

Representation

Final Modification Report

0418 and 0418A - Review of LDZ Customer Charges

Consultation close out date: 10 December 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: British Gas

Representative: Rochelle Harrison

Date of Representation: 10 December 2013

This consultation is being undertaken because additional information regarding DN costs has been published following the initial consultation, and is now contained in the Final Modification Report. Representations submitted for the previous consultation do not need to be resubmitted. However, Modification Panel Members have indicated that it would be particularly helpful if the following questions could be addressed in any further responses. You may wish to address this by using this template, but are also free to withdraw your previous response and submit an entirely new one if you wish to do so.

Q1: Has the provision of additional information changed your previous views made in representations? If so, please explain why.

The modification alternative we have raised concentrated on the allocation of DCLA costs. However, the provision of additional information has heightened our concerns about the whole modification.

Our expectation was that evidence would be provided showing how *actual costs incurred* were broken down between different types of end user. This would help in demonstrating whether costs vary in line with size of supply. However, the information provided seems to simply be a representation of a series of assumptions of how these costs could be allocated. As the most common assumption is to allocate by supply point it is inevitable that this would appear to support an overall allocation by supply point, but, in reality, offers no further evidence to support this assumption.

We are increasingly concerned that the required evidence is not available. If this is the case, we are unsure that the modification should proceed any further. At a time of such focus on residential bills, we do not believe it acceptable to put extra costs on these customers without clear evidence.

So, we continue to await clear evidence that these costs are driven by these cost drivers and feel that changing the customer capacity methodology under 418 is not shown to be an improvement in cost reflectivity. Choosing supply points as cost drivers for emergency costs etc. without sufficient evidence appears arbitrary and would change the charging methodology without demonstrating an improvement in cost-reflectivity.

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We note that where more meaningful allocations are used, such as the capex split, the percentage allocation seems more reasonable.

Q2: Are there any new or additional issues that you believe should be recorded in the Modification Report due to the provision of additional information?

The Modification Report needs to make clear the nature of the additional information provided. If we are interpreting correctly, it is not evidence towards the cost-reflectivity of the modification and only gives the GDNs point of view regarding allocation of these costs (which is already provided in the modification itself). This does not assist the user to make adequate decisions about the real drivers behind these costs and we are concerned that it is capable of being misinterpreted if not explained fully.