

Distribution Charging Methodology Forum Minutes

Wednesday 29 January 2014

via teleconference

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Ben Tucker	(BT)	EDF Energy
David Chalmers	(DC)	National Grid Distribution
Dimuthu Wijetunga	(DW)	RWE npower
George Moran	(GM)	British Gas
Jens Martin	(JM)	E.ON UK
Joanna Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Trapps	(JT)	Northern Gas Networks
Steve Armstrong	(SA)	National Grid Distribution

Copies of all papers are available at: <http://www.gasgovernance.co.uk/DCMF/290114>

1. Introduction and Status Review

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

DCMF 01/01: RWE npower (JW) in reference to the Tariff Model: Gather views on what specification may be required (including identification of any priorities) and bring forward a strawman for consideration.

Update: DW reminded those present that this action is related to RIIO-GD1 before explaining that unfortunately the proposed Shipper meeting in December 2013 did not take place. He is now trying to arrange a teleconference meeting between interested parties during w/c Monday 03 February 2014 – if any interested party could get in touch and advise of their availability that would be greatly appreciated. **Carried Forward**

DCMF 07/02: All DNs to consider providing a calculation model to assist understanding how tariffs are calculated.

Update: Awaiting further progress on Action 01/01 above. **Carried Forward**

DCMF 07/01: SOQs – In the next UNC0186 Reports include a table indicating the high/low forecast and the range of SOQs.

Update: Please refer to item 2. below for more details. **Closed**

DCMF10/01: *Ofgem Financial Model Outcome* – All DNs to issue a note (December 2013) confirming any impact on indicative charges.

Update: SA advised that due to the fact that in reality the Ofgem financial model outcome, has had little (material) impact on the indicative charges already built in to the revenue reports, the DNs did not feel it was necessary to issue the proposed note. **Closed**

2. Allowed and Collected DN Revenue (UNC0186 Reports)

2.1 Wales & West Utilities

In presenting a brief overview of the changes made to the report since the October 2013 version, JE advised that the 2014/15 RPI figure had been confirmed following the release of the Treasury Report in November.

When asked for a potential view on the forecast adjustment, JE explained that in the absence of any clear information, he had deliberately played it safe and not tried to second guess a figure. It is hoped that more information would appear in due course.

In respect of action 07/01 above, JE explained that rather than include an SOQ table, he has added a footnote instead as the SOQ to price movement relationship is relatively simple.

2.2 Scotia Gas Networks

JP provided a brief review of the changes in the SGN report since the October 2013 version and again indicated that the latest figures reflect the Treasury Report requirements.

Southern

The 2014/15 figures include the £2 million Ofgem direction.

As far as action 07/01 was concerned, the SOQ impacts are presented in both percentage and monetary terms. Figures also reflect the cost of debt and hopefully more information will become available in due course.

When asked, JP suggested that a tax allowance statement might be available around the end of March time.

Discussions on how 'in year' adjustments would be treated going forward are being undertaken and an update should be available at the April meeting. SA pointed out that as each DN has a different financial advisor, adopting a 'best practise' approach for applying the most appropriate tax events would need careful consideration. It was noted that should any major tax trigger events take place then Ofgem would be involved. When asked whether or not all DNs could adopt a similar approach to SGN's table 2, when presenting the tax information, SA responded by suggesting that this is heavily dependant upon the individual DN financial advisors preference.

Scotland

JP pointed out that whilst there was very little significant change to the October figures and assumptions were broadly consistent, there was one particular item that stands out – namely, the 146.4% ECN Charges Arithmetic Price Change (%) for 2016/17 figure which reflects the impacts of the 2015/16 cost 'true up'. JP suggested that whilst this looks like a rather large swing, in monetary terms it is a small value.

2.3 Northern Gas Networks

JT presented the NGN figures and assumptions, focusing on the main changes since the October 2013 report. He advised that discussions are underway with Ofgem on adopting an earlier adjustment value notification.

JT also advised that he had included allowances for the legacy build up and RPI factors in all years.

