

## Distribution Charging Methodology Forum (DCMF) Minutes

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/DCMF/290714](http://www.gasgovernance.co.uk/DCMF/290714)

### 1. Introduction and Status Review

#### 1.1 Review of Minutes

The minutes of the previous meeting were accepted.

#### 1.2 Review of Actions

**DCMF 05/01:** DNs to look to providing a high-level view in the reports relating to costs and any potential impacts and where possible provide a % confidence level indication.

**Update:** This was briefly discussed and it was concluded that it would be difficult to do and was not adding any value. JP suggested the priorities could be assigned, eg high, medium, low, as had been done in the past. It was agreed to close the action but keep under review and that parties could ask for further information if necessary. **Closed**

**DCMF 05/02:** DNs to agree a common process for utilisation of the treasury forecasts. (i.e. most recent quarterly reports vs final year forecast vs last available year rolled forwards).

**Update:** Completed. **Closed**

**DCMF 05/03:** DNs to agree a common 'Cost of Debt' provision (including percentage assumptions and the rationale behind them).

**Update:** This action was agreed withdrawn. **Withdrawn**

**DCMF 05/04:** DNs to consider adoption of a common report layout that utilises a line-by-line and column 'matched' style of presentation.

**Update:** Completed. **Closed**

**DCMF 05/05:** National Grid Distribution (DC) to provide a copy of NGD's RPi modelling sheet to the Joint Office for publication prior to the next meeting.

**Update:** Published. **Closed**

**DCMF 05/06:** DNs to look to provide a similar ECN related presentation.

**Update:** In recognition of the work commitments and time constraints (associated with the Regulatory Reporting cycle) building up over the coming period, a request to carry this forward was acceded to. It was agreed an update would be provided at the January 2015 meeting. **Carried forward**

**DCMF 05/07: Shippers/Suppliers to consider how best to move forward on the Tariff Model provisions with a view to providing feedback at the next meeting.**

**Update:** BT reported that pleasing progress had been made through discussions and asked for the action to be closed. **Closed**

**DCMF 05/08: DNs to investigate with Xoserve what potential level of information from their (DN specific) reports could be provided, if any.**

**Update:** This was related to Action 05/07 above, and was also agreed closed. **Closed**

## **2. Allowed and Collected DN Revenue (UNC0186 Reports)**

### **2.1 National Grid Distribution**

DC confirmed that a second version had been published following the identification of an error.

Commencing with the East of England report, DC focused attention on the main movements since the previous report and presented the assumptions and the rationale behind the figures, and reasons for any underlying the changes. An explanation of the various entries in each Table was given.

BT commented that Line 31 in Table 2, was information that Shippers did not pay much attention to and therefore may not be required. DNs noted this.

Rather than individually working through the London, North West and West Midlands reports, DC advised that they are all broadly similar in content and theme to the East of England report.

#### *SOQ changes*

DC confirmed that in these reports he was adhering to 3% SOQ reduction assumptions. Information from Xoserve was being used to gauge how well these will reduce in the future and the assumption was being monitored. It will be a major point of review in the future and if significantly less than 3% then views will be revised.

#### *Shrinkage (Line 18)*

DC confirmed that proposals had been submitted to Ofgem to reduce forward allowances for shrinkage costs. Impact would be on allowed revenue 2018/19/20/21 (a reduction of circa £10m). The allowances change in 2016/17; the impact has a two year lag. The proposals still have to be ratified by Ofgem. The other DNs confirmed they were not making a submission this year.

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## *General*

Referring to the East of England report, GM stated he would like more detail on what is driving the figures, ie Rows 13 and 14, and how they interacted. He was surprised that the incentive was larger than the cost reduction. DC explained why this was so in more detail (uncertainty about the level and direction of change of certain prices published by NTS). Row 13 was driven off the booked volumes; Row 14 takes account of reduction in volumes and the movement of other charges (3 years out and indicative). SA and DC provided more detail on the impact on various years, and this was briefly discussed.

