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### **DNPC07- LDZ System Charges Capacity Commodity Split**

Dear Tim,

RWE npower welcomes the opportunity to respond to the above consultation and does so on behalf of all its licensed gas businesses. Would you please ensure that our response is forwarded to the relevant persons at each of the Distribution Networks (DNs).

#### *Question 1*

*Should the charging methodology be changed so that the capacity element of the LDZ System charges is set to recover 100% of the revenue from the LDZ system charges, and the commodity element is set to zero, compared to the current 95%/5% target?*

We do not believe the new target best meets the objectives of the charging methodology as a number of points have not been considered within the consultation. If this consultation were to be implemented it would result in the increased potential for unrecoverable costs for industry participants thus although the DN's costs could be recovered in full these costs have the possibility of being misallocated between users.

As a result of this change the DN's would receive a cashflow benefit as a result of the capacity invoices being issued 6 days prior to commodity. This change in payment dates should be considered in relation to credit cover where if this consultation were to be implemented all distribution charges would be due to the same date. There would be a necessity for additional cover to be lodged, at additional cost to the party, to ensure a cash call does not ensue as a result of invoices received. We believe this would impact all parties but particularly smaller suppliers.

#### *Question 2*

*Should interruptible supply points pay 50% of the firm system capacity charge so as to maintain the value of the discount received by interruptible supply points at its current level, on average?*

We do not support the charging methodology change from 95%/5% to 100%/0% on the capacity commodity split and thus as a consequence do not believe it is necessary to change the way in which charges from interruptible customers are recouped.

[RWE npower](#)

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*Question 3*

*Should the change be made with effect from 1<sup>st</sup> April 2011?*

We do not believe the change should be implemented for the reasons contained within the answer to question 1.

Should any of the DNs representatives wish to discuss our response in more detail they should not hesitate to contact me.

Yours faithfully,

Jennifer Higgins\*  
Network Charging

\* sent by e-mail therefore unsigned