

Distribution Charging Methodology Forum (DCMF) Minutes

Monday 25 July 2011

via teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andy Manning	(AM)	Centrica
Chris Warner	(CW)	National Grid Distribution
Clare Cantle- Jones	(CCJ)	Energy Networks Association
Dennis Aitchison	(DA)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Helen Inwood	(HI)	RWE npower
James Stone	(JS)	E.ON UK
Joanna Ferguson	(JF)	Northern Gas Networks
Joanne Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Julia Haughey	(JH)	EDF Energy
Simon Trivella	(ST)	Wales & West Utilities
Steve Armstrong	(SA)	National Grid Distribution
Tom Connolly	(TC)	ScottishPower
Will Guest	(WG)	Northern Gas Networks

1.0 Introduction

Copies of all meeting papers are available at www.gasgovernance.co.uk/dcmf/250711.

TD welcomed all to the meeting.

2.0 Review of Minutes and Actions from the previous meeting

2.1 Minutes

The minutes of the previous meeting were accepted.

2.2 Review of Actions

Action 0041: British Gas (AM) to present thoughts on developments of the 0186 information requirements.

Update: The revised format was welcomed. **Closed**

3.0 Allowed and Collected DN Revenue (UNC0186 Reports)

3.1 National Grid Distribution

SA reported that a new format had been adopted in response to discussions at the last meeting, and feedback on this would be welcomed.

The inflation assumption was now 5.2% (2012/13) and shrinkage figures reflected the latest, July, view. SOQ assumptions have moved to a central case assumption of a 1.5% reduction (previously a 3% reduction) in response to initial figures received from Xoserve. These variations have been shown in the Allowed Revenue for 2012/13.

East of England

An 8% increase (previously 7%).

London

12.2% for April 2012 (previously 16%).

A TMA Income Adjusting Event (IAE) is being discussed with Ofgem. This could add £23.3m to allowed revenue were National Grid Distribution to recover in full (£6.2m based on TMA costs to date, the rest based on expected costs for next year).

North West

10% (previously 11%). The main change is SOQ assumptions.

West Midlands

8% increase (previously 6%); mainly due to inflation and other minor changes, eg shrinkage.

SA drew attention to the new table showing potential variations and ranges - he would welcome feedback on the figures and the way these are presented.

HI asked how the numbers for 2012/13 had been calculated and SA explained the extrapolations, stressing it was a purely mechanical procedure and made no presumption regarding the next price control period. It was confirmed that the other DNs used the same method as National Grid Distribution.

SA thanked all for the feedback regarding a possible October price change. This will not be progressed in light of the latest indication of SOQ reductions and also the views received that the change would not be welcomed. HI and AM thanked SA for taking account of Shipper views.

3.2 Wales & West Utilities

JE reported that early indications were that the SOQ was not going to fall by as much as predicted - 4% SOQ from 2011 and also 4% for 2012/13 – but this had not yet fed into changed assumptions.

2010/11 shows a small change since the April Report (£0.5m down). The biggest change is the revision to the 2012/13 inflation rate from 4.2% to 5.3%.

NTS Exit Capacity Charges have also been shown for the first time.

3.3 Northern Gas Networks

WG confirmed that 2012/13 inflation had been revised up to 5.4%, and 2013/14 up from 3.3% to 4.1% (forecasts were referenced to the Treasury forecasts). The indicated price change is now 10.2%, down from 11.2%.

SOQ reductions of 3% had been retained for 2011/12 onwards, but may be reduced if the preliminary Xoserve figures are accurate.

3.4 Scotia Gas NetworksSouthern

JP reported that the April forecast 3% increase has been reduced to 2% (2010/11 due to REPEX, 2011/12 reduced K carry forward). The 2012/13

movement is mainly inflationary. No major changes have been made to SOQ reductions as yet, since Xoserve's figures are preliminary only.

Scotland

6.1% increase, now reduced down to 5.7%.

2010/11 – Under recovery 6.9% reduced to 4.9%.

2011/12 – Minimal changes, mainly due to reduced K going forward.

2012/13 – Mainly inflationary change.

4.0 Any Other Business

TD invited feedback on the formats used for the reports. AM suggested that the National Grid version was preferred. It was also indicated that Excel versions of the tables were much preferred. All DNs agreed to look to adopt the revised format for the next reports and all Shippers agreed to provide any further thoughts and feedback on the format. WG added that Shippers may have a view on the likely path of SOQ reductions, and any thoughts on this would be particularly welcome – ST added that this was particularly a view on the likely impact of Shipper Appeals in the AQ Review process.

5.0 Date of next meeting and agenda items

A meeting will be arranged to coincide with publication of the next set of revenue reports.

Action Log – Distribution Charging Methodology Forum – 25 July 2011

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0041	31/01/11	2.1.4	Present thoughts on developments of the 0186 information requirements.	British Gas (AM)	Closed