

**UNC Workgroup 0508 Minutes**  
**Revised Distributed Gas Charging Arrangements**  
**Monday 15 September 2014**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Ben Tucker	(BT)	EDF Energy
Charles Ruffell	(CR)	RWEst
Colin Williams	(CW)	National Grid NTS
Dave Chalmers	(DC)	National Grid Distribution
Debra Hawkin	(DH)	Consultant
Gareth Davies*	(GD)	Statoil
Graham Jack*	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Joel Martin*	(JM)	Scotia Gas Networks
Jon Trapps*	(JT)	Northern Gas Networks
Jos Kuiper*	(JK)	Gas Terra
Julie Cox	(JCx)	Energy UK
Laura Butterfield	(LB)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	sisman energy consultancy
Richard Fairholme	(RF)	E.ON
Roddy Monroe	(RM)	Centrica Storage
Tim Davis	(TD)	TDEnergy
Thomas Dangarembizi	(TD1)	National Grid NTS
Victoria Volossov*	(VV)	Ofgem

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0508/150914](http://www.gasgovernance.co.uk/0508/150914)

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 December 2014.

**1.0 Introduction**

LJ explained the purpose of the meeting was to provide an opportunity to the NTS Charging Methodology Forum to comment on the modification and the options identified as potential solutions. This modification had previously been discussed at the DN Charging Methodology Forum.

LJ then introduced the Proposer, DC.

**2.0 Discussion**

*Overview of Modification*

Giving a short presentation, DC introduced the modification, explaining its purpose and intent and highlighting the key issues for consideration and discussion. The charges as currently applied were explained. There were no particular cost linkages to these charges. Schematics were then displayed to demonstrate the current arrangements and the proposed modification. It was noted that DN entry gas was starting to become a more significant element of the charging regime. It was proposed to modify the charging basis

to better reflect the actual position. DC explained that complex adjustments could be made to achieve this however the modification was proposing a simpler way to do this.

DC then outlined two alternatives for consideration, presenting them as conceptual diagrams. The first alternative was to carry on with the current arrangements and for NTS to give a DN Entry rebate. Changes may increase nationally – everyone would be paying a little extra for the credits coming out.

The second alternative was the one proposed in Modification 0508. It was the same as the first method but with a DN rebate rather than an NTS rebate. It achieves the same outcome from a Shipper perspective. A DN would be adjusting the rates for its own charges to achieve the same level of revenue, i.e. it would be balanced out at a particular DN level. DC believed this option to be more appropriate.

A discussion ensued. JCx thought that the impact to customer charges should be considered. It was questioned if charges should be made to customers who happen to be located in an area of higher DN entry. DC indicated that all customers connected downstream would pay slightly more; the principle was that it should flow through to the customer. NW observed that bringing gas in was not necessarily the same as taking gas out - different parties could be involved; commodity should not be levied; NTS revenue should go down. Should it be charged at a DN Entry point? What revenue is allowed to be covered, was the question/problem. Some parties were not sure that it would not affect the allowed revenue. There may be secondary effects through Shrinkage, but these may already exist. The physical and commercial effects are different. It was noted that transportation charges will always have distributional impacts.

It was suggested it would be helpful to see some numbers, and a spreadsheet was displayed. DC explained the figures, observing that from a DN perspective charges needed to be set once a year (April), and that any additional changes to NTS commodity charges would not be able to be accommodated unless the frequency could be changed. The figures were reviewed and DC responded to various questions.

DC understood from the various comments that what was needed was something that was perceived to be right in principle, and that any large material effects would seem to be seen as being more in the distant future.

Questioning how the commodity charge was made up, GJ asked whether it was worth looking at the various components that form the charges, and assess if any full/partial rebate was appropriate, and to which party or parties. Where do costs lie and how are they recovered - are they DN or NTS specific?

LJ referred to security of supply - what value was there in having a replacement service?

Concerns were expressed regarding potential changes that might allow DN's to change charges more than once a year. It was confirmed the Licence Condition currently only allows one annual change (April), except in extremis. It was queried whether this would reflect NTS mid-year changes. DC gave an example of how charges would/would not be taken into account.

It was suggested clarity might be provided by sight of the legal text drafting. If there is a linked formula it should just redistribute and flow through automatically. It would not affect any LDZ charge fixed until the next year; any October change would be absorbed by the DN's; volatility would be reflected 2 years hence so parties would have a lot of advance notice.

It was questioned whether the October rates were more important than the April rates if either were to be affected. It was explained how NTS set the rates.

#### *Next Steps*

In conclusion, LJ summarised that the discussion had highlighted a number of areas for further consideration by the Proposer and the Workgroup:

- Impacts on prices to end consumer(s)
- Rebates - full or partial and to which party/parties
- Timings of changes to charges
- Importance of clarity in the legal text drafting.

### 3.0 Any Other Business

None.

### 4.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

The following meetings are scheduled to take place:

Time/Date	Venue	Workgroup Programme
09:30, Wednesday 29 October 2014	31 Homer Road, Solihull B91 3LT	As part of the DN Charging Methodology Forum

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0701	29/07/14	2.0	<i>Application/timing of proposed charges</i> - Provide a model/worked examples.	National Grid Distribution (DC)	<b>Carried forward</b>
0702	29/07/14	2.0	<i>Hybrid option</i> – Consider how this might work and provide a view.	National Grid Distribution (DC)	<b>Carried forward</b>