

DN CONSULTATION REPORT ON DNPC02

Transportation Charges for Interruptible Supply Points

1. Introduction

This report is issued on behalf of all DNs in pursuance of Standard Special Condition A5, paragraph 2 of the Gas Transporters licence.

The DNs are: National Grid Gas Distribution, Northern Gas Networks, Scotland Gas Networks, Southern Gas Networks, Wales and the West Utilities.

2. DNs Initial Proposal

The DNs proposed that, subject to implementation of UNC Modification 0090, the current transportation charge discounts and payments in respect of interruptible supply points should cease with effect from the end of 30 September 2010.

3. Summary

There were 3 responses to the consultation paper.

Shippers & Other Respondents	
EDF Energy	EDF
Statoil (U.K.) Limited	STUK
EIC Consultants	EIC

Two respondents (EDF, STUK) were not in favour of UNC Mod 0090 but gave support to the charging methodology proposals if the UNC Modification were to be implemented.

One respondent (EIC) did not comment directly on the proposed change to the charging methodology.

4. Detailed Responses

The following section details concerns relating to the charging methodology proposal raised in responses. Concerns raised relating to UNC Mod 0090 itself are not detailed since there are other fora for discussing such concerns.

4.1 Timing and Completeness of Proposal

One respondent (EDF) thought the proposal was premature and incomplete, in that it did not address all the pricing issues needed to enable users to correctly and economically price their value of interruption, if UNC Mod 0090 were to be implemented.

DN Response:

The charging methodology proposal was raised in February so that, were UNC Mod 0090 to be implemented from April 2007 for interruption services from October 2010 onwards, the status of the existing transportation charge discounts and payments relating to interruptible supply points would be known in good time prior to the foreseen June 2007 tender for interruptible rights from October 2010 onwards.

The consultation covers the proposed changes to the transportation charging methodology. Following approval of UNC Mod 0090 each DN will issue a methodology covering the basis of the interruptible rights tender and the selection of resultant interruptible offers; however this latter methodology is distinct from the transportation charging methodology.

5 Final Proposal

The DNs welcome the comments and general support received for the proposal contained in DNPC02. Since the consultation was initiated, UNC Modification 0090 has been approved by Ofgem for implementation from 1 April 2008 for interruptible services from 1 October 2011. In line with the first effective date of the new interruptible contracts following UNC Mod 0090, the DNs propose that transportation charge discounts and payments in respect of interruptible supply points should cease with effect from the end of 30 September 2011.