

TRANSCO CONSULTATION REPORT ON PD10

Balance of Transportation Charges

1. TRANSCO'S INITIAL PROPOSAL

Transco's Pricing Discussion Paper PD10 explained that the indicative 1 October 2000 charges were based on Ofgem's proposed split of allowed revenue into Transportation and Metering. The split of the transportation charges into NTS, LDZ and non-meter customer was then based on cost pools derived from Transco's ABC cost base for the year ending December 1999. The paper also provided a view of the re-balanced charging tiers compared with the present (May 2000) balance of charges and an analysis of the impact of the changes on the charges for typical loads.

The question for discussion was the degree of re-balancing of the main tier charges which should be implemented for October 2000.

2. SUMMARY OF RESPONSES

2.1 Transco received six responses to this discussion paper, four from shippers and two from end user associations. The question for discussion was the appropriateness of the degree of re-balancing of transportation charges set out in the discussion paper.

Shippers	Alliance Gas	(AGL)
	British Gas Trading	(BGT)
	BP Gas Marketing	(BPGM)
	PowerGen	(PG)
End User Associations	Association of Electricity Producers	(AEP)
	CIPS Energy Committee	(CIPS)

2.2 Comments Received

All four shippers and the chairman of the CIPS Energy Committee commented on the size of the increases which might be experienced by I and C customers as a result of the pricing proposals for 1 October. Three of the shippers, BPGM, BGT, and PowerGen suggested that the increases should be phased in. Alliance commented that the size of the proposed increases for some I and C customers was not consistent with price stability. BPGM suggested the introduction of a limit of +/-10% on re-balancing changes in any year. The chairman of the CIPS Energy Committee expressed strong disagreement with the Transco proposals.

The AEP did not support the proposed re-balancing of the NTS charges which caused a 2.5% increase in those charges.

BGT, PowerGen and AEP all commented that more cost information would have been helpful in evaluating the proposals.

Transco's Response

The increases in transportation and metering charges which might be experienced by I and C customers from 1 October are mainly a result of the proposals in PC59, LDZ re-balancing, and PC54, Disaggregated Metering Charges. Transco believes that the proposals to re-balance the LDZ charges will improve cost-reflectivity and these proposals are therefore not being amended. However the proposals in PC54 are being amended to delay the implementation of the disaggregated I and C charges until 1 April 2001 and to reduce the increases which might be experienced by some I and C customers when the disaggregated charges are implemented.

A limit on re-balancing changes in any year has been used in the past, for example when re-balancing NTS exit charges. However a limit would not be appropriate in the context of the present changes because it would prevent the consistent application of the principles on which the charges are based.

There has been a delay in publishing the ABC information year this due to the ABC model being audited by external auditors. It is hoped that the ABC booklet will be published later in July.

3. SUMMARY OF FINAL PROPOSALS

Following consultation, it is proposed to make no change to the degree of re-balancing proposed for the transportation charges (excluding the metering charges) set out in PD10. Table 3 from PD10 showing the changes in the balance of transportation charges is shown below. However this re-balancing will not come fully into effect until 1 April 2001 because of the delayed disaggregation of the I and C metering charges.

Table 3 (from PD10): Changes in Balance of Transportation Charges – Effective from 1 April 2001

	A	B	C	D
	Present balance of charges	2000 Cost Pools Split	Percentage Re-balancing Change (B/A)	Proposed Change in Levels
NTS	17.6	19.1	8.5%	2.5
LDZ	58.6	57.4	-2%	-7.4
Non-meter Customer	23.8	23.5	-1.3%	-6.7
Total	100	100	0%	-5.5

In view of concerns about the impact of the disaggregated metering charges on some I and C supply points and also concerns about the implementation of these charges from 1 October two changes are being made to the metering proposals. First, the effect of

constraining the additional charge for prepayment meters to £15 has been confined to the domestic market, which will reduce the metering charges to I and C supply points. Secondly, the disaggregated metering charges for I and C supply points will not be implemented until 1 April 2001. Between 1 October and 1 April 2001 the customer charge for I and C supply points will include a bundled metering charge based on the existing charging methodology.

A revised Table 4 from PD10 showing the impact of the proposed changes on typical supply points reflecting the above changes is shown below.

Table 4- Impact of Proposed Charges to Shippers for Typical Supply Points (Including Metering Charges) – Effective from 1 October 2000

		Annual Qty KWh /GWh	Pence / kWh			
			May - 00	Oct - 00	Change	%
Domestic	PPM	8,500	0.7351	0.8098	0.0747	10.2%
	Small	8,500	0.6174	0.6333	0.0159	2.6%
	Medium	19,000	0.5524	0.5383	-0.0141	-2.6%
	Large	30,000	0.5333	0.5101	-0.0232	-4.4%
LDZ	Firm Contract	0.15	0.3997	0.3929	-0.0068	-1.7%
	Industrial &	0.6	0.3232	0.3266	0.0034	1.1%
	Commercial	1.5	0.2725	0.2792	0.0067	2.5%
		3	0.2465	0.2541	0.0076	3.1%
		6	0.2257	0.2333	0.0076	3.4%
		3	0.1682	0.1738	0.0056	3.3%
LDZ	Interruptible	15	0.1091	0.1168	0.0077	7.1%
		30	0.0970	0.1042	0.0072	7.4%
		150	0.0766	0.0810	0.0044	5.7%
NTS	Firm	6,000	0.0345	0.0360	0.0015	4.4%
	Interruptible	6,000	0.0276	0.0290	0.0014	5.1%