
Distribution Charging Methodology Forum (DCMF) Minutes
Tuesday 24 November 2015
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Collette Baldwin	(CB)	E.ON UK
Craig Neilson	(CN)	National Grid Distribution
David Carroll*	(DC)	Gazprom
Fabien LaRoche	(FL)	E.ON UK
Gemma Truran	(GT)	RWE Power
Joanne Parker	(JP)	Scotia Gas Networks
Jonathan Trapps	(JT)	Northern Gas Networks
Mike Lapper	(ML)	National Grid Distribution
Paul Whitton	(PW)	Scotia Gas Networks
Robert Wigginton	(RW)	Wales & West Utilities

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dcmf/241115>

1. Introduction and Status Review

1.1 Review of Minutes

The minutes of the previous meeting were approved.

2. Allowed and Collected DN Revenue (MOD0186 Reports)

Summaries of individual positions were given by each DN.

2.1 Wales & West Utilities (WWU)

RW gave a brief presentation, highlighting the revenue changes made since the last report and explained the figures in more detail. Whilst the analysis is based on the 0186 report model, it is closer in nature to the indicative report provided previously.

In looking at the 'Customer Bill – using 12,500 TDCV' slide, RW explained that circa 12,500kWh viewed as an average domestic CV, is reasonably representative of the actual WWU figures.

When asked whether or not this type of information is useful to parties, it was indicated that some do their own customer billing assessments based on metering reading information. JP highlighted that this type of information provision is consistent with Ofgem's figures and that adopting this going forward would potentially result in a more consistent approach.

When asked, what possibly caused the 'bump' (rise) in the 2016/17 to 2017/18 average customer bill (based on constant 2014/15 prices) line, RW responded by suggesting that this reflects the effects of items such as the 'k' (potential big 't'), true 't' over collection in 2014/15 and RPI step change related impacts.

When asked whether or not WWU had witnessed as big a load factor (AQ/SOQ's) change as the other DN's, RW explained that whilst all winter variances had seen large swings, overall the net effect was not to large on average.

2.2 National Grid Distribution (NGD)

ML gave a short presentation, explaining that NGD had tried a slightly different approach and sought to combine analysis of all their networks in a series of consolidated tables.

In examining the 'High level change drivers' slide, and focusing on the 'TOTEX Incentive Mechanism' in particular, ML explained that whilst it might appear that NGD is spending less than the predicted level, the change is more a reflection of a faster funding provision which NGD is looking to refine (i.e. categorisation aspects etc.) going forwards.

ML highlighted that the 'Pensions Costs' information is different to the Pensions Deficit information contained within the NGD 0186 Report, before going on to apologise for some incorrect information provided on the 'NTS Exit Capacity' slide which would be corrected in due course.

In reviewing the 'Under / Over Recovery' slide, ML highlighted that there are some Project Nexus metering disaggregation and UNC Modification 0428 related impacts that have not yet been fully assessed which means that whilst the figures have the right level of predictability, they might also be slightly magnified. In considering the main bullet points, ML confirmed that whilst the SOQ values are higher than previously predicted, they had been taken into account when compiling the indicative report, and would be expected to now flow through to the final report with minimal impact.

When asked, those parties in attendance indicated that they were happy with the new proposed network consolidated reporting based approach although they did believe that incorporating the July 2015/16 figures might prove beneficial. They also noted that it would be preferable if all DNOs used the same format where applicable.

2.3 Northern Gas Networks (NGN)

JT gave a brief presentation on the key revenue change movements observed since the previous report and explained that whilst initially he thought that an 0428 related impact had resulted in a material error in one Shippers figures, he now believes that this was simply a one-off unrelated event, and as a consequence, is comfortable with the figures provided.

JT pointed out that he believes that the 2017/18 'k factor' figure of 8.3%, is mainly down to the impact of a one-off seasonal data set related change.

2.4 Scotia Gas Networks (SGN)

JP gave a short presentation on SGN's key revenue changes since their last report.

JP explained that the Southern Network's '2015/16 Under/Over Recovery Carried Forward figure (8.0)' is expected to be given back in 2017/18, whilst also pointing out that the 'Annual October SOQ Assumption' had now flattened back off.

As far as the Scottish Network figures are concerned, whilst there are small movements in monetary terms involved, these have a larger impact in percentage terms.

In concluding the review of the Allowed and Collected DN Revenue (Mod0186 Reports), all DNO's were asked to look at providing 2020/21 figures included within their

respective reports as soon as possible, as and when, the information becomes available.

