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By email: enquiries@gasgovernance.com

Dear Bob

SUBJECT: Response to DNPC08

Please find below our response to the questions ask in the consultation document.

Q1 Should we move to a charging structure which reflects individual network costs?

We have no comments in this area.

Q2 Do you agree that, based on the analysis shown, transportation to CSEPs and to directly connected loads should use the same charging functions?

Keeping the number the charging functions to a minimum helps reduce costs to Shippers and consumers. Maintaining two sets of charging functions must therefore provide clear benefits to the consumer. In this instance we do not see the rationale for treating CSEP and directly connected load separately and so support the proposal to maintain a common charging regime.

Q3 Which of the three options set out (Parameter Update, Best Fit or Common Function Option) would you prefer to be implemented and why?

In line with our comments above, it is in the interest of all customers that any changes to the current charging regime should only occur if there is a clear case that the additional costs that will be incurred by their Shippers are outweighed by the benefits to the consumers.

The three options that are proposed escalate in degrees of cost and complexity. The most complex, Best Fit, would introduce differing charging structures for each DN, by using both Power functions and Log functions, as well as introducing a new charging tier which would apply to customers that are either 732 MWh or 2931MWh, depending on the DN. Introducing this level of variance between each DN's charging methodology would add significant complexity in the current charging regime. This will place a considerable administrative burden on Shippers, as well as those consumers who attempt to track their transportation charges. Ultimately these costs will be passed through to the consumer and so we do not support this option.

We are also not convinced by the case for the Common Function option. Though it is marginally less complex than the Best Fit option, it still creates an additional charging tier,

which will still incur significant additional complexity to the charging regime. The analysis provided by the DNs does not provide a compelling argument why such additional costs should be incurred moving away from the current arrangements that have been in place for a considerable period of time.

We therefore support the Parameter Update option. This utilises the current framework and will create no appreciable costs to the consumer, whilst improving the cost reflectivity of the charges levied.

Q4 Is there any reason why the proposals should not be implemented from 1st April 2012?

Any change to customer transportations requires sufficient lead time for Shippers to notify the customers of these changes, as well as to adjust any tariffs. April 2012 provides such a lead-time and, if these changes are to be implemented as set-out in this consultation, we support the proposed implementation date.

Yours sincerely

Richard Dutton
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