

Representation

Draft Modification Report

0418 and 0418A - Review of LDZ Customer Charges

Consultation close out date: 02 August 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: E.ON
Representative: Colette Baldwin
Date of Representation: 02 August 2013

Do you support or oppose implementation?

0418 - Support

0418A - Not in Support

If either 0418 or 0418A were to be implemented, which would be your preference?

Prefer 0418

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

We support the improved charging transparency that this modification will facilitate.

We support 418 rather than 418A as we feel that the recovery of the DLCA element should be socialised across all customers not biased towards one segment. Since the allowance is not incurred in a volume related manner, we believe it would be inappropriate to recover the costs on a per KWh basis.

Reviewing the history of the competition in gas connections it is not clear that the intent of socialisation of connection allowances was envisaged to be targeted at any specific group of customers narrower than the whole market, and the chosen recovery mechanism was favoured as it avoided complexity and expensive administration costs, and we don't see there is a rationale for changing this policy at this time.

In conclusion, we believe the "per supply point approach" does reduce the risk of volatility of DLCA cost recovery by the networks, which in turn provides certainty for suppliers in tariff setting.

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

None

0418/0418A
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Version 1.0

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Relevant Objectives:

How would implementation of each modification impact the relevant objectives?

We agree with the proposer's assessment of the relevant licence objective A.

In respect of Modification 418A we disagree however with the assertion that the cost recovery "would result in cost recovery from 98% of the group of customers the allowance was intended for" as reading back over the history of the competition in connections we can't see that the intent of the DLCA was to protect all domestic customers from the cost recovery, we believe it was intended to assist only those domestic customers who didn't have access to the gas network at that time or in the future.

Impacts and Costs:

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

We would have some system changes to make to reflect the change in the charging methodology and how that is reflected in our tariffs.

Mod 418A would have greater impacts on our business.

Implementation:

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

We would not expect the change to take effect before 1st April 2015.

Legal Text:

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

Yes

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.

No