

## 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:** SSE  
**Representative:** Bernard Kellas  
**Date of Representation:** 01 August 2013

#### Do you support or oppose implementation?

**0418** - Support

**0418A** - Support

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

**0418A** – We would prefer to convert the capacity charge into a p/kWh charge, as per Mod 0418A. This is fairer on small consumers. Mod 0418 would impose an extra standing charge on small consumers.

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

The move away from capacity based charges will bring the transport charges into line with domestic and SME customer pricing. Also we support the abolition of the complex calculation of capacity charges for large users.

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

If business customer prices are to alter by up to 90%, then a clear explanation of the cause is needed. The affected customers will want to see this explanation.

#### Relevant Objectives:

*How would implementation of each modification impact the relevant objectives?*

*a) save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;*

The new pricing regime is based on a more up to date version of customer & network data. The network modelling takes account of the recent division of the low pressure networks into eight regional companies.

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*aa) that, in so far as prices in respect of transportation arrangements are established by auction .....*

Not applicable.

*b) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;*

The new methodology is based on an up to date model of the transportation networks.

*c) that, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers ...*

The move away from capacity based charges will bring the transport charges into line with domestic and SME customer pricing. This will facilitate competition.

The large % price changes for business customers may not be appropriate.

*d) that the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).*

No impact.

*e) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.*

No impact.

### **Impacts and Costs:**

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

The only IT/logistics impact is the need to change the prices quoted to customers. This can be considered as “business as usual” providing at least 15 months notice of the change is provided.

We may incur a loss from any customers on long term fixed price deals that span the implementation date.

### **Implementation:**

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

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A minimum of 15 months notice is required to ensure changes to customer prices can be implemented.

**Legal Text:**

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

No comment.

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

From a Supplier's perspective the move away from capacity based charges is welcome as it brings the transport charges in line with domestic and SME customer pricing. We would like all the capacity charges to be abolished.

Both modifications are consistent with the Retail Market Review requirement for simpler domestic tariffs.