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(by e-mail)

Dear Tim

DNPC05 – Methodology for Determining the Balance of Revenue Recovery between LDZ System Charges and Customer Charges

Thank you for the opportunity to respond to the above Consultation document.

This response is non-confidential and ScottishPower are happy for this to be posted on your website.

ScottishPower are supportive of the principle of cost reflective pricing. We therefore welcome the proposals from the Distribution Networks (DN) to move the balance of LDZ System and Customer charges to reflect the balance of the actual proportion of each DN's costs attributable to each element of its activities.

In response to the specific questions raised within the Consultation document we offer the following comments:

Question 1: Should the charging methodology be changed so that the balance between LDZ System charges and Customer charges for each DN is based on a network specific estimate of the split of relevant costs?

As stated above ScottishPower is supportive of the principle of cost reflective charging. Since the proposed change is not to the methodology, and therefore not to the overall total charge, and it is simply a change to the split across the two components of the LDZ System and Customer charge we are supportive of the proposals.

Question 2: Should the balance of costs relating to LDZ System and Customer charges be assessed using an average of an appropriate number of years for which data on a consistent basis is available for each network? An alternative would be to use the cost analysis for just the latest year available.

ScottishPower believe that the assessment of the balance of costs relating to each element should be conducted using an average over a number of years. We feel this data would be more appropriate than using data from a single most recent year, since there may have been unique issues in an individual year's data.

Question 3: Should the balance of charges relating to LDZ System and Customer charges be reviewed at the beginning of each Price Control period, except in exceptional circumstances?

It seems sensible that the review of the balance of charges are determined at the start of a regulatory review period. This will allow them to be considered as part of the change to charging regime and will also importantly bring some stability and certainly to the timing of reviews in the intervening years. We would want to avoid instances of unexpected and very regular changes to charges and aligning with each Price Control period would avoid such situations.

We recognise that there may be exceptional circumstances that would necessitate a review outside of the Price Control period and we are comfortable with this as long as appropriate and sufficient engagement and notice was provided.

Question 4: Is there any reason why the proposal should not be implemented from 1st April 2010?

If as stated in the Consultation the discussions and decision have been concluded prior to the confirmation of actual changes due to be received by 1st February 2010 we will be able to accommodate the changes. It was particularly useful that the DNs provided indicative charges under DNPC05 along side the indicative charges under the existing split. If, however, these timescales could not be met we would not welcome additional changes within the year and would suggest the amendments would have to move to the next review of costs, with the appropriate notice periods (i.e. 1st April 2011).

I hope you find these comments useful and should you wish to discuss further please do not hesitate to contact me.

Yours sincerely,

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