

Potential Customer Charge Impact Assessment

This document analyses the impact on shippers of two potential changes to the customer charge charging methodology. As we are currently engaging with shippers on methodology proposals it is not possible to demonstrate the definitive impact as yet, although we show here two potential options: a **fixed daily charge for all supply points** and a **two-rate domestic/non-domestic charge**. There is also the potential for a capacity based charge but the basis for this has not yet been formulated and therefore does not fall within the scope of this assessment. As shippers do not generally pass transportation charges to end users in the manner in which we charge, the end user impact can not be determined.

Overall the options displayed below show, within a balanced shipper portfolio of domestic and non-domestic customers, the impact on the customer charge is minimal but potentially offers more cost-reflective charges within the range of customer loadbands. Both approaches lead to less than a 1% increase on the total average small supply point (SSP) charges, with a corresponding decrease in charges for non-SSPs.

Fixed daily charge

As most costs are not specific to any size of customer and load size, a fixed daily charge per supply point is the simplest possible charging outcome. As we are allocating all customer costs equally amongst all supply points, the analysis below shows a definitive impact on the charge.

Impact on all directly connected customers

Loadband	Ave SOQ	%SPs	Current customer charge (£)	Possible customer charge (£)	Current total charge (£)	Potential total charge (£)	Variance
0 - 73.2	138	98.6%	38.18	38.92	110	111	0.7%
73.2 - 146.5	931	0.7%	102.16	38.92	551	486	(11.8%)
146.5 - 293.1	1,906	0.3%	111.78	38.92	1,029	954	(7.3%)
293.1 - 439.6	3,054	0.1%	123.09	38.92	1,590	1,504	(5.4%)
439.6 - 586.1	4,271	0.1%	135.08	38.92	2,187	2,088	(4.5%)
586.1 - 732.7	5,301	0.0%	145.23	38.92	2,690	2,581	(4.1%)
732.7 - 2,198	10,094	0.1%	308.28	38.92	4,662	4,385	(6.0%)
2,198 - 2,931	20,124	0.0%	531.69	38.92	8,195	7,687	(6.2%)

2,931 - 5,861	29,266	0.0%	714.74	38.92	11,130	10,434	(6.3%)
5,861 - 14,654	61,044	0.0%	1,277.55	38.92	20,299	19,024	(6.3%)
14,654 - 29,307	148,365	0.0%	2,576.75	38.92	41,956	39,342	(6.2%)
29,307 - 58,614	230,869	0.0%	3,654.09	38.92	60,227	56,504	(6.2%)
58,614 - 293,071	636,011	0.0%	8,136.88	38.92	137,916	129,575	(6.0%)

(Note: based on NGN portfolio and pricing data; total charges include both commodity and capacity charges)

Supply points above 73.2MWh would incur significantly lower customer charges than presently, though the overall impact on them would be far smaller due to the fact that only a very small proportion of their charges are customer charges at present. For SSPs, this option would increase the customer charge by 1.9%, a 0.7% impact on total charges. Analysis of the portfolios of the large domestic suppliers shows that their average domestic supply point size all are within +/-6% of the overall average and so the impact on their domestic transportation charge should not be very different from the average shown..

Two-rate domestic/non-domestic charge

Customer charge costs can be broken down into emergency costs, service pipe costs and a relevant portion of overhead support. Whilst the emergency costs show no strong correlation with supply point size, service pipe costs can be divided into domestic and non-domestic supply point related costs. This does not directly correspond to <73.2MWh (SSP) and >73.2 MWh (LSP) but is the nearest available proxy. This option assumes that the “10 metre allowance” element of domestic service depreciation should be recovered only across all domestic customers. Ongoing further analysis of the variation in service pipe costs by supply point size may lead to refinement of the charge differential under this approach.

Impact on all directly connected customers

Loadband	Ave SOQ	%SPs	Current customer charge (£)	Possible customer charge (£)	Current total charge (£)	Potential total charge (£)	Variance
0 - 73.2	138	98.6%	38.18	38.33	110	111	0.1%
73.2 - 146.5	931	0.7%	102.16	81.02	551	529	(4.0%)
146.5 - 293.1	1,906	0.3%	111.78	81.02	1,029	997	(3.1%)

293.1 - 439.6	3,054	0.1%	123.09	81.02	1,590	1,547	(2.7%)
439.6 - 586.1	4,271	0.1%	135.08	81.02	2,187	2,131	(2.5%)
586.1 - 732.7	5,301	0.0%	145.23	81.02	2,690	2,624	(2.5%)
732.7 - 2,198	10,094	0.1%	308.28	81.02	4,662	4,428	(5.0%)
2,198 - 2,931	20,124	0.0%	531.69	81.02	8,195	7,730	(5.7%)
2,931 - 5,861	29,266	0.0%	714.74	81.02	11,130	10,477	(5.9%)
5,861 - 14,654	61,044	0.0%	1,277.55	81.02	20,299	19,067	(6.1%)
14,654 - 29,307	148,365	0.0%	2,576.75	81.02	41,956	39,386	(6.1%)
29,307 - 58,614	230,869	0.0%	3,654.09	81.02	60,227	56,547	(6.1%)
58,614 - 293,071	636,011	0.0%	8,136.88	81.02	137,916	129,618	(6.0%)

(Note: based on NGN portfolio and pricing data; total charges include both commodity and capacity charges)

Overall, supply points in the SSP category will have a slightly increased annual charge, whilst all other users will experience a reduced charge. The impact on both categories is lower than the fixed charge proposal.