
DN Charging Methodology Forum (DNCF) Minutes
Tuesday 19 September 2017
via teleconference

Attendees

Helen Cuin (Chair)	(HC)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Angela Love	(AL)	Energetics
Beth Hanson	(BHa)	First:Utility
Bridget Hill	(BHi)	EON
Craig Neilson	(CN)	Cadent
Gethyn Howard	(GH)	BUUK
Joanne Parker	(JP)	Scotia Gas Networks
Jonathan Trapps	(JT)	Northern Gas Networks
Neil Brinkley	(NB)	BUUK
Nicky White	(NW)	Npower
Nicola Lond	(NL)	National Grid NTS
Paul Whitton	(PW)	Scotia Gas Networks
Robert Wigginton	(RW)	Wales & West Utilities
Shazia Akhtar	(SA)	Cadent
Simon Vicary	(SV)	EDF Energy
William Jago	(WJ)	NPower

Copies of all papers are available at: <https://www.gasgovernance.co.uk/DNCF/190917>

1. Introduction and Status Review

1.1 Review of Minutes (20 June 2017)

The minutes of the previous meeting were approved.

1.2 Pre-Modification Discussions

None.

2. Allowed and Collected DN Revenue (MOD0186) Reports

Copies available at: <https://www.gasgovernance.co.uk/DNRevenueReports>

2.1 Scotia Gas Networks

JP provided a summary of the key revenue changes as follows:

Southern

RPIf- Reduced inflationary impact 2019/20 and 2020/21 in line with the August 2017 HM Treasury forecast; the revised forecast this reflects final 2016/17 position; and Revised forecasts 2017/18 onwards impacting shrinkage, EEI and Totex revenue;

Cost of Debt - Increase in cost of debt forecast 2018/19 onwards;

BMt Reflects improved 2016/17 Stakeholder Performance with the assumption that this will be maintained going forward;

Updated 2017/18 collected revenue position.

Scotland

JP then provided a brief overview of the Scotland key revenue movements.

BH asked about the breakdown price change and the notification of changes JP confirmed this would be provided in December. When AL asked if this could be provided before December, JP indicated that she would do her best to provide the information sooner, rather than later.

2.2 Cadent

SA provided a summary of the headline movements in Collectable Revenue and are summarised as follows:

- The September forecast is fully aligned to the 16/17 RRP submissions in respect of 2016/17 final performance and forecasts for the remainder of RIIO GD1;
- The biggest movement relates to reducing Cost Of Debt index, which results in a £30.1m reduction in allowed revenue based on our latest forecasts;
- Inflation is also tracking down slightly in the medium term and is driving a further £19m reduction in allowed revenue;
- Ofgem has agreed the approach to adjust the London Medium Pressure allowance and the expected impact of this has been included within the overall Totex Update. We envisage this will give rise to a £18m reduction in revenue in GD-1;
- Deferral of the Smart Metering uncertainty mechanism from 2019/20 to 2020/21 was signposted as a risk item previously and has now been embedded within the forecast, in addition to expected cost forecast reductions, which drive a £10.4m reduction in allowed revenue;
- Changes to pension funding post sale have been highlighted as a risk item previously. Given that indicative charges are due by the end of October, and this will impact 2018/19 revenue, have now reflected a robust scenario into the September forecast, and
- Maintained approach for forecasting into the first year of RIIO GD-2

In examining the 'Collectable revenue trace: Gas Prices' slide, SA pointed out that the new graph displaying Movement in 2017/18 GPRC patterns.

Concluding the presentation, SA highlighted the four key messages on slide 19.

2.3 Wales & West Utilities

RW provided a summary of the key revenue changes and explained that he is expecting Ofgem agreement over the 'cost true up' aspects in due course.

RW also pointed out that the '2021/22 – Reminder of requirements' slide is the same as presented at the June meeting, however he reiterated the difficulty the GDNs experience in predicting their allowed revenue beyond the end of the price control.

When AL enquired whether or not there is any percentage change information available to support the 2021/22 forecast (Put) figures, RW explained that whilst the format of the information provided is consistent with historic precedents, he would be happy to include a percentage (%) against total allowed revenue going forwards.

2.4 Northern Gas Networks

JT provided a brief summary of the key revenue changes focusing attention on the total and cost of debt movements along with the RRP finalisation related impacts.

3. Future reporting of SOQ changes

In referring to Outstanding Action 0601, HC reminded those present that Shippers had agreed to provide feedback to the GDNs on whether to maintain the average domestic customer charge item with the DN Revenue Reports.

CN confirmed feedback had been provided which includes a request to keep this agenda item open, and as a consequence, this would continue to be reported on going forwards.

