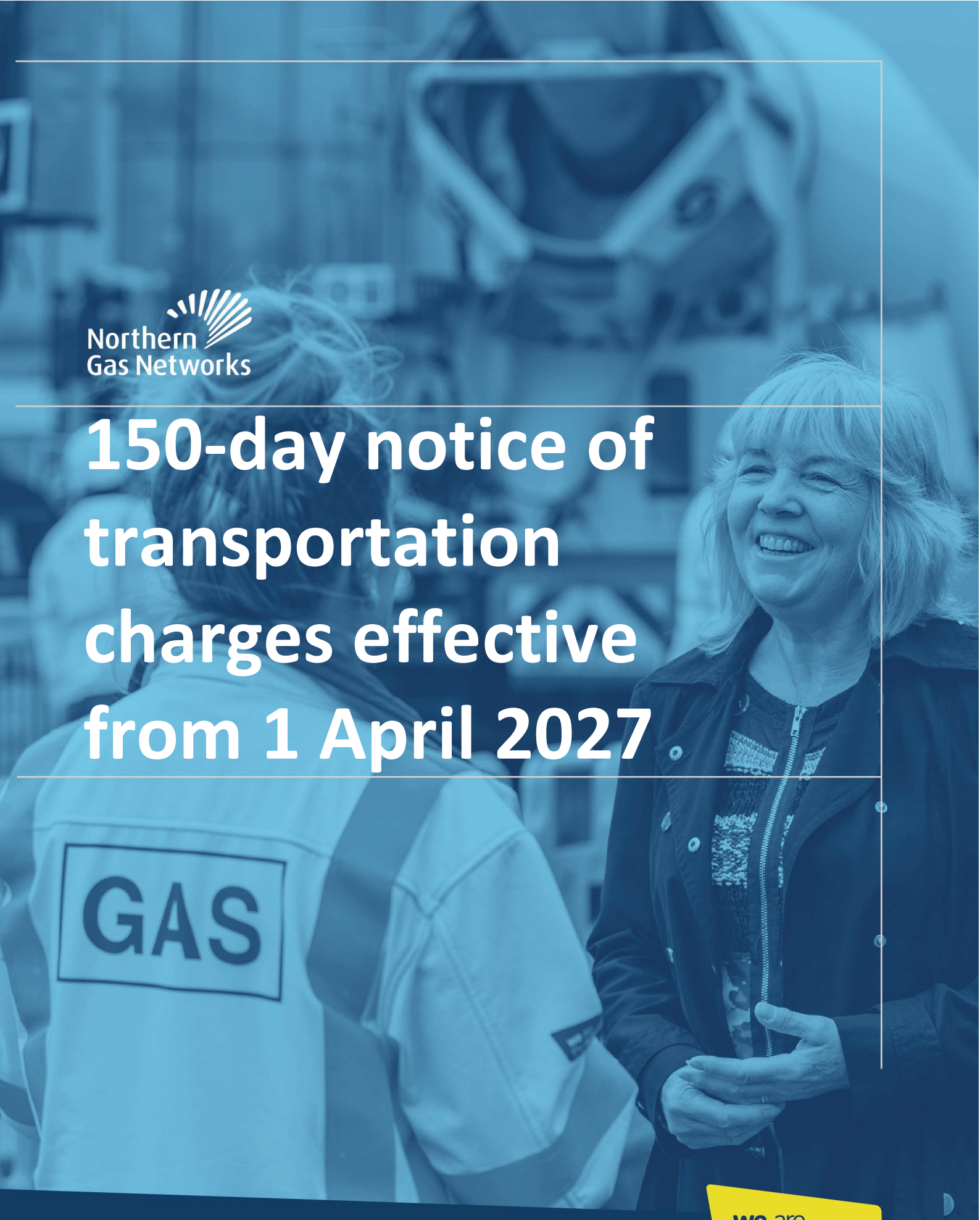
Northern Gas Networks

# 150-day notice of transportation charges effective from 1 April 2027




we are the network

2027/28 Indicative Statement

# Introduction

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

The definitive notice of distribution transportation charges effective from 1 April 2027 will be published by 31 January 2027, in line with the 60 days' notice requirements within the Uniform Network Code (UNC).

