

Representation

Draft Modification Report

0382 - Reducing the capacity element of LDZ system charges for SSPs

Consultation close out date: 12 September 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: E.ON UK

Representative: Brian Durber

Date of Representation: 12 September 2011

Do you support or oppose implementation?

Not in Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

Distribution Network Price Control DNPC03 introduced the 95:05 capacity: commodity split in October 2008, a move away from the prevailing 50:50 split. In their Draft Impact Assessment Ofgem accepted that the majority, approximately 95%, of Distribution Use of System costs are unaffected by throughput. Ofgem also identified that there would be greater cost reflectivity by targeting costs towards fixed elements. They went on to make the point that having a large portion of collected revenue related to throughput can lead to volatility in charges. Volatility in charging is undesirable and leads to an increased need for risk management with associated costs. We believe that the negative impact of this volatility outweighs any positive cash flow benefits that may result from a reversal of 95:05 and so E.ON UK does not support such a move.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

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Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.