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**Gaz de France ESS response to:  
Electricity distribution structure of charges project**

**Delivering the electricity distribution structure of charges project**

Gaz de France ESS supports the decision to implement a common distribution charging methodology. We also agree that Ofgem should take the decision on the methodology for common adoption and implement it through a collective licence modification.

The implementation timescale as planned to coincide with the start of the next price control period is sensible but it is important that suppliers are fully informed of planned changes throughout the development process in order to make the required changes to pricing and billing systems.

The supporting detail on the decision and the project appended to Ofgem's 22 July letter provides a robust basis on which to take the project forward.

**Whether a common methodology should be applied across DNOs?**

Yes. Given the diverse range of views and developments to date by the DNOs it seems unlikely that distributors will be able to agree a common methodology in a timely fashion, and we therefore agree that Ofgem should decide between the competing methodologies and approve the common methodology. The regulator is much better placed to take a balanced view of the design criteria on behalf of a range of stakeholders other than the DNOs.

**The pros, cons and impacts of each model presented**

Gaz de France ESS is unable to give detailed views on the models proposed and therefore cannot state a specific preference between the different models under consideration but we would make some general points as follows:

- the key requirement is to achieve charging arrangements that support competition in the supply and generation markets. Gaz de France ESS has a strong preference for stability and commonality. In practice this means simpler and transparency arrangements should be preferred over complex, model-driven outcomes that are hard to forecast year-on-year;
- similarly, there is a key trade off between cost-reflectivity and stability of charges. Stability is very important to ourselves and our customers, especially in an environment where year-on-year changes can fluctuate significantly because of over and under recovery; and
- options that include capping year-on-year changes and giving users the option of a more stable charge based on a prediction of charges into the future would seem to have considerable merit given the government's and the regulator's wider objectives for the sector, as well as on competition grounds.

Also, Gaz de France ESS would specifically like to see:

- Increased uniformity in the pricing structure with regard to standardised time bands, common kVa calculation techniques and a shift to increased capacity/availability based charging structures.
- A more uniform approach to embedded generator charging for import/export sites that mirrors the "netted flows" charging model. There is currently a diverse and confusing mix of methodologies in this area which causes confusion for both suppliers and their customers and also causes a locationally distorted investment signal for potential projects.

### **Governance arrangements and options set out in annex 3**

Gaz de France ESS prefers an industry code governance arrangement based on the DCUSA model as the new arrangements would need to be pushed through quickly if the necessary timescales are to be achieved.

### **The proposed processes set out in annex 4**

The timescales and processes look broadly right. The work of the working group should be front loaded where possible to ensure deadlines are met.

### **Whether there are any other matters.**

Gaz de France ESS agree that distributors should not bring forward further formal modification proposals for the time being, until the new licence arrangements are set in place and put into effect.

I trust this information is helpful and if you have any questions or would like to discuss further, please do not hesitate to me on 0113 306 2104.

Yours sincerely



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**Gaz de France ESS**