

# Impact on large customers from the Mod0517 series within Wales and the West

## Background

This paper has been produced in response to MOD517 and its alternatives in order to present the impact the change would have on a large unique site across the Wales and West Utilities (WWU) region. WWU has been selected as it has been shown to be significantly impacted by the proposals within MOD517.

For each of the five exit zones within the WWU region (namely SW1, SW2, SW3, WA1 and WA2) a site reflective of sites connected to the NTS within that zone has been selected and modelled against each of the scenarios:

1. Original prices set by NTS, in the absence of MOD0517;
2. Prices set under MOD0517, assuming that implementation occurs in October 2015 and allowances can be adjusted for Wales & West Utilities from 2017/18 onwards
3. Prices set under MOD0517A, assuming that implementation occurs in October 2017 and allowances can be adjusted for Wales & West Utilities from 2017/18 onwards
4. Prices set under MOD0517B, assuming that implementation occurs in October 2015 and allowances can be adjusted for Wales & West Utilities from 2017/18 onwards

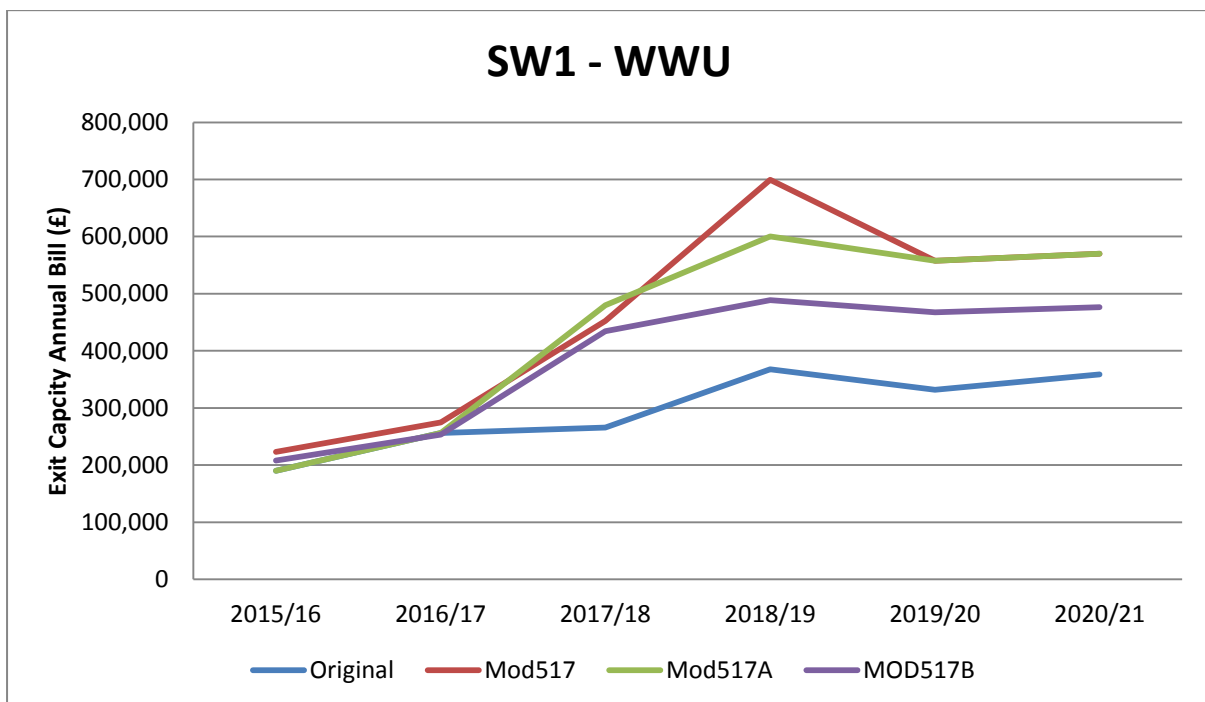
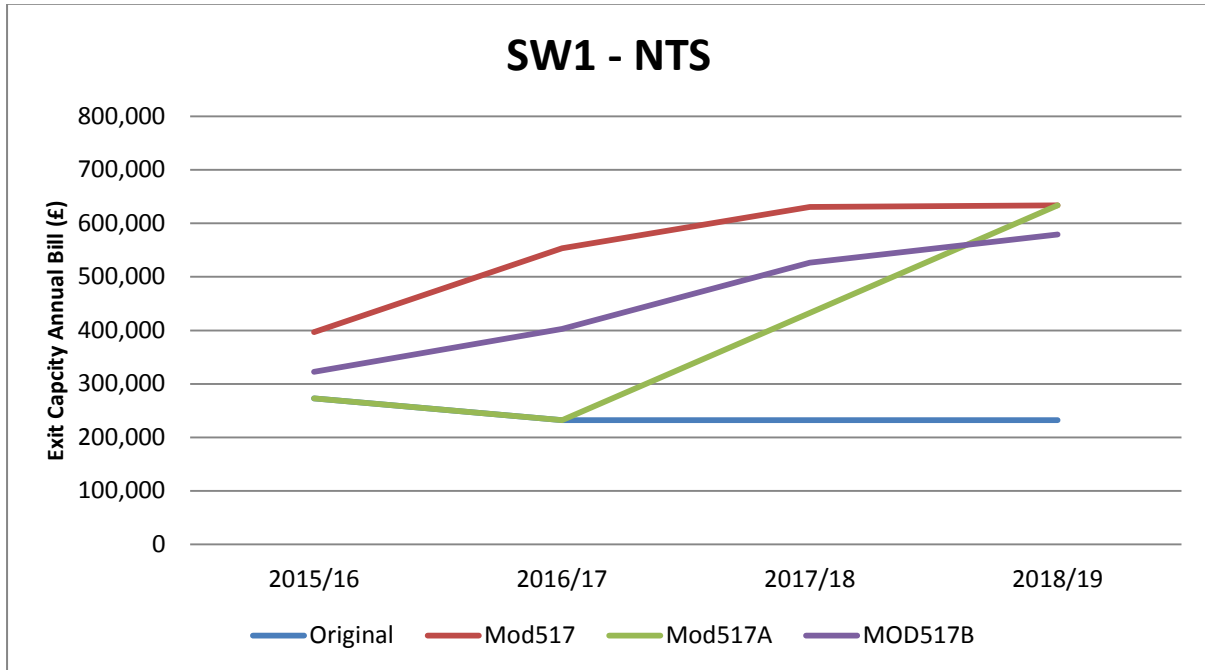
Pricing principals differ for those customers connected directly to the NTS to those in transmission, therefore analyses has been performed separately for a supply with the same SOQ within the same zone for both NTS and the Gas Distributor (WWU). A summary of these differences is as follows:

<b>NTS Methodology</b>	<b>Gas Transporter Methodology under RIIO</b>
Specific for the relevant Exit Point in the Gas Year incurred (i.e. prices change in October annually).	Zonal price set by considering the price and demand across all exit points within a zone. This price is then inflated/deflated based on a comparison with the Allowed Revenue for that year.  Allowed revenue is based on the allowance set by Ofgem for that year (year T) trued up for any under/over recovery in T-2 and for any variation in cost vs allowed cost in T-2. Prices are set annually, effective from April, in line with the regulatory year.

The impact of the T-2 adjustment results in the need to consider WWU prices through to 2020/21 with prices ultimately peaking in 18/19 where the cost true up and increased costs are impacting prices, thereafter prices are impacted by only the increased costs as it is assumed that allowances are adjusted to prevent the significant under recovery against cost thereafter. This effect also has the result of delaying the impact of the increased costs on customers in 2015/16 and 2016/17 as none of the additional cost can be passed through in these years.

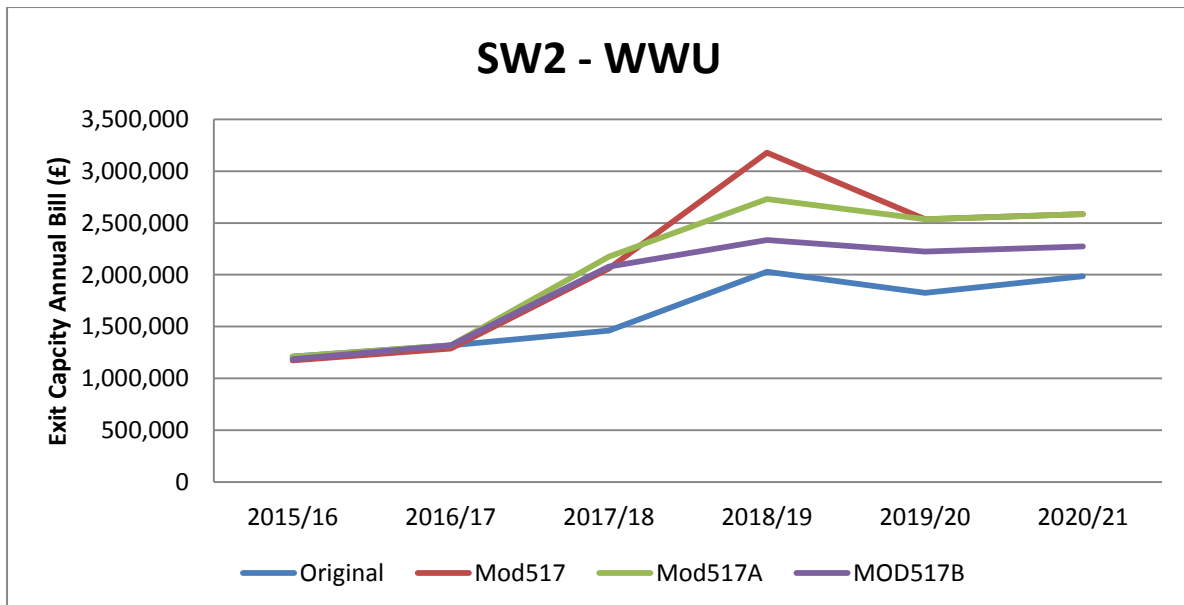
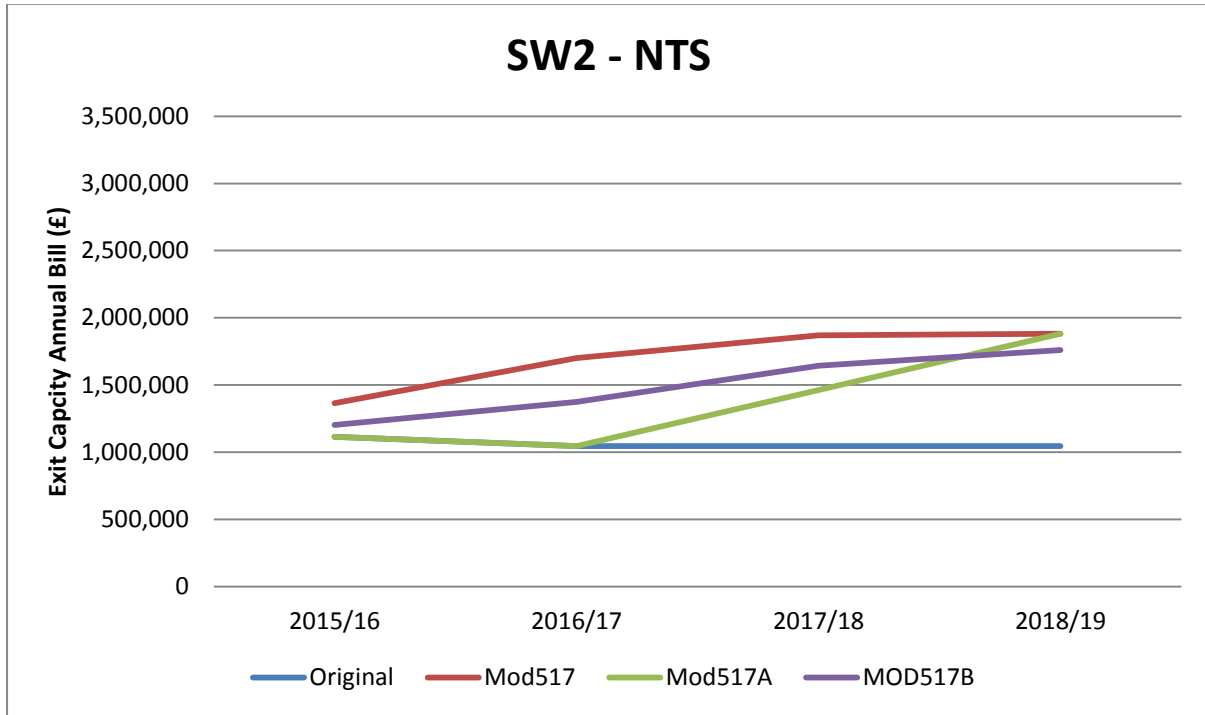
**Impact of the Mod 517 series on a large site within SW1**