For more information on the charges contained within this document, please contact the NGN Pricing Manager via e-mail at jschofield@northerngas.co.uk or on 0113 397 5336.

## 1.1 Indicative Distribution Charges

The maximum amount of revenue that can be earned, from the transportation of gas, is derived from the price control formula set by Ofgem, the industry regulator.

The indicative allowed revenue in this notice, has been taken from Ofgem's published model for the statutory consultation in August 2026, alongside additional communications with Ofgem regarding the supplied models.

The charges outlined in this document are based on this capped amount.

**The LDZ price change for 2027/28 is an increase of 2.0%. This is based on a 6.7% increase in allowed revenue, offset by increased required capacity predictions of 4.6% which would drive decreased unit rates.**

**The Exit Capacity price change for 2027/28 is an increase of 11.6%. This is based on a 14.9% increase in allowed revenue to be collected on behalf of National Gas Transmission, offset by capacity changes of 3.2%.**

## 1.2 Year on Year Movements in Transportation Revenue

The table below illustrates the annual movement in NGN's revenue allowance. These movements are broken down into distribution network (LDZ) specific and exit capacity related allowance changes. The impact of the Supplier of Last Resort (SOLR) process is also split out to provide transparency.

- NGN's total revenue allowance has increased by £55.5m year on year:
    - LDZ specific charges, which relate to costs associated with transporting gas through the distribution network, have increased by £42.4m.
    - Exit charges and the associated revenue have increased by £8.7m
    - Supplier of Last Resort (SOLR) continues in a repayment position with £0.1m being returned to customers during 2027-28.

The allowances outlined below are based on Final determinations for RIIO-3, and the PCFM published by Ofgem in August 2026 which is being used as part of the Annual Iteration Process (AIP).

If Northern Gas Networks collect more or less than their agreed revenue allowance, this over or under collection is adjusted in the following regulatory year's revenue.

| **Year on Year £ movements** | LDZ | Exit | SOLR | **Total** | Memo: 26/27 true-up amounts in 27/28 revenue |
|---|---|---|---|---|---|
| **26/27 Allowed Revenue (nominal)** | **637.2** | **58.5** | **(4.5)** | **691.2** | |
| Tax Changes (inc FRS102) | 22.9 | | | **22.9** | 19.0 |
| Shrinkage | 22.6 | | | **22.6** | 11.2 |
| Revenue re-profiling | 20.0 | | | **20.0** | 2.8 |
| Rates | 9.0 | | | **9.0** | 0.0 |
| Update to NGT Exit Rates and bookings | | 8.7 | | **8.7** | 0.0 |
| Totex changes | 7.4 | | | **7.4** | (1.5) |
| SOLR Claims | | | 4.2 | **4.2** | 0.0 |
| Licence | 3.3 | | | **3.3** | 1.7 |
| Inflation | (2.2) | | | **(2.2)** | 2.4 |
| Incentives and Other Revenue allowances | (0.8) | | | **(0.8)** | 0.1 |
| Other changes (including over recovery) | (2.8) | | | **(2.8)** | (2.8) |
| CDSP | (5.3) | | | **(5.3)** | (3.0) |
| GD2 True ups | (12.6) | | | **(12.6)** | (12.6) |
| Pension | (19.1) | | | **(19.1)** | 0.0 |
| **27/28 Allowed Revenue (nominal)** | **679.7** | **67.2** | **(0.3)** | **746.5** | **17.4** |
| *Year on Year £ movement* | *42.4* | *8.7* | *4.2* | ***55.3*** | |
| *Year on Year % movement* | *6.7%* | *14.9%* | *(92.9%)* | ***8.0%*** | |
| **Price Change Breakdown** | | | | | |
| Year on Year AR % movement | *6.7%* | *14.9%* | *(92.9%)* | ***8.0%*** | |
| Capacity changes | *-4.6%* | *-3.2%* | | | |
| **Overall Price Change** | **2.0%** | **11.6%** | | | |

## Most significant year on year changes:

**Tax +£22.9m:** A change in UK accounting standards (FRS102) has resulted in a tax trigger event. Revenue from rechargeable diversions must now be recognised when received, rather than deferred over the life of the related assets and is therefore subject to corporation tax in the same year. A catch-up adjustment is also required for amounts previously deferred. As a result, the tax charge will rise significantly this year before settling at an enduring level that remains higher than in previous years.

