

Distribution Charging Methodology Forum Minutes

Tuesday 29 October 2013

via teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Ben Tucker	(BT)	EDF Energy
Clare Cantle-Jones	(CCJ)	ENA
David Chalmers	(DC)	National Grid Distribution
Dimuthu Wijetunga	(DW)	RWE npower
George Moran	(GM)	British Gas
Jens Martin	(JM)	E.ON UK
Joanna Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Trapps	(JT)	Northern Gas Networks
Julia Haughey	(JH)	EDF Energy
Rochelle Harrison	(RH)	British Gas
Steve Armstrong	(SA)	National Grid Distribution

Copies of all papers are available at: www.gasgovernance.co.uk/DCMF/291013

1. Introduction and Status Review

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

DCMF 07/02: All DNs to consider providing a calculation model to assist understanding how tariffs are calculated.

Update: Awaiting further progress on Action 01/01. **Carried Forward**

DCMF 01/01: RWE npower (JW) in reference to the Tariff Model: Gather views on what specification may be required (including identification of any priorities) and bring forward a strawman for consideration.

Update: DW reported that Shippers had been working to understand the impact of the RIIO outcome and were now in a better position to determine what would be needed going forward in the revenue reports. This was likely to be discussed in the New Year and DW will liaise with other Shippers, collate requirements, and bring to the next DCMF. Discussions with the DNs to date have been very encouraging. **Carried Forward**

DCMF 04/02: British Gas (RH) to undertake a review of the UNC0186 Reports with the view to providing a 'strawman' for consideration at the next meeting, on the potential adoption in future of a standardised format possibly from October 2013 onwards.

Update: Scotia Gas Networks confirmed its adoption of the new format. **Closed.**

DCMF 07/01: SOQs – In the next UNC0186 Reports include a table indicating the high/low forecast and the range of SOQs.

Update: SA sought clarification on what was required and what was going to be of most use. Shippers gave more detail of requirements – i.e. what the impact of different SOQ outcomes would be and what the DNs thought the range could be. SA believed Shippers were better placed than DNs to understand/influence what the potential range of SOQ

changes might be. RH observed that arbitrary numbers were not really appropriate and that a range of variations provided a better picture. JE suggested a Table format - Shippers welcomed this. DW added that an indication of the confidence levels set around those changes would be useful. SA asked if this was the final SOQ range that will be used for pricing assumptions. DW suggested looking at the impact on the 'K' for future years if it turns out differently from what is assumed. SA suggested that the DNs could look at historical variability and report the indicated ranges, but it would be useful to see the Shippers' perceptions drawn from their own figures. **Carried Forward.**

DCMF07/02: Environmental Emissions Incentive target – Provide information on how this was out performed.

Update: JT had emailed information to RH, and agreed to provide the information for publication with these minutes. **Closed.**

Post Meeting note on performance drivers, provided by Northern Gas Networks:

Prioritising of Repex Investment – NGN have for a number of years been focussed on the development of a Replacement investment strategy that aims to maximise the Outputs delivered including Safety (risk Removed), Reliability (reductions in gas escapes and associated repairs) and environmental impact (leakage). The reductions in 2012/13 have been driven by the success of this new approach to investment prioritisation.

Pressure Management & Control – NGN have also been focussed on implementing new processes, procedures and technologies that assist in the effective management of pressures across the network. The largest reduction in leakage over this period has been the earlier than anticipated success in managing pressures to levels below those achieved in previous years. We are targeting further reductions in pressure over the RIIO period with the introduction of a remote pressure monitoring and control system.

Gas Conditioning – NGN has also reviewed the optimal use of gas conditioning in managing leakage through lead yarn joints. This has included increasing the levels of MEG across the network and optimising the location and usage of gas conditioning kit to increase MEG saturation above historic levels.

2. Allowed and Collected DN Revenue (UNC0186 Reports)

2.1 Northern Gas Networks

JT presented the figures and assumptions, drawing attention to items of note. Very little movement had occurred since the July figures were presented, and not much more movement from these numbers was anticipated.

More data would be included on the line 'Customer Satisfaction' when available.

JT confirmed that the Cost of Debt adjustment is not subject to a 2 year lag.

2.2 Scotia Gas Networks (SGN)

JP confirmed that SGN had now adopted the new format, and presented the figures and assumptions, highlighting any items of note.

a) Southern

DW, referring to years 2015/16, asked if the correction to Revenue Adjustment was for 2014/15 with the interest applied. This was confirmed.

b) Scotland

There was very little change and assumptions were consistent.

Indicative charges will be slightly lower than those expressed in the Mod186 report. Table 2 has not yet been populated but this will be done as the year progresses.

