

## TRANSCO CONSULTATION REPORT ON PC58 RESIDUAL CUSTOMER CHARGE

### 1. TRANSCO'S INITIAL PROPOSAL

With the proposal to have separate metering charges from October, a revised customer charge was proposed, based upon the existing methodology and structure but excluding metering costs.

### 2. SUMMARY OF RESPONSES

There were 12 responses, all from shippers:

Alliance Gas	AGL
British Gas Trading	BGT
BP Gas Marketing	BPGM
Eastern Group TXU	TXU
Elf Gas and Power	EGP
Northern Electric and Gas	NE
Npower	Np
Powergen	PG
Scottish and Southern Energy	SSE
Shell Gas Direct	SGD
Total Gas Marketing	TGM
V-is-on	V-is

All except three of the respondents (BGT, SGD, NE) expressed general support for the proposals. BGT and SGD had concerns about the fit and level of the charge respectively. NE was neutral.

#### 2.1 Level of Residual Customer Charge

SGD was concerned that, for many I&C supply points, the increases in the metering costs proposed in PC54 would be greater than the proposed reduction in the customer charge.

##### **Transco's Response**

The form and initial level of the proposed residual customer charge has been determined with respect to the level of transportation charges and metering charges/rebates as at May 2000. The changes in the indicative relative levels of the different transportation charges and metering charges were explained in PD10. Issues relating to the proposed metering charges are discussed in the PC54 consultation report.

#### 2.2 Form of Residual Customer Charge

BGT suggested that the discontinuities at 73.2MWh/a and 732MWh/a in the level of the charge should have been eliminated. EGP also questioned the discontinuity at 732MWh/a.

##### **Transco's Response**

Transco considers that with the proposed introduction of separate meter charges, in the interests of charging stability, it is beneficial, initially, to determine a residual customer charge as close as possible to the charge generated by the existing customer charge excluding the meter charges/rebates. The existing customer charge has discontinuities at 73.2 MWh/a and 732 MWh/a, reflecting underlying cost differences and customer charge structural changes at these thresholds. Transco considers that improvements to the residual customer charges may best be obtained by further disaggregation of the customer charges, beyond these changes, rather than by interim structural changes at this time.

### **2.3 Reduction in Shipper Service costs**

AGL was concerned that the indicative reduction in the level of the charge reflected a reduction in the level of Shipper Service costs, when the level of service provided to Shippers was unsatisfactory.

#### **Transco's Response**

The effective reduction in the indicative level of the residual customer charges reflects, in part, a reduction in the level of Shipper Service costs from 1998 to 1999. This reduction in costs relates, in part, to some activities in 1998 not continuing in 1999 rather than to a reduction in the level of service provided to Shippers. For example, the 1998 Shipper Service costs included costs relating to the introduction of domestic competition, phase III, and the introduction of Reconciliation-by-Difference, which were not borne in 1999.

### **3. TRANSCO'S FINAL PROPOSAL**

Transco proposes the methodology changes as in the original proposal. However, in the Consultation Report on PC54 it is proposed that the introduction of disaggregated metering charges for I&C supply points be delayed until April 2001. It is therefore proposed, subject to the PC54 methodology change proposal not being vetoed, that the residual customer charge relating to domestic supply points (up to 73.2 MWh per annum) be introduced from 1 October 2000 and the residual customer charge for I&C supply points (those over 73.2 MWh per annum) be introduced from 1 April 2001. Prior to 1 April 2001 the existing customer charges, except for the datalogger charges, will apply for I&C supply points. Datalogger charges will be determined using the prevailing charge methodology.

The final proposal is thus to have a customer charge at the following charge levels from October 2000:

#### **Up to 73.2 MWh per annum**

Commodity charge      0.1407 pence per kWh

(No fixed charge)

#### **73.2 MWh up to 732MWh per annum**

Fixed charge

Non-monthly read supply points 18.9259 pence per day

Monthly read supply points 19.9564 pence per day  
Capacity charge 0.0129 pence per peak day kWh per day

**73.2 MWh per annum and over**

Capacity charge  $0.2383 \times (PL)^{-0.30}$  pence per peak day kWh per day

From April 2001 the customer charges will be:

**Up to 73.2 MWh per annum**

Commodity charge 0.1407 pence per kWh  
(No fixed charge)

**73.2 MWh up to 732MWh per annum**

Fixed charge  
Non-monthly read supply points 14.8226 pence per day  
Monthly read supply points 15.7827 pence per day  
Capacity charge 0.0017 pence per peak day kWh per day

**73.2 MWh per annum and over**

Capacity charge  $0.0360 \times (PL)^{-0.21}$  pence per peak day kWh per day