**Shrinkage +£22.6m:** Wholesale gas prices are the key driver of this cost and are currently at the highest level since 2022 and the global energy crisis. c.£11m of this increase relates to trueing up 2026/27 based on the current prices.

**Revenue Reprofiling +£20.0m:** For the transition from GD2 to GD3, Ofgem introduced a reprofiling adjustment supressing the 26/27 allowed revenue by £16.5m and spreading the recovery over the remainder of GD3. Following 2026/27 pricing, the adjustment was reassessed to £14m. We are allowed to recover the difference of £2.5m during 2027/28, along with the £0.7m previously agreed 2027/28 recovery of the reprofiling plus WACC. (Weighted Average Cost of Capital).

**Rates +£9.0m:** HMRC reassessed the rateable value of all GDNs during 2025/26, and all GDNs saw a substantial increase in these costs. Whilst there was a limited level of transitional relief for 2026/27 there is now a further increase in 2027/28.

**NGT Exit Rates +£8.7m:** National Gas Transmission (NGT) have increased their rates compared to last year:

| Exit capacity rates | 2027/28 150D notice p/kWh/day | 26/27 Pricing p/kWh/day | 25/26 Pricing p/kWh/day | 24/25 Pricing p/kWh/day |
|---|---|---|---|---|
| **25/26** | 0.0299 * | 0.0299 * | 0.0311 | 0.0258 |
| **26/27** | 0.0356 * | 0.0348 | 0.0314 | 0.0276 |
| **27/28** | 0.0378 | 0.0359 | 0.0329 | 0.0285 |
| **28/29** | 0.0411 | 0.0379 | 0.0344 | |
| **29/30** | 0.0440 | 0.0392 | | |

***Confirmed rate***

**Totex Changes +£7.4m:** This was a combination of the finalisation of the GD3 allowances, the first year of the impact of accelerated depreciation impact, and finalisation of GD2 RAV position, which is higher, so there is a higher return for GD3.

**Xoserve costs -£5.3m:** When we set prices last year it was with the expectation of a large cross sector project to be undertaken in GD3, this project is currently forecast to be scaled back with smaller forecast cost to GDNs.

**GD2 True-ups -£12.6m:** The final year of GD2 was completed and reported in July of this year. This movement is the savings and efficiencies from the price control deliverables, which can now be shared with consumers via a reduction to our allowed revenue collection in 2027/28.

**Pension -£19.1m:** NGN has almost completed the full de-risking of the defined benefit pension scheme, meaning there are expected to be no further costs to be funded by consumers.

## 1.3 Uncertainties around Indicative Transportation Charges

There remains uncertainty on the following areas at the time of publication:

NGN may submit further updates on shrinkage allowances to be included in the 60-day notice to reflect the very latest gas price Heren forecast. There remains high fluctuations in the wholesale gas prices, due to the uncertainty with the ongoing conflict in the Middle East. This can have a material impact on shrinkage costs and therefore DN revenue to be recovered.

The dry run Annual Iteration Process (AIP) used to generate the 150-day notice, uses forecast inflation data as published in March 2026 OBR forecasts. Ofgem will publish an updated PCFM following the next OBR forecast, which will then be used in the 60-day notice.

Ofgem will finalise their view of Real Price effects (RPE's), cost of debt and equity.

There are a small number of Supplementary Questions currently being discussed with Ofgem with regards to RIIO-GD2 close out which may have a minor effect on Allowed Revenue.

