |
| Arla (Olleco) Aylesbury | ARLAOS | 0.2061 (credit) |
| Chapel Lane | CHAPOS | 0.1760 (credit) |
| Ebbsfleet Farm | EBBSOS | 0.2059 (credit) |
| Hill Farm Reading | HILLOS | 0.1760 (credit) |
| Banbury PRS | BANBOS | 0.0412 (credit) |
| Newton Longville | NETNOS | 0.0412 (credit) |
| Kemsley | KEMYOS | 0.1761 (credit) |
| Blaise Farm | BLAIOS | 0.1760 (credit) |
| Court Lodge Farm | FAWKOS | 0.2058 (credit) |
| Sheppey | SHEPOS | 0.2058 (credit) |
| Dunsfold | DFLDOS | 0.2059 (credit) |

# 7 Methodology Changes

There are currently no amendments to transportation charging methodology that will impact on charges for the period 1 April 2027 to 31 March 2028.

**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 2027

The change to charge levels from 1 April 2027 is forecast to be an average increase of 10.4%.

Southern Gas Networks will continue to recover the 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 2026 for the period April to September 2027. The indicative October 2027 rates for the period October 2027 to March 2028, published on 30 April 2026.

Table 1 below shows the indicative charge rates set to recover the 2027/28 NTS Exit Capacity base allowance, forecast 2026/27 forecast K and cost allowance adjustments for 2026/27.

**Table 1: April 2027 Indicative NTS Exit Capacity (ECN) Charge Rate**

| Exit Zone | ECN Charge rate (p/peak day/kWh/day) |
|---|---|
| SO1 | 0.0381 |
| SO2 | 0.0435 |
| SE1 | 0.0409 |
| SE2 | 0.0409 |