4. Supplier of Last Resort Process

In referring to Outstanding Action 0602, CN confirmed that an update had been provided at the previous DNCMF on the licence requirements for the Energy Supplier of Last Resort. CN then went on to explain that he has approached Ofgem for a view but has not yet received an update from Ofgem. He offered to provide progress updates from Ofgem going forward. It was agreed to close the action and have a standing agenda item, to prompt ongoing updates.¹

5. Revenue Forecasting (RIIO GD2)

When CN confirmed that the Revenue RIIO GD2 Forecasting has now been incorporated into the Revenue (Mod0186) Reports, it was suggested that this continues to be updated within the report. When asked, the Workgroup agreed that a separate agenda item is not required going forward.

6. Topic Tracker (Cadent)

When HC referred to Outstanding Action 0103, CN provided a brief overview of the Topic Tracker focusing on three (3) main items, as follows:

- GB energy supplier of last resort
- Review of DN charging methodology
- Impact of DN entry growth on GDN charging methodology

It was also suggested that it would be beneficial to also include RIIO GB1 intelligence and underlying charging methodology assumptions and ascertain whether or not these still hold true.

When AL suggested a further item was added relating to Biomethane should be added, CN agreed to include this in the next iteration of the tracker.

JT offered to provide an overview of what makes up the base revenue allowance. It was agreed to provide a Deep Dive at the January meeting based on NGN data.

CN agreed to update the Topic Tracker and this would be published on the main DNCMF home page (next to the Terms of Reference) going forward. CN stressed he wanted all parties to feed into the Topic Tracker and that it would be collectively owned and updated. It was agreed that the tracker would be published in an Excel format and parties would download and feed into the tracker at their convenience. It was agreed that the tracker should also identify who has raised the topic.

7. Issues

No new issues raised.

¹ Post Meeting Note: CN provided an important post meeting update. Ofgem are expecting a SOLR claim imminently, and that they expect to make a decision on it in timescales that would allow recovery of any approved amount (if appropriate) during the 2018/19 charging year. As yet GDNs have no information on the magnitude, or split by network, but there is a risk that might need to feature in their indicative price calculations. GDNs will share more information as soon as it is available.

8. Review of Outstanding Actions

0103: DNs to provide a sample topic tracker.

Update: See item 6.0. **Closed.**

0601: Shippers to provide feedback on whether to maintain the average domestic customer charge item, if a view is not provided it was agreed this could be removed from the report.

Update: See item 3.0. **Closed**

0602: Cadent (CN) to confirm the licence requirements for the Energy Supplier of Last Resort and a position view from Ofgem.

Update: See item 4.0. **Closed**

9. Any Other Business

9.1 Project CLOCC – National Grid NTS

NL provided a presentation on the Network Innovation Completion Project: Customer low cost connections (CLOCC), to inform parties of the work being undertaken. She confirmed that this had previously been provided to the NTSCMF, who had requested that it was also provided to the DNCFM for information purposes.

NL provided an overview of the core objectives, details of the Connection Portal, a summary of Customer Feedback, the details of the commercial arrangements under review, a project timeline, and the next steps.

NL was expecting for there to be a number of UNC, Licence and Methodology Modifications, along with industry consultation (and hopefully approval and subsequent implementation), which would be considered at the Transmission Workgroup going forwards.

10. Diary Planning for Workgroup

Details of planned meetings are available at: www.gasgovernance.co.uk/Diary.

The following meetings are scheduled to take place:

Time/Date	Venue	Workgroup Programme
10:30 Thursday 11 January 2018	Venue to be confirmed Solihull	Revenue (MOD0186) Reports Supplier of Last Resort Process Update Base Revenue Allowance Overview Topic Tracker Update
10:30 Tuesday 27 March 2018	Venue to be confirmed Solihull	Revenue (MOD0186) Reports
10:30 Tuesday 26 June 2018	Venue to be confirmed Solihull	Revenue (MOD0186) Reports
10:30 Tuesday 25 September 2018	Venue to be confirmed Solihull	Revenue (MOD0186) Reports

Action Table (as at 19 September 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0103	09/01/17	5.7	DNs to provide a sample topic tracker.	NGGD (CN)	Update provided. Closed
0601	20/06/17	5.0	Shippers to provide feedback on whether to maintain the average domestic customer charge item, if a view is not provided it was agreed this could be removed from the report.	All Shippers	Update provided. Closed
0602	20/06/17	9.0	Cadent (CN) to confirm the licence requirements for the Energy Supplier of Last Resort and a position view from Ofgem.	Cadent (CN)	Update provided. Closed