**SOQ change:**
We have assumed an increase in capacity levels of 3.9% in 2027/28. A final snapshot of capacity data will be available during the first week of December 2026.

**UNC mod 0903 – The Introduction of a Single NTS Capacity Reference Price**
This mod seeks to change the percentage of National Gas Transmission's revenue recovered via entry and exit charges. Currently the split is 50/50, the modification is looking to create a dynamic split, which results in one price for both entry and exit. This would result in a marked increase in the ECN unit rate. This modification, if implemented, would have a material impact on costs networks incur in relation to ECN charges.
Additionally depending on the timeline of this modification, there is a risk that a mid-year price change may be considered necessary.

**0937R - Aligning LDZ Charges with Actual Gas Usage for All Customers**
This would have a significant impact on stability and predictability of charges. It would likely introduce an increase to GDN charges, as the working capital and requirements and associated financing costs would likely rise.

**FRS102 – Tax effect**
Ofgem are yet to approve the tax trigger treatment that we have included in this notice. Therefore, this value may change. In addition to this, the amounts do not reflect the possible revenue spreading referred to in the October Budget Statement.

**Xoserve Costs**
Ofgem gave notice on 27 October 2026 that they propose to grant a code manager licence to Xoserve. This is likely to result in increased costs for this service and this will be included in our 60-day notice.

**Inflation**

The current inflation assumptions in the PCFM are as follows:

| Inflation | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 |
|---|---|---|---|---|---|---|---|
| 150D Notice | 3.215% | 5.415% | 1.345% | 2.085% | 2.081% | 2.096% | 2.131% |
| Final Pricing 26-27 | 3.215% | 4.947% | 1.141% | 2.136% | 2.122% | 2.107% | 2.132% |
| Final Pricing 25-26 | 3.162% | 2.493% | | | | | |

These will be subject to change in the final pricing.

If you have any queries or require any further details on this notice, please contact:

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## Appendix 1 – Indicative Unit Charges from 1st April 2027

### LDZ System Capacity

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| **Charge Band** | **Pence per peak day kWh per day** | **Pence per peak day kWh per day** |
| Up to 73,200 kWh p.a. | 0.3527 | 0.3598 |
| 73,200 to 732,000 kWh p.a. | 0.3030 | 0.3091 |
| 732,000 kWh and above p.a. | 3.5568 X SOQ ^ -0.2834 | 3.6287 X SOQ ^ -0.2834 |
| Subject to a minimum rate of | 0.0090 | 0.0092 |
| Minimum reached at SOQ of | 1,455,727,967 | 1,445,665,712 |

### LDZ System Commodity Charges

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| **Charge Band** | **Pence per kWh** | **Pence kWh** |
| Up to 73,200 kWh p.a. | 0.0557 | 0.0568 |
| 73,200 to 732,000 kWh p.a. | 0.0476 | 0.0486 |
| 732,000 kWh and above p.a. | 0.6115 X SOQ ^ -0.2940 | 0.6239 X SOQ ^ -0.2940 |
| Subject to a minimum rate of | 0.0016 | 0.0016 |
| Minimum reached at SOQ of | 607,090,349 | 649,992,242 |

### LDZ Customer Capacity Charges

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| **Charge Band** | **Pence per peak day kWh per day** | **Pence per peak day kWh per day** |
| Up to 73,200 kWh p.a. | 0.1884 | 0.1922 |
| 73,200 to 732,000 kWh p.a. | 0.0066 | 0.0067 |
| 732,000 kWh and above p.a. | 0.1438 X SOQ ^ -0.2100 | 0.1467 X SOQ ^ -0.2100 |

### LDZ Fixed Charges

Supply points with an AQ of between 73,200 and 732,000 kWh only:

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| **Charge Band** | **Pence per day** | **Pence per day** |
| Non-monthly read supply points | 59.1727 | 60.3693 |
| Monthly read supply points | 63.0051 | 64.2792 |