JT suggested that the Customer Satisfaction scores appear strong and could result in a (circa) £1.6 to £1.8 million increase.

2.4 National Grid Distribution

DC reviewed each of the areas in turn, and presented the figures and assumptions.

East of England

In explaining that the figures were broadly similar to the previous October forecast, DC pointed out that the high / low SOQ scenarios had been provided in response to a request at the October 2013 meeting. He also explained that whilst the broad measure of customer satisfaction revenue adjustment – incentive performance projection was now included, there remains a great deal of uncertainty around this as it is dependant upon the outcome of the Stakeholder Incentive Review.

In noting that the 2013/14 SOQ movement had possibly resulted in a smaller impact than previously forecast and expected, SA pointed out that any changes to the 'k' value would not necessarily show through until 2014/15. However, he did agree to double check the figures, and if necessary, amend the report in time for the April meeting.

London

The figures were broadly similar to the October 2013 report, and DC highlighted items of note.

North West

The figures were broadly similar to the October 2013 report, and DC highlighted items of note.

West Midlands

The figures were broadly similar to the October 2013 report, and DC highlighted items of note.

In closing a new action was placed upon all the DNs to look to providing a consistent (tabulated) approach to presenting the suite of information as contained in table 2 of the Scotia Gas Networks report.

Action DCMF 14/01: All DNs to look to providing a consistent (tabulated) approach to presenting the suite of information as contained in table 2 of the Scotia Gas Networks report.

3. Any Other Business

3.1 Mod186 Report Format – Shipper selection

BT indicated that Shippers would welcome the adoption of a common format for the Mod186 reports going forwards.

When asked whether or not the DNs could look to adopt a single model for presentation of the reports, SA advised that this had long been an aspiration and that in more recent times, progress has been made towards this goal.

BT advised that interested parties would be discussing this matter at a forthcoming industry meeting after which he could look to provide an indication to the DNs of the preferred format.

Action DCMF 14/02: EDF Energy (BT) to provide feedback to the DNs on the Shippers preferred Mod186 format.

Action DCMF 14/03: All DNs to consider provision of a common (Shipper preferred) Mod186 report format in future.

4. Diary Planning

The following meetings for 2014 have been scheduled.

Time/Date	Venue	Programme
09:30 Wednesday 30 April	Teleconference - Contact details 0207 950 1251 access code, 21870295# (unless otherwise stated).	To be confirmed
09:30 Wednesday 30 July	Teleconference - Contact details 0207 950 1251 access code, 21870295# (unless otherwise stated).	To be confirmed
09:30 Wednesday 29 October	Teleconference - Contact details 0207 950 1251 access code, 21870295# (unless otherwise stated).	To be confirmed

Action Table – Distribution Charging Methodology Forum

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DCMF 07/02	23/07/12	3.	DNs to consider providing a calculation model to assist understanding how tariffs are calculated.	All DNs	Carried Forward
DCMF 01/01	21/01/13	1.2	Tariff Model: Gather views on what specification may be required (including identification of any priorities) and bring forward a strawman for consideration.	RWE npower (JW)	Carried Forward
DCMF 07/01	24/07/13	2.2(a)	SOQs – In the next UNC0186 Reports include a table indicating the high/low forecast and the range of SOQs.	All DNs	Closed
DCMF 10/01	29/10/13	3.	Ofgem Financial Model Outcome – DNs to issue a note (December 2013) confirming any impact on indicative charges.	DNs	Closed
DCMF 14/01	29/01/14	2.	To look to providing a consistent (tabulated) approach to presenting the suite of information as contained in table 2 of the Scotia Gas Networks report.	DNs	Pending
DCMF 14/02	29/01/14	3.1	To provide feedback to the DNs on the Shippers preferred Mod186 format.	EDF Energy (BT)	Pending
DCMF 14/03	29/01/14	3.1	<i>Linked to action 14/02</i> - to consider provision of a common (Shipper preferred) Mod186 report format in future.	DNs	Pending