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**Gaz de France ESS response to:
DNPC01- Customer charge structure for the 0-73MWh load band**

Gaz de France ESS view

Gaz de France ESS support the move to a capacity based charge to replace the current commodity based customer charge. We would however strongly urge transporters to move the implementation date to October 2007 at the earliest, in order to accommodate changes required in shipper/supplier systems and contracting lead times. Also, an October implementation date would more accurately align with transporter's best endeavours licence requirement not to change charges more frequently than once a year.

Capacity based charging

Gaz de France ESS welcomes the change in methodology to align customer charges in the Smaller Supply Point load band to a capacity based mechanism. We agree that wherever costs can be attributed by transporters as fixed as opposed to related to throughput, then it is appropriate, and consistent with the charging regime for the Large Supply Point market, to charge these to Users on a capacity basis.

The move towards capacity based charging generally helps to reduce the influence of volume related variations to Transporter revenues and consequently reduce year on year volatility of charges set by Transporters. This has been a real concern to shippers and consumers recently as stability in charges has varied considerably since the sale of the distribution networks in 2005. It is of utmost importance that stability of transportation charges should be maintained both within price control periods and more specifically year on year. to avoid customer confusion in the Industrial and Commercial market where transportation charges are often pass-through.

Impact on the Industrial and Commercial market

This pricing consultation proposes changes to the structure of charges to all Smaller Supply Points which include domestic “tariff type” customers but also Industrial and Commercial Supply Points within larger group contracts which have more sophisticated billing structures. A common feature of Industrial and Commercial gas contracts between suppliers and customers are pass-through terms for transportation costs. This improves transparency of both wholesale market prices and auditable transportation costs for consumers. When quoting for new business and re-quoting existing business suppliers strive to project the most accurate estimate of prices and charging structures to their customers.

Shipper/Supplier System Requirements

Changes to transportation charge structures impacts on both front-end (quoting and pricing) and back-end (validation and settlement) shipper/supplier systems. The implementation date for these reforms is critical and needs to be informed by the ability of shippers/suppliers to make consequential changes. Typically, the October contract round for the Industrial and Commercial market begins in May or June and shipper/suppliers need to have accommodated changes to their quoting and pricing systems by this time. Our anticipated lead-time required to make these changes is 6 months therefore a decision in November on these proposals should give sufficient time to support an October 2007 implementation at the very earliest.

I trust this information is helpful and if you have any questions or would like to discuss further, please do not hesitate to me on 0113 306 2104.

Yours sincerely



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