## Exit Capacity NTS Charges (ECN)

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| Exit Zone | Pence per peak day kWh per day | Pence per peak day kWh per day |
| NE1 | 0.0349 | 0.0383 |
| NE2 | 0.0365 | 0.0379 |
| NE3 | 0.0365 | 0.0379 |
| NO1 | 0.0343 | 0.0376 |
| NO2 | 0.0326 | 0.0351 |

## Supplier of Last Resort charge

The Supplier of Last Resort charge is based on system capacity. In 2027/28, this charge will apply to all domestic directly connected and Independent Gas Transporter domestic customers.

| | Current (26/27) | Effective from 1 April 2027 |
|---|---|---|
| Type of Supply Point | Pence per peak day kWh per day | Pence per peak day kWh per day |
| Domestic sites (Direct Connects and CSEP's customers) | -0.0046 | -0.0004 |
| Industrial sites | | 0.0001 |

## Appendix 2 - DN Entry Indicative Rates

The following table shows the indicative unit rates for sites that are flowing gas or have flowed for 1 day. Should any additional new sites start to flow gas after this publication or volumes forecasts change significantly, we will adjust in our final 60-day pricing notice. Where a rate is marked as n/a it is because we are anticipating no flow in in 2027/28. Should the sites be re-commissioned, we will update the pricing for that site accordingly.

| | | | Current (26/27) | | Effective from 1 April 2027 | |
|---|---|---|---|---|---|---|
| Site name | Site Name | Date Connected | Pence per kWh | Unit Rate: Charge or Credit | Pence per kWh | Unit Rate: Charge or Credit |
| **ASPAOS** | Cumbria | 25/05/2016 | (0.0255) | Credit | (0.0408) | Credit |
| **BRANOS** | Bran Sands | 19/12/2019 | (0.0874) | Credit | (0.0818) | Credit |
| **BURTOS** | Burton Agnes | 22/03/2016 | 0.0473 | Charge | 0.0320 | Charge |
| **CRAMOS** | Cramlington | 30/03/2022 | 0.0697 | Charge | 0.1174 | Charge |
| **DRIFIOS** | Driffield | 04/05/2022 | (0.0787) | Credit | (0.0915) | Credit |
| **FOOTOS** | Teeside | 19/09/2015 | (0.0292) | Credit | (0.0306) | Credit |
| **GRAVOS** | Gravel Pit | 31/03/2016 | (0.0288) | Credit | (0.0345) | Credit |
| **HEDLOS** | High Hedley | 29/01/2020 | (0.0293) | Credit | n/a | n/a |
| **HOWOS** | Howdon | 10/12/2014 | (0.0766) | Credit | (0.0813) | Credit |
| **TBC** | Knostrop | 2027/28 | n/a | n/a | (0.0234) | Credit |
| **LANEOS** | Lanes Farm | 14/10/2019 | (0.1082) | Credit | n/a | n/a |
| **LEEMOS** | Leeming | 25/06/2015 | (0.0706) | Credit | (0.0494) | Credit |
| **MELTOS** | Melton | 31/10/2025 | (0.0859) | Credit | 0.0115 | Charge |
| **MILLOS** | Mill Nurseries | 13/12/2016 | n/a | n/a | n/a | n/a |
| **NEWTOS** | Emerald Biogas | 23/03/2016 | (0.1106) | Credit | (0.1133) | Credit |
| **PARKOS** | Park Farm | 18/12/2019 | (0.0722) | Credit | (0.0723) | Credit |
| **PLAXOS** | Plaxton Bridge | 27/01/2020 | 0.1480 | Charge | n/a | n/a |
| **RIDGOS** | Ridge Road Sherburn in Elmet | 19/03/2016 | 0.0189 | Charge | 0.0108 | Charge |
| **SHEROS** | Agri Sherburn in Elmet | 17/03/2016 | (0.0567) | Credit | (0.0579) | Credit |
| **SPALOS** | Spaldington | 23/10/2019 | 0.0098 | Charge | 0.0050 | Charge |
| **WARDOS** | Wardley | 23/12/2019 | (0.0762) | Credit | (0.0812) | Credit |

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