BT noted there were slight differences in the East of England report compared to the others and DC explained that this was because National Grid had been able to reduce exit capacity bookings more in this region than the others.

GM commented on the differences in numbering/formatting used in the National Grid spreadsheets, whereby cell values were in long form £ but displayed in £millions, and would welcome consistency across the DNs for ease of user manipulation. DC noted this for consideration.

## **2.2 Wales & West Utilities**

JE provided a brief review of the changes in the WWU report since the April 2014 version, referring to the Movement Sheet, Row 22, he explained that the only movement since the last report was in the Network Innovation Allowance in 2014/15 compared to the previous quarter (increased by £0.7m). Adjustments of note across various entries were pointed out.

*Line 7* – Base revenue has decreased.

*Line 16* – Adjustments to shrinkage were noted.

*Line 19* - £1.1m relates to the Stakeholder Engagement Increase.

*Table 6* – Further information will be available for the October report for PCFM adjustment 2016/17 - 2018/19.

### *SOQs*

A better view will be available around September/October so no predictions have been changed as yet.

## **2.3 Northern Gas Networks**

JT presented a brief overview of the changes made to the report since the April 2014 version and drew attention to the information underpinning the figures as appropriate.

JT offered to go through an explanation of the various incentives at future meetings for the Shippers, suggesting that one incentive per meeting might be reviewed. This could be considered for the next meeting.

## **2.4 Scotia Gas Networks**

JP provided a brief review of the changes in the SGN reports since the April version.

### *Southern*

Referring to Shrinkage, JP advised that a view of the new model had not been included, so this may change going forward.

*Discretionary Reward Scheme* – A minor error had been identified and this was brought to the meeting's attention.

Table 6 – More visibility will be provided in October.

SOQs – The latest Xoserve reports do not show consumption as changing very much; a 1.1% reduction is indicated, but potentially a lot more going forward.

*Scotland*

JP advised that the picture was very similar for Scotland, and gave a brief overview.

*Shrinkage* – The cost adjustment reflects the new view.

**3. Any Other Business**

None raised.

**4. Diary Planning**

The following meetings are scheduled to take place after the DN Charging Methodology meetings:

Time/Date	Venue	Programme
Wednesday 29 October 2014	31 Homer Road, Solihull B91 3LT	To be confirmed
Tuesday 27 January 2015	31 Homer Road, Solihull B91 3LT	To be confirmed

**Action Table – Distribution Charging Methodology Forum**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>DCMF 05/01</b>	14/05/14	2.	To look to providing a high-level view in the reports relating to costs and any potential impacts and where possible provide a % confidence level indication.	DNs	<b>Closed</b>
<b>DCMF 05/02</b>	14/05/14	2.	To agree a common process for utilisation of the treasury forecasts. (i.e. most recent quarterly reports v's final year forecast v's last available year rolled forwards).	DNs	<b>Closed</b>
<b>DCMF 05/03</b>	14/05/14	2.	To agree a common 'Cost of Debt' provision (inc. percentage assumptions and the rationale behind them).	DNs	<b>Action agreed withdrawn</b>
<b>DCMF 05/04</b>	14/05/14	2.	To consider adoption of a common report layout that utilises a line-by-line and column 'matched' style of presentation.	DNs	<b>Closed</b>

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>DCMF 05/05</b>	14/05/14	3.	To provide a copy of NGDs RPi modelling sheet to the Joint Office for publication prior to the next meeting.	National Grid Distribution (DC)	<b>Closed</b>
<b>DCMF 05/06</b>	14/05/14	3.	To look to provide a similar ECN related presentation.	DNs	<b>Update due 27 Jan 2015</b> <b>Carried forward</b>
<b>DCMF 05/07</b>	14/05/14	3.	To consider how best to move forward on the Tariff Model provisions with a view to providing feedback at the next meeting.	Shippers / Suppliers	<b>Closed</b>
<b>DCMF 05/08</b>	14/05/14	3.	To investigate with Xoserve what potential level of information from their (DN specific) reports could be provided, if any.	DNs	<b>Closed</b>