



Gazprom Energy
Bauhaus, 5th Floor
27 Quay Street
Manchester

T 0845 230 0011
F 0845 230 0022
E enquiries@gazprom-energy.com
W www.gazprom-energy.com

Non Confidential

Bethany Hanna
Ofgem
9 Millbank
London
Bethany.hanna@ofgem.gov.uk

19th September 2014

Dear Bethany,

Reference: Consultation on a proposal to increase significantly the notification period for changes to distribution use of system charges

Gazprom Marketing & Trading Retail Limited ("***Gazprom Energy***") would like to thank you for the opportunity to respond to your consultation. We do not consider the body of our response to be confidential and we are happy for these to be shared with other interested parties. We have sent a separate appendix document which is marked as confidential.

Gazprom Energy operates in the UK non-domestic sector as a gas supplier and a gas shipper. We also operate in the UK non-domestic sector as an electricity supplier.

We have been supportive of *DCP 178 Notification Period for Change to Use of System Charges* throughout its development responding to workgroup consultations when issued.

We have set out our responses to the individual questions below. As stated above we have also sent a separate confidential appendix.

1. Do you agree with the working group's view that DCP178 would result in these benefits and costs?

Yes, generally we agree that there are benefits and perhaps some costs resulting from DCP178. However, we believe the benefits significantly outweigh the costs.

The current timescales of 40 days' notice of final DUoS charges gives inadequate notice to suppliers and customers of DUoS costs over the next 12 months. This is particularly important as DUoS costs make up the second largest element of electricity costs after wholesale costs.

There would be substantial benefits for customers desiring fixed price supply contracts. Many customers in the non-domestic market seek contracts in excess of 12 months in length to give them price certainty. Currently, even most 12 month supply contracts will contain a forecast of one DUoS price change. While supply contracts that are longer in length will need to forecast and make assumptions for two or more DUoS price changes.

Within current timelines, suppliers will need to include a risk premium which may mean either over-recovering DUoS costs from customers or perhaps more likely, they will be uncompetitive with their price and not gain any customers. A 15 month notice period for DUoS charges will mean 12 month contracts can also be priced with DUoS price certainty, while longer contracts will require fewer forecasts of DUoS price changes than is the case currently.

A significant increase of the implementation date for future modifications compared to the current arrangements may be a “cost” in some circumstances, for some change proposals. Where the change is to have material impact on DUoS prices and DNO revenues we believe that longer notice periods are to be welcomed. This will give suppliers and customer’s greater certainty that DCUSA modifications will not be introduced with short notice periods that will significantly alter DUoS costs.

2. Are there any other benefits and costs that you think would result from DCP178?

Not that we are aware of.

3. For suppliers and customers, can you provide supporting evidence for the benefits identified by respondents to the working group’s consultations?

We provided confidential evidence directly to Ofgem as part of the second working groups consultation. We have re-sent the document alongside this consultation response; please could this appendix remain confidential.

We hope you find our comments useful. Should you have any questions on or would like to meet to discuss our response, please don’t hesitate to contact myself.

Yours sincerely,

Tom Breckwoldt