

**Distribution Charging Methodology Forum (DCMF) Minutes**  
**Friday 27 January 2012**  
via teleconference

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MB)	Joint Office of Gas Transporters
Andy Manning	(AM)	Centrica
George Moran	(GM)	British Gas
James Stone	(JS)	E.ON UK
Joanne Parker	(JP)	Scotia Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Steve Armstrong	(SA)	National Grid
Will Guest	(WG)	Northern Gas Networks

**1.0 Introduction**

*Copies of all meeting papers are available at: <http://www.gasgovernance.co.uk/dcmf/270112>.*

**2.0 Review of Minutes and Actions from the previous meeting**

**2.1 Minutes**

The minutes of the previous meeting were accepted.

**2.2 Actions**

No outstanding actions to review.

**3.0 Allowed and Collected DN Revenue (UNC0186 Reports)**

TD asked the Transporters to highlight any expected difference between the revenue reports, the indicative 2012/13 charges and the actual charges due to be published by 1 February.

**3.1 Scotia Gas Networks**

JP advised that internal sign off of 2012/13 charges was due later in the day, such that she could not confirm the changes at this time.

Scotland

JP noted that the October 2011 (Arithmetic April Price % change) of 4.6% had been amended to a -0.5% reduction.

Southern

JP advised that the October 2011 (Arithmetic April Price % change) of 2.4% had been amended to 1.7%, due in large part to a reduction in pass-through costs and shrinkage impacts.

AM asked whether all DNs would be providing indicative figures for the next price control period, consistent with the approach taken by National Grid. He suggested that publication of this information would be a transparent process and consistent with the intention of the RIIO aspirations. JP confirmed that SGN had provided a second report that includes the figures, which AM welcomed. GM enquired if SGNs figures for

2013/14 and 2014/15 were based on their business plan data and JP confirmed this to be the case. She also advised that adjustments had been included to take into account anticipated Olympic Games impacts.

### **3.2 Northern Gas Networks**

WG highlighted a slight reduction in the 2011/12 Final Collected Revenue from £351.5 million in October 2011 to £349 million in the January 2012 figures. He pointed out that the 2012/13 figure of £384.8 million included £6 million for NTS Exit Capacity charges.

Since October 2011, the Arithmetic April Price change for 2012/13 had increased from 8.0% to 10%, due in part to a re-forecast of REPEX spend, whilst the figures for 2013/14 and 2014/15 had reduced from 7.1% and 5.9% in the October 2011 report to 5% and 6% respectively in this January 2012 report.

Asked if NGNs figures included assessment of the potential 2013/14 Price Control impacts, WG indicated that, whilst happy to quote figures, NGN believe it is too early and inappropriately presumptuous to formally publish them now. However, information appertaining to the revenue forecast indicative figures is available within their published business plan if others wish to use this and draw their own conclusions.

### **3.3 Wales & West Utilities**

JE explained the forecast reduction in 'K Movement' for 2012/13 from 2.3 in October 2011 to -3.0 in the January 2012 figures.

The 2011/12 Forecast Collected Revenue had increased from £339.5 million in October 2011 to £342.2 million in this report, whilst the corresponding 2012/13 figures had reduced from £357.5 to £354.4—reflecting an increase in NTS pension costs along with a minor increase in formula rates.

JE suggested the Arithmetic April Price % change for 2012/13 of 5.1% could change as a result of potential MSRA impacts – these are due to be discussed in more detail by WWU later in the day. Finally, he advised that the current NTS cost predictions matched those in the October 2011 report.

Asked if WWUs figures included assessment of the potential 2013/14 Price Control impacts, JE explained that WWU hold a similar view to NGN although he would be willing to discuss the matter on a one-to-one basis should anyone request the information.

### **3.4 National Grid Distribution**

#### London

SA advised that the Arithmetic April Price % change figure for 2013/14 of 4.3% is down from the October 2011 figure of 6%, reflecting a £10 million RTA adjustment.

SA confirmed that the figures had taken into account anticipated Olympic Games impacts.

#### North West

SA advised that the Arithmetic April Price % change for 2012/13 of 7.9% may be nearer to 7.3% due in part to mains replacement impacts.

### West Midlands

SA advised that he expected the 2012/13 Arithmetic April Price % change of 2.5% to end up nearer to 4.1% reflecting mains and service impacts. He also expects that the price change for April 2012 would be based on 2% due to the impact of reducing SOQs.

### East of England

SA suggested that, in general, the figures had reduced since the October 2011 report, due in part to a fundamental update. He went on to add that he expected the Arithmetic April Price change for 2012/13 of 5.6% to be nearer to 3.5% when the information is formally published next week – the figures remain more or less 'on target', although there remains an element of uncertainty over the final figures.

Asked if NGD's figures included an assessment of the potential 2013/14 Price Control impacts, SA confirmed that they are based on their business plan submission.

SA added that the RIIO figures for 2013/14 onwards included IFRS (tax) changes. Introduction of this change could be delayed, resulting in potential changes to the indicated figures – potentially a real term reduction in revenue. More detailed information on this is available within NGDs RIIO report (chapter 13). The expectation is that for the London area, you would witness an initial 'dip' which would / could then reverse and end up higher than the predicted figures due to the impact of street works legislation.

*Post meeting note: a revised version of NGDs Mod 186 report which excludes any IFRS impact from 2014/15 has been published on the Joint Office web site. Furthermore, the figures for 2012/13 have also been amended to reflect the latest estimate of the MSRA adjustment, impacting on the price changes shown for 2012/13 and 2013/14.*

## **4.0 Any Other Business**

None.

## **5.0 Date of next meeting and agenda items**

In the absence of related business at the appropriate time that might justify a physical meeting, it was agreed to meet again by teleconference in three months time to discuss the next set of revenue reports