Exit Zone	SOQ assumption
SW1	30,159,984



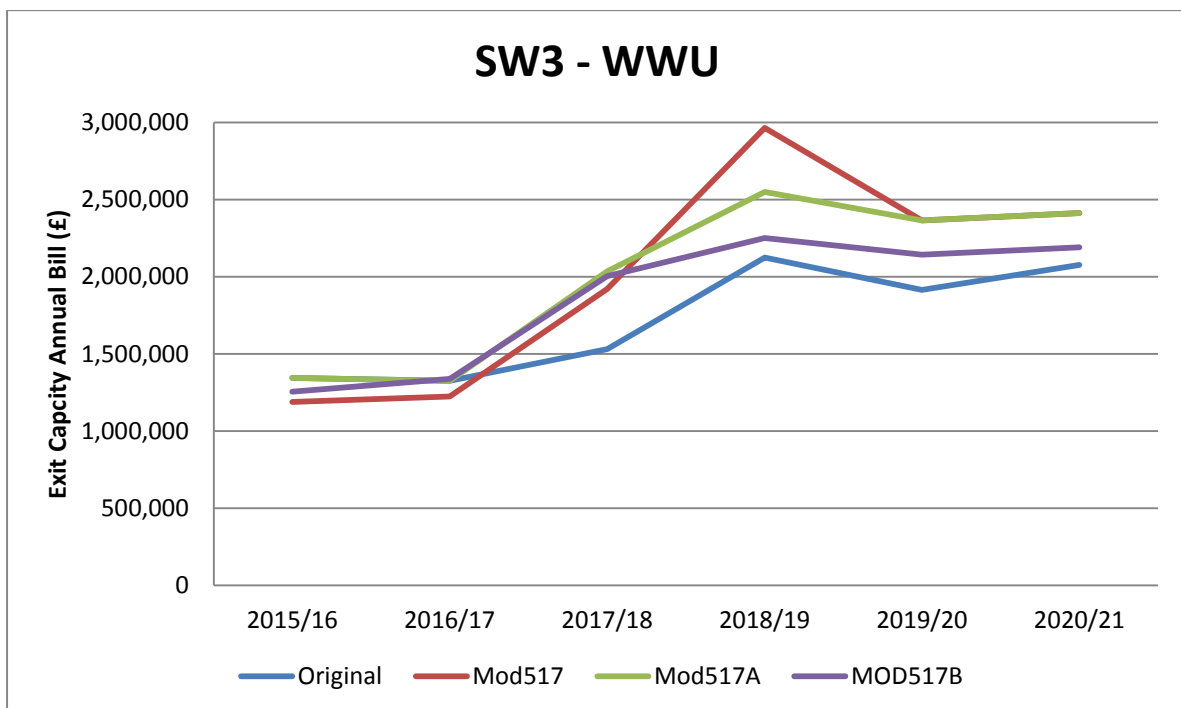
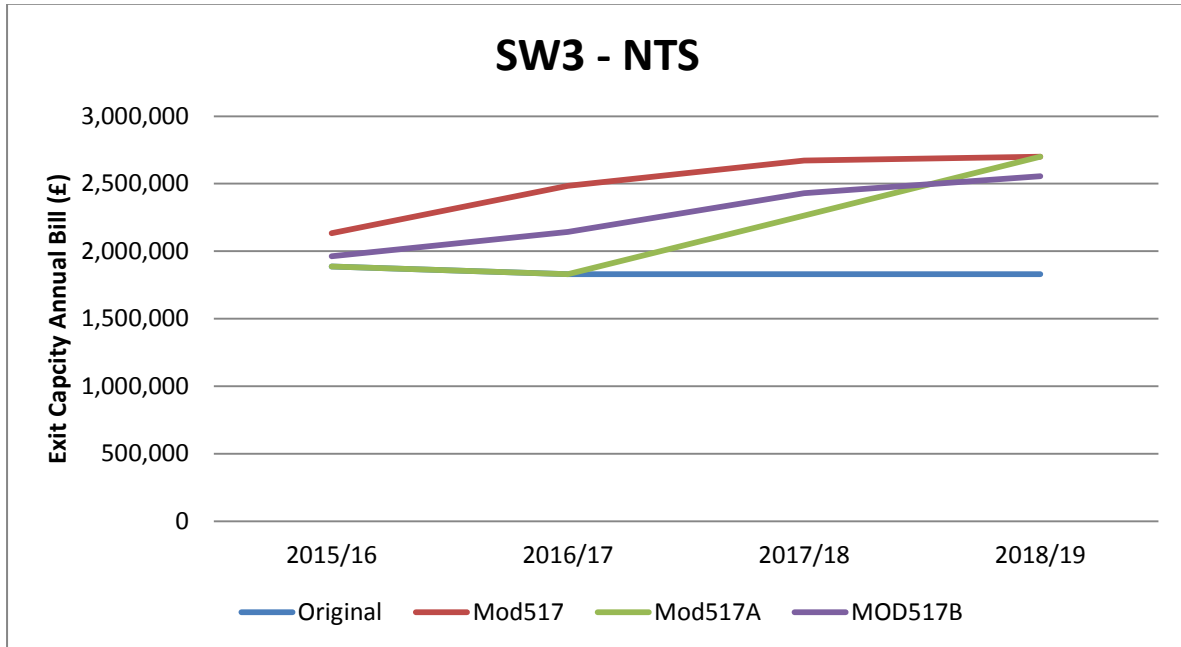
**Impact of the Mod 517 series on a large site within SW2**

