

Distribution Charging Methodology Forum Minutes

Monday 13 September 2010

Elexon, London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD) Joint Office
Bob Fletcher (Secretary)	(BF) Joint Office
Anna Taylor	(AT) Northern Gas Networks
Bernard Kellas	(BK) SSE
Denis Aitchison	(DA) Scotia Gas Networks
Gareth Jones	(GJ) Envoy
Hari Thatai	(HT) Scotia Gas Networks
Ivalene Bramble	(IB) British Gas
John Edwards	(JE) Wales & West Utilities
Malcolm Piper	(MP) EDF Energy
Rachel Fowler	(RF) RWE Npower
Sarah Carter	(SC) GTC
Steve Armstrong	(SA) National Grid Distribution
Wasif Anwar	(WA) E.ON UK

1. Introduction

TD welcomed all to the meeting.

1.1 Minutes of Previous Meeting

Minutes of the 26 July 2010 meeting were accepted.

1.2 Review of Actions

Action DCMF 0035 Arrange a meeting to discuss DNPC08 during the consultation. **Completed.**

2. DNPC08, Review of Standard LDZ System Charges.

SA gave a presentation on the issues detailed in DNPC08 - this was based on a previous version of the presentation given at the previous DCMF. TD asked if the definition of network is LDZ or Distribution Network. SA confirmed Distribution Network is to be used and not LDZ.

GJ asked if Ofgem were seeking to move this process forward or if it was Transporter driven. SA advised that Transporters have an obligation to review the charging methodology and as this aspect has not been looked at for sometime (9 years), it would seem an appropriate time for the DNs to do so. DA agreed, adding that to be consistent with the Licence and reflect costs incurred, the charging methodology should reflect network specific variables rather than the consolidated national approach as currently.

IB asked if the DNs were open to sharing their sample data with Shippers – this would help them understand the charging process and options defined in the analysis. The DNs were sympathetic to this but wished to ensure there are no confidentiality issues to overcome. GJ asked who identified the samples used as a basis of the analysis, and SA advised the company used for the analysis defined the samples required.

ACTION DCMF0036: Subject to confidentiality issues, DNs to publish the DNPC08 sample data.

IB asked, when considering the best-fit option, would percentage uplifts be applied across all charges? DA confirmed this only applied to unit charges. SA advised the best fit was defined as that which gives the least deviation for all networks and associated charges.

DA asked, if the DNs adopt different break points, will this significantly impact Shippers and their systems? MP did not think this would be a major issue. SA emphasised that the DNs want to understand the balance between efficient administration through using national charge elements compared to the individuality of Network specific variations, and AT asked if a mixture of power and log functions would cause problems. RF was unsure at this stage and, supported by others, said specialist advice would need to be sought within the business. AT stressed that she would like to understand the impacts on the whole community to ensure smaller parties are not unduly impacted.

SA invited views on which of the 3 options identified is the preferred one for implementation i.e. Parameter update, Best Fit or Common option?

RF suggested considering the balance between the impact on systems and consequent costs, compared to accuracy or individuality of charges. He also suggested it would also be a benefit to understand what needs to be done now and what might be developed and implemented over a longer period of time.

SR asked what the time frame of reviews is likely to be? AT felt this is likely to be each price control period, i.e. roughly every 5 years. GJ asked if lessons had been learned from the electricity approach, whereby a common approach across all networks has recently been developed. AT confirmed that the methodology is the same for all Distribution Networks, and will remain so. The log and power functions could emerge from a common methodology based on individual networks costs. She accepted, however, that there would be a benefit if all adopted the same function and would happily propose this if consultation responses supported it. The DNs have the capability to add complexity to the charging methodology to make them more specific to a Network, but change in this direction would be dependent on views from the industry.

TD asked why consumers should be disadvantaged based on DN decisions about the size of pipe to which they connect and face variations related to historical DN reasons for sizing pipes - shouldn't networks size pipes correctly or charge consistently based on usage. AT suggested it is of benefit for a consumer to stay connected rather than to seek a connection on a smaller pipe in an effort to reduce the costs attributed to them.

IB expressed a concern on timing and when implementation is likely to happen of the range of proposed changes to the charging methodology. Shippers need to consider potential impacts on their medium and longer term plans. SA could not define an implementation timeline until the consultation process had concluded and the most desirable option(s) identified. However, implementation was targeted for April 2012 – with the change from 2011 welcomed by all present.

SA advised that Transporters hoped to conclude the process quickly so that Ofgem can make a decision and allow the maximum amount of time to consider implementation on a timetable suitable for all. Transporters agreed to produce a paper for discussion at the next DCMF in October covering the implementation timetable.

ACTION DCMF0037: Transporters to provide a paper on the implementation timeline for outstanding proposals for the next DCMF.

IB asked if the DNPC08 response deadline could be delayed to the 01 October, which was agreed by the DNs.

3. Topics Register

3.1 Review of Topics

TD gave a topic status overview.

Impact of Code Governance Changes: AT explained how signed off future changes to the Charging Methodology would be incorporated within the UNC, without further consultation in order to avoid duplication.

3.2 New Topics

None.

4. Date of next meeting and agenda items

10.00, Monday 25 October 2010, Energy Networks Association.

5. Any Other Business

IB raised SOQ reductions. The AQ review is due to be concluded soon, and she asked if there is likely to be any significant change since the previous update. AT advised that until