

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: ScottishPower Energy Management Ltd
Representative: Marie Clark
Date of Representation: 5 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. If you wish to submit a further response, an alternative template has been provided while this template is for those who have not responded previously.

Do you support or oppose implementation?

0418 - Not in Support *delete as appropriate*

0418A – Not in support *delete as appropriate*

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

Mod 418A

Prefer 0418A *delete as appropriate*

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

ScottishPower fully support the principle of cost reflective charging. We are however unable to support the implementation of these either of these Modifications as sufficient evidence has not been presented which determines conclusively what proportion of the customer charges should be directly contributable to a particular customer group. It is important that when proposing a change to the structure of transportation charges which can ultimately impose an increased liability against one customer group over another, that such a change requires to be fully justified.

Domestic customers are primarily assigned to charging band 1. With regard to the charging structure changes proposed by these Modifications, mainly domestic customers will incur higher costs through the application of a flat rate charge. Until sufficient evidence is presented to demonstrate that this should indeed be

the case, we believe that costs should be socialised and recovered against all customers based the SOQ at a p/kWh rate.

If we are to state a preference, we believe that Mod 418A proposes a marginally more cost reflective mechanism for the apportionment of the asset related costs within the Customer Charge. Our reason for this conclusion is that the charging structure proposed within Mod 418A has less potential to introduce a cross-subsidy between charging bands. There has been an assumption made by the Proposer of Modification 418 that the largest majority of depreciation costs on services can be attributed to the Domestic Load Connection Allowance (DLCA). However, this assertion cannot be substantiated as it is acknowledged by the Proposer that some depreciation may be related to services connected before 1994 when British Gas Regions offered Load Connection Allowances to non-domestic connections.

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

None identified

Relevant Objectives:

How would implementation of each modification impact the relevant objectives?

We do not believe that either Modification positively impact the relevant objectives

Impacts and Costs:

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

Review of customer tariffs

Implementation:

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

As per proposals

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 comment.