2.3 Wales & West Utilities (WWU)

JE presented the figures and assumptions, drawing attention to certain items as appropriate, and noting there was very little difference to the July figures.

DW referred to Years 2014/15 questioning the change from what was previously 3.5% to what was now 2.8%. JE explained the figures.

TD noted that the WWU Mod 186 Report contained extra information that offered comparison between July and October figures. Shippers confirmed that they found this very useful, and would welcome adoption by the other DNs.

2.4 National Grid Distribution

DC reviewed each of the DNs in turn, and presented the figures and assumptions.

a) East of England

The figures were similar to the previous forecast.

DW referred to the Table 2 impacts in 2016/17 – was this when the adjustments potentially hit the revenue? This was confirmed. However, DC emphasised that Streetworks costs are the largest value in Table 2 and the potential impact is highly uncertain. SA indicated that National Grid was not in a position to change the forecast yet but was expecting the cost to change because of the continuing emergence of permit schemes. DW asked if it was possible to provide a range for this. DC responded that most factors in cost capture for Streetworks are very difficult to ascertain – he was not in a position to give a realistic range at present. SA thought it could go down to zero as a maximum range, but this was not certain – there were several layers of uncertainty.

b) London

The figures were similar to the previous forecast, and DC highlighted items of note.

c) North West

The figures were similar to the previous forecast, and DC highlighted items of note.

SA indicated that price changes for April 2014 might be slightly lower than those presented.

d) West Midlands

The figures were similar to the previous forecast, and DC highlighted items of note.

2.5 General Comments

DW referred to the reports made by NGN and WWU, and asked if there would be revenue lines for Streetworks and Security at some point as these seemed to be lacking when compared with the other DNs' reports. JT responded that the cost forecast was very difficult to be able to put a value on for those items. Lines can be added to the report but it will not be possible to populate with any confidence. Working groups had just started to look at these items so a figure was not possible at present but may be provided in the future. DW commented that he would like to see an indicative view and maximum expectations, rather like National Grid had provided.

SA then sought Shippers' views on the usefulness of the information provided to date. The Shippers indicated that it was very useful and voiced their appreciation.

3. Any Other Business

Ofgem’s Financial Modelling

DW sought clarity in respect of Ofgem ‘calculating something in a financial model that could affect indicative charges’. SA responded that this referred to the cost of debt adjustment and legacy adjustments. Ofgem will run the model in November but the timing of this did not fit well with the holistic process; an expectation of the outcome will be built into the indicative charges. When asked if another set of indicatives might be issued following the Ofgem model outcome, SA indicated that would happen only if the outcome proved to be markedly different from the expectation. DW asked if the DNs could issue a note at the appropriate point to confirm whether the outcome was different or not. SA believed that could be done at the end of November or beginning of December to clarify the final view. Shippers indicated they would appreciate this.

Action DCMF 10/01: Ofgem Financial Model Outcome – DNs to issue a note (December 2013) confirming any impact on indicative charges.

4. Diary Planning

Meetings for 2014 have been scheduled as follows and will take place via teleconference (09:30 – 10:30) unless otherwise agreed.

Date	Time	Venue
Wednesday 29 January 2014	09:30	Via teleconference
Wednesday 30 April 2014	09:30	Via teleconference
Wednesday 30 July 2014	09:30	Via teleconference
Wednesday 29 October 2014	09:30	Via teleconference

Action Table – Distribution Charging Methodology Forum

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DCMF 07/02	23/07/12	3.	DNs to consider providing a calculation model to assist understanding how tariffs are calculated.	All DNs	Carried Forward
DCMF 01/01	21/01/13	1.2	Tariff Model: Gather views on what specification may be required (including identification of any priorities) and bring forward a strawman for consideration.	RWE npower (JW)	Carried Forward

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DCMF 04/02	24/04/13	2.	To undertake a review of the UNC0186 Reports with the view to providing a 'strawman' for consideration at the next meeting, on the potential adoption in future of a standardised format possibly from October 2013 onwards.	British Gas (RH)	Closed
DCMF 07/01	24/07/13	2.2(a)	SOQs – In the next UNC0186 Reports include a table indicating the high/low forecast and the range of SOQs.	All DNs	Carried Forward
DCMF 07/02	24/07/13	2.3	<i>Environmental Emissions Incentive target</i> – Provide information on how this was out performed.	NGN (JT)	Closed
DCMF 10/01	29/10/13	3.	<i>Ofgem Financial Model Outcome</i> – DNs to issue a note (December 2013) confirming any impact on indicative charges.	DNs	Note to be issued Dec 13 Pending