Exit Zone	SOQ assumption
SW2	61,104,000



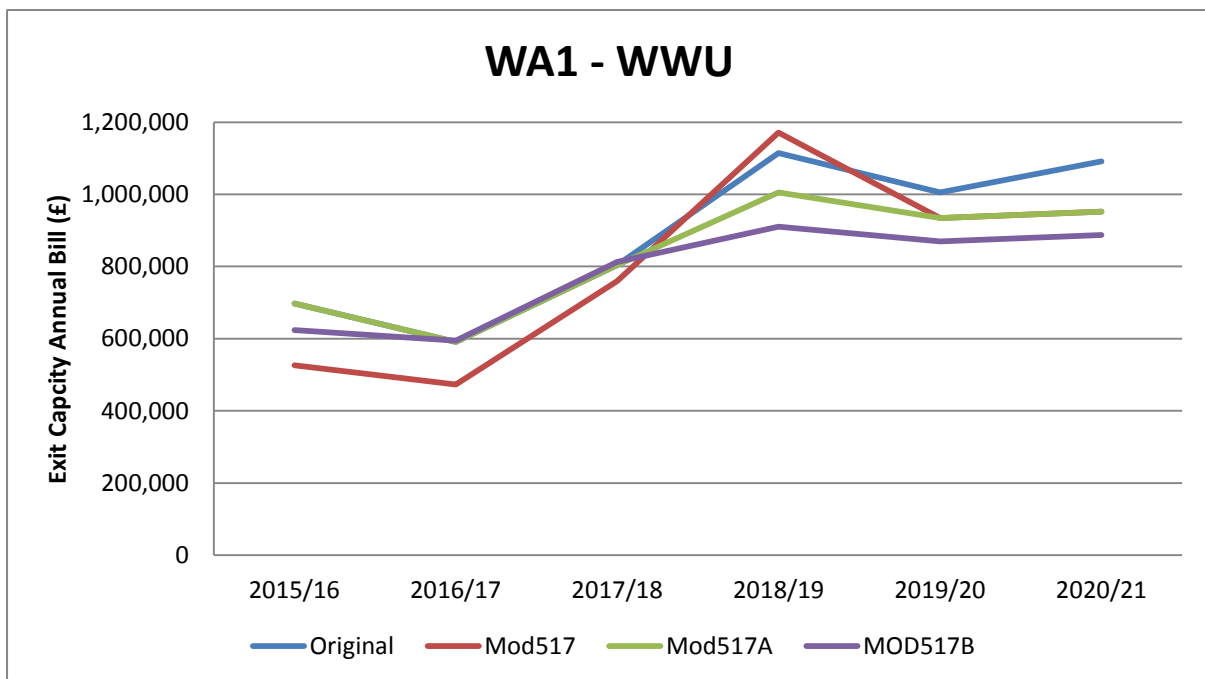
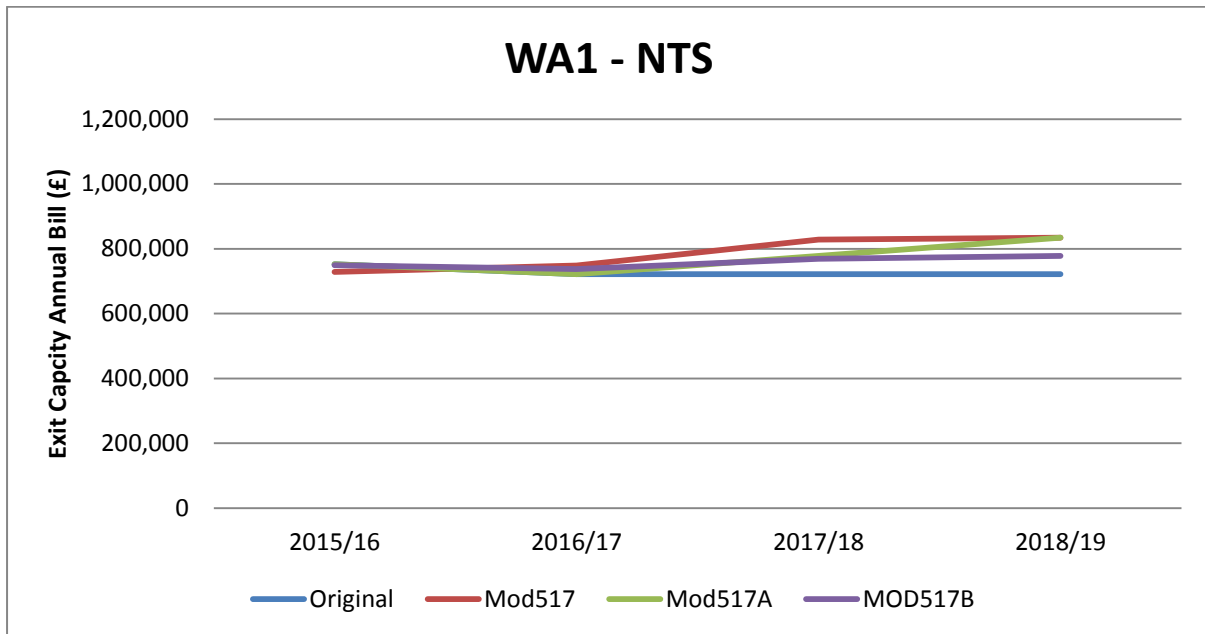
**Impact of the Mod 517 series on a large site within SW3**

Exit Zone	SOQ assumption
SW3	60,000,000



**Impact of the Mod 517 series on a large site within WA1**

Exit Zone	SOQ assumption
WA1	29,568,000



**Impact of the Mod 517 series on a large site within WA2**

Exit Zone	SOQ assumption
WA2	31,200,000

