

TRANSCO PRICING CONSULTATION PAPER PC43

Charging for Shipper Services

SUMMARY

Shipper services are those activities undertaken by Transco to manage the commercial relationship with shippers, particularly in respect of operations under the Network Code. Prior to October 1997, all shipper service costs had been reflected in NTS charges, but as a result of proposals put forward in the 1997 Shipper Service Pricing Consultation Paper (PC10), the majority of costs are at present reflected in other charges. Transco has sought to re-evaluate how shipper service costs are reflected as part of the assessment of charges to apply from 1 October 1999.

There has been no change in the methodology of using ongoing costs where they differ from historical costs for shipper services. This is regarded as providing the best measure of forward-looking attributable costs. This paper examines options for developing the methodology for reflecting shipper service costs in transportation charges and sets out specific changes for potential implementation in October 1999.

The costs of Customer Portfolio Management (CPM) are significantly different for the domestic, industrial & commercial (I&C) below 25,000tpa and I&C above 25,000tpa sectors. The present charges do not reflect the relative levels of costs in these sectors and, as a result, it is proposed to rebalance the recovery of CPM costs this year. As at present, this will be reflected in the customer charge.

Transco has been unable to determine a clear relationship between the costs of UK Link and different customer sectors. It is therefore not proposed to change the present methodology whereby these costs are reflected in NTS charges.

The work of Transco's Commercial Operations department is primarily NTS-focused, and so the present methodology of reflection of the costs in NTS charges is thought to be appropriate.

In the remaining areas, it has either not been possible to establish a specific cost driver or Transco is inclined to the view that it would be inappropriate at present to levy a charge on the basis of the cost drivers identified. This is because Transco's objective of cost-reflectivity has to be balanced against other relevant objectives set in the Public Gas Transporter's Licence. In these areas, no change from the present methodology is proposed.