
Workgroup 0382 – Reducing the capacity element of LDZ system charges for SSPs

Workgroup Minutes

Thursday 09 June 2011

via teleconference

Attendees

| | | |
|-----------------------------|------|----------------------------|
| Tim Davis (Chair) | (TD) | Joint Office |
| Mike Berrisford (Secretary) | (MB) | Joint Office |
| Alison Chamberlain | (AC) | National Grid Distribution |
| Alex Ross | (AR) | Northern Gas Networks |
| Bill Bullen | (BB) | Utilita |
| Chris Warner | (CW) | National Grid Distribution |
| Helen Inwood | (HI) | npower |
| Joanna Ferguson | (JF) | Northern Gas Networks |
| John Edwards | (JE) | Wales & West Utilities |
| Mandip Grewal | (MG) | Northern Gas Networks |
| Sarah Carter | (SC) | GTC |
| Simon Trivella | (ST) | Wales & West Utilities |
| Steve Armstrong | (SA) | National Grid Distribution |
| Sue Davies | (SD) | Wales & West Utilities |
| Will Guest | (WG) | Northern Gas Networks |
| Zoe Rivers | (ZR) | npower |

1. Introduction and Explanation of Workgroup Operation

TD welcomed all to the meeting.

2. Outline of Modification

BB provided a brief explanation of the modification, the aim being to ameliorate summer cash flow issues for domestic suppliers.

3. Consider Terms of Reference

TD outlined the Terms of Reference.

4. Initial Discussion

Workgroup discussions highlighted a number of issues that may need to be considered as part of the modification's assessment and reflected in the Workgroup Report and/or an amended modification:

- the decision to implement the present 95:5 capacity / commodity split did not allow for seasonal impacts upon cash flow;
- the adverse impact on competition as a result of the cash flow impacts;
- encouraging LSP Shipper input to the assessment process;
- the implications of Ofgem's proposals to simplify supply tariffs, and associated risks of a primarily commodity based supply tariff but primarily capacity based transportation charges;
- the implications of extending the scope to include LSPs as well as SSPs, including the consequences for implementation timelines;

- the implications of higher winter exposure and consequently higher credit cover requirements;
- justification of adopting 50:50 rather than, say, 5:95 (*BB indicated that higher weighting towards commodity would be particularly helpful for smaller suppliers*).

To take the modification forward, the following actions were agreed.

Action WG0382 0601: National Grid Distribution (CW) to investigate possible implementation timeline differences and impacts should the proposal be expanded to include LSPs as well as SSPs.

Action WG0382 0602: National Grid Distribution (SA) to summarise the arguments for and against the move to 95:5 from 50:50

Action WG0382 0603: National Grid Distribution (CW) to confirm whether the modification is sufficiently clear to support the preparation of legal text

CW and SA confirmed they would provide material on these actions for circulation ahead of the next meeting, 28 June.

5. Diary Planning for Workgroup

The next Workgroup meeting will be on 28 June, at National Grid, 31 Homer Road, Solihull B91 3LT.

Action Log

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------------|---------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|
| WG0382 0601 | 09/06/11 | 2. | Investigate possible implementation timeline differences and impacts should the proposal be expanded to include LSPs as well as SSPs | National Grid Distribution (CW) | Update due for 28/06/11 |
| WG0382 0602 | 09/06/11 | 2. | Summarise the arguments for and against the move to 95:5 from 50:50 | National Grid Distribution (SA) | Update due for 28/06/11 |
| WG0382 0603 | 09/06/11 | 2. | Confirm whether the modification is sufficiently clear to support the preparation of legal text | National Grid Distribution (CW) | Update due for 28/06/11 |