UNC Workgroup 0508 Minutes
Revised Distributed Gas Charging Arrangements
Tuesday 29 July 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
David Chalmers	(DC)	National Grid Distribution
Elizabeth Allkins*	(EA)	OVO Energy
George Moran*	(GM)	British Gas
Ian Hollington	(IH)	Joint Office
Joanne Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Trapps	(JT)	Northern Gas Networks
Raja Bairavi*	(RB)	Corona Energy
Steve Armstrong	(SA)	National Grid Distribution

** via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0508/290714

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

1.0 Outline of Modification

SA introduced the modification, explaining its purpose and intent.

2.0 Initial Discussion

SA gave a presentation highlighting the key issues for consideration and discussion. The charges as currently applied were explained. There were no particular cost linkages to these charges. Recognising the complexities, conceptual diagrams 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. SA explained that complex adjustments could be made to achieve this however the modification was proposing a simpler way to adjust. He outlined how capacity charging had been improved and the benefits, and this proposed change would be using a similar mechanism.

SA 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. This was briefly discussed. JE questioned the number of changes to charges in a year. There would be new charge elements for NTS, together with new processes and a new billing arrangement for Shippers. In SA's view this seemed a bit 'untidy'. It was confirmed that 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 GDN rebate rather than an NTS rebate. It achieves the same outcome from a Shipper perspective. A GDN would be adjusting the rates for its own charges to achieve the same level of revenue, ie it would be balanced out at a particular DN level. SA believed this option to be more appropriate. It was simpler because of the Modification 0391 credit arrangements in place. It would have to increase the level of credits back using existing balancing arrangements (no new charging type to be introduced). DNs are already monitoring entry points and what the flows are likely to be, so it is easier for them to assess a rebate rather than the NTS.

Timings of changes to charges was discussed. It was believed the DNs were limited to one change per year and the NTS could change twice a year. If Modification 0508 were to be introduced it would carry one change per year (April). SA explained in more detail. It was discussed how it would balance out across the year and the effects of NTS adjusting the charges. It was recognised that it would not be a perfect balance, but could be an improvement on the present arrangements. LJ raised concerns regarding cash flow impact. DC explained it was an improvement to cost reflectivity. SA believed that moving back to multi changes to charges every year would be a retrospective step. BT was also concerned about cash flow impacts and gave example scenarios. SA explained in more detail how it might work, recognising that it was not precise or perfect but should be a better application than at present to reflect costs incurred by the appropriate parties.

LJ observed the Workgroup needed to consider, was it ‘good enough’ or ‘close enough’ to what it should be? Is this a sufficient degree of improvement to take forward? SA would argue that it was an improvement in cost reflectivity targeted at the appropriate parties, and therefore should be worth doing as a low cost solution that can be justified to provide more benefit. JP believed it would encourage more DN entry, assuming there were no adverse impacts.

It was suggested that worked examples might be provided to assist the Workgroup’s understanding.

Action 0701: *Application/timing of proposed charges* - Provide a model/worked examples.

SA explained how the credits would be funded. Overall the total should not change, it was just a rebalancing of the charges/credits across the most appropriate parties, ie those Shippers who bring in gas at DN entry will get credited and those who don’t will be paying more. DC clarified that the revenue remains ‘whole’ – it is a question of redistributing the revenue to be more cost reflective, a rebalancing in favour of the Shippers who are bringing in gas at the DN entry points.

GM observed that there might be a regional impact (some areas might have more DN entry points) and a distributional impact, and asked if the Proposer had considered a hybrid option, similar to the second alternative, whereby the rebate elements can be given by the GDN but recovered from the TO and dealt with at that level? SA thought that could be worth considering – a process/mechanism for recovery would have to be developed, and appropriate commercial arrangements.

Action 0702: *Hybrid option* – Consider how this might work and provide a view.

SA reiterated that the modification was attempting to correct a problem that currently exists whereby parties are paying for something they are not using. BT asked why a rebate was thought to be the best way…why did not the DNs just reduce costs? SA explained his view.

BT suggested that closer consideration should be given to an appropriate implementation date.

In summary, it was agreed that the principle that the User pays for the service received is sound and, based on current understanding, that corrections were required to address the present proportionality of the costs incurred. It was agreed there should be a rebate, but that the best method to achieve that had yet to be determined.

LJ advised that this Modification 0508 would also be reviewed at the next NTS Charging Methodology Forum on Monday 15 September 2014 (10:30) - papers will be published at www.gasgovernance.co.uk/ntscmf/150914 - and suggested that GM might also like to put forward the hybrid option at that meeting. LJ encouraged parties to attend or dial into this meeting to hear any further debate (teleconference arrangements will be in place).

3.0 Any Other Business

None.

4.0 Diary Planning

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

PLEASE NOTE: The next Workgroup meeting will take place within the NTS Charging Methodology Forum on Monday 15 September 2014 at 10:30, 31 Homer Road, Solihull B91 3LT.

The following meetings are scheduled to take place:

Time/Date	Venue	Workgroup Programme
10:30 Monday 15 September 2014	31 Homer Road, Solihull B91 3LT	To be reviewed by the **NTS Charging Methodology Forum**
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	*Application/timing of proposed charges* - Provide a model/worked examples.	National Grid Distribution (DC)	**Pending**
0702	29/07/14	2.0	*Hybrid option* – Consider how this might work and provide a view.	National Grid Distribution (DC)	**Pending**