

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: Wales & West
Representative: John Edwards
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 believe that both mods provide a charging methodology which is more aligned to the transportation costs incurred in this area compared to the current methodology and would lead to more effective competition between gas shippers and gas suppliers. The cost recovery category which distinguishes the two mods is the method proposed to recover the asset related costs, principally the Domestic Load Connection Allowance (DLCA). In the case of Mod 0418A, the proposal is to recover this cost element as a commodity charge whilst Mod 0418 proposes that this cost be recovered by a flat charge per supply point. We believe that as the DLCA does not vary, to any material extent according to the size or throughput of the property, it would be more appropriate to recover this cost as a flat charge per supply point. We further believe that recovering this cost on a supply point basis would lead to more predictable and stable charges.

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

Whilst Mod 0418 would lead to a small increase to those customers in the domestic charging band this would be offset to some extent following Ofgem's direction to implement Mod 428 which will use the single meter point for charging purposes.

Relevant Objectives:

How would implementation of each modification impact the relevant objectives?

0418/0418A
Representation
02 August 2013

Version 1.0

Page 1 of 2

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a). and b). Cost Reflectivity and Development of the Transportation Business

We believe that both mods propose a more cost reflective method for recovering the Customer charge as they relate specifically to costs incurred at a Distribution network level whilst the current methodology is based on cost recovery at a national level.

c). Facilitates Effective Competition between Gas Shippers and Gas Suppliers

We believe that mod 0418 promotes effective competition between gas shippers and suppliers more so than the proposal outlined in mod 0418A.

Both mods are consistent in the method of recovery for two categories of costs associated with the Customer charge. However for the third and last category of costs – the recovery of DLCA - Mod 0418 proposes a charge per supply point on the basis that the DLCA does not vary according to the size or throughput of the property and this, we believe, would lead to a more stable and predictable charges. The method proposed by Mod 0418A of using a commodity charge to recover this cost would lead to unpredictable charges which would adversely affect the promotion of effective competition between gas shippers and gas suppliers.

Impacts and Costs:

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

There would be an impact on Xoserve system costs.

Implementation:

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

Our preferred implementation date would be 1st April 2015 in order to give sufficient lead time to Xoserve to make the necessary system changes.

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