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# **GB TCMF 10 Sept 2004**

**Material Changes to Charging  
Methodologies**

**Bob Brown, Cornwall Consulting**

# Cornwall Consulting Limited

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- Background
- Concerns
- Suggestions

# Background

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- NGT obliged, under the Licence, to keep Charging Methodologies under constant review
- Obligated to propose modification if such modification better meets a set of relevant objectives

# Relevant Objectives include

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- Facilitating competition in generation and supply
- Reflecting NGT's costs, where practicable
- There is trade off between the two, because of uncertainty of charges

# Concern

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- Present obligations can cause uncertainty of charges
- Results in additional risks to the market
- Risk = Premium
- Many suppliers and customers would like certainty of costs

# Suppliers

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- Offer choice of contracts – e.g. one year, two year & longer
- Increased cost uncertainty = potentially increased costs to customers

# Generators

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- Increased cost uncertainty= increased costs of project finance for new entrants

# The effects on suppliers

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- More sophisticated billing and contract arrangements
- Risk premiums

# Competition impacts

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- The larger the supply business, the easier to spread costs
- Existing suppliers have a better chance of passing on risk premiums
- New suppliers have more active customers

# Existing suppliers

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- NHH non-domestic : 55 % have never switched\*
  - HH : 38% have never switched\*
  - NHH Domestic: 59 % remain with the ex-PES\*\*
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- \* Ofgem review of non domestic competition July 2003
  - \*\* Ofgem review of domestic competition April 2004

# Conclusion

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- Increased uncertainty can impact competition
- Larger, existing players are in a better position
- Customers pay more

# Possible solutions

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- “Material” changes should be phased in
- Regulatory Impact Assessments should always include consideration of customers, suppliers and generators and competition

# Endorsing

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- Bizz Energy
- Ecotricity
- Gaz de France Energy

# Questions

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- Bob Brown
- [www.cornwall-consulting.co.uk](http://www.cornwall-consulting.co.uk)