3. Any Other Business

3.1 Consideration of Potential FGO Impacts

During a brief discussion, JP indicated that SGN is looking to refresh their data to take into account potential FGO associated impacts and advised that the July CNI information was included within their sensitivity assessment, which subsequently changed in the October report – it was suggested that an additional narrative within the respective DN Mod0186 Reports might prove beneficial.

Some parties felt that better (price related) visibility within the Mod0186 Reports would be beneficial and noted that there is potentially a big gap between what Ofgem believes should be visible to the industry and what is actually provided within the 0186 Reports (e.g. relating to re-openers associated with enhanced physical site security, cyber security and street works impacts). Responding, JP reminded parties that unless the ‘materiality triggers’ are breached, these items would not necessarily appear within the 0186 Report re-openers - if the DNO’s could look to enhance the Table 6 information with additional re-opener related information, that would prove a valuable addition.

CB pointed out that there are customer contract related impacts for E.ON, due in part, to the delay in the provision of information that potentially prevents E.ON adjusting their costs in a more timely manner – when said and done, the 0186 Reports are all about giving a ‘heads up’ to industry. Responding, JP pointed out that the DNO’s are also under pressure to turn around information in a timely manner, whilst JT observed that the DN’s require more clarity around whether or not FGO falls under the REPEX banner.

When asked whether or not any of the DNO’s had reported on cyber security aspects, the general response indicated that they had not, but would consider it going forwards. DNO’s agreed that providing an overall view might prove beneficial.

New Action DCMF1101: DNO’s to consider potential FGO related impacts and how best to report these going forward.

3.2 Update on Rejected UNC Modification 0539

RW indicated that following Ofgem’s recent rejection of UNC Modification 0539 ‘Removal of NTS Exit Commodity Charges for Distributed Gas’ on 19 November 2015, WWU would be undertaking some small amendments to their reported figures.

4. Review of Actions

DCMF 0701: DNOs to produce information/analysis for adopting charging forecasts/predictions for a longer period of time (set out by company) for the November meeting.

Update: On behalf of the DNO’s, JP provided a brief overview of the ‘DNO 15 Month Charging Example’ (summary across all DNO’s) presentation during which she explained that as a general rule of thumb ‘RPI’, ‘RPI True Up’ and ‘SOQ Impact’ are out of the direct control of the DNO’s. Whilst the ‘% Less RPI and SOQ’ is broadly under the

DNO's sphere of control, there are a couple of exceptions, namely items such as the cost of gas in shrinkage etc.

When asked how accurate the DNO shrinkage predictions are, JP advised that in practice there remains a small percentage difference between their predictions and the actual amounts. DNO's are spending more time and effort to address these discrepancies whilst the 2016/17 -1.5% 'SOQ Impact' figure is expected to fall away over time.

JP then also pointed out that 'k' would have been a lot larger had the DNO's not opted to fix charging at a 15 month window and that it should be borne in mind that there were some discretionary factors, that have also impacted proceedings that were not visible 15 months out.

The general feeling was that the presentation demonstrates that the DNO's do good work in the areas in which they have (more or less) direct control and that the trend shows improvements are being made. However, it was noted that RPI volatility remains a potential concern. JP also advised that Treasury Forecast movements also have an impact on DNO forecasting accuracy, whereupon it was suggested by FL that short-term predictability would need to be considered in more detail by Suppliers going forward.

DNO's suggested that there are some potential RPI A licence impacts (i.e. RIO timing related and 'in year' miscellaneous pass through impacts etc.) involved – in response, parties suggested that should this be the case, it might be beneficial if DNO's provide some justification, or a demonstration of this fact.

It was recognised that the 'industry' is presently in a strange (temporary) position whereby discrepancies between the respective gas and electricity models results in differences becoming apparent – obtaining a better understanding of the differences would be beneficial to all concerned. **Closed**

5. 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, Tuesday 22 March 2016	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>
10:30, Tuesday 28 June 2016	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>
10:30, Tuesday 27 September 2016	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>
10:30, Tuesday 10 January 2017	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>

Action Table (24 November 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DCMF 0701	28/07/15	1.2	DNOs to produce information/ analysis for adopting charging forecasts/predictions for a longer period of time (set out by company) for the November meeting.	DNOs	Update provided. Closed
DCMF 1101	24/11/15	3.1	To consider potential FGO related impacts and how best to report these going forward.	DNOs	Pending