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StandingCharges@ofgem.gov.uk

19th January 2024

Dear James,

WWU response to Standing Charges: Call for input

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter serving 2.5 million supply points in Wales and south-west England. This response is not confidential and may be published by Ofgem.

We are not directly impacted by the issue of retail standing charges and we realise that the main focus is on electricity standing charges, but we thought that it would be helpful to provide some information on how our transportation charges for domestic customers vary as consumption changes. We have provided our response under Question 4.

Q4: As a result of TCR and changes to the recovery of residual costs, domestic consumers with very low consumption now bear a share of fixed network costs which is more in line with the cost of maintaining access to gas and electricity networks. Is this fair? Should more be done to shield these customers from these costs?

For domestic customers, WWU's transportation charges (not including charges related to recovering the costs from Suppliers of Last Resort) are broadly proportional to the Formula Year Annual Quantity (FYAQ). The FYAQ is fixed for each financial year in the previous December to provide a stable base for setting transportation charges. The FYAQ is the current value Annual Quantity in December. The Annual Quantity is a backward looking rolling calculation of the yearly consumption and is revised each time a valid meter reading is submitted to Xoserve by the Shipper. In certain circumstances (see Uniform Network Code Transportation Principal Document section G2.3) a Shipper can manually amend the AQ although these processes are more focussed on amending AQs for non-domestic rather than domestic customers.¹

¹ There is a more recent trend of shippers seeking to amend AQs for new and existing domestic customers, and we expect this to increase should Ofgem direct implementation of UNC Modification 0819 Establishing/Amending a Gas Vacant Site Process

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What this means is that if consumption changes during the year then the **transportation charges** for domestic customers will not change until the FYAQ is revised in December to reflect the new value of the Annual Quantity. There is therefore a lag between changes in consumption, both up and down, and corresponding changes in the transportation charge which is a relatively small proportion of the total charge to the customer for gas.

The charges for the recovery of costs from Suppliers of Last Resort are set separately from transportation charges but also are broadly proportional to the FYAQ.

Please contact me if you have any questions about our response.

Yours sincerely,



Richard Pomroy

Regulation Manager

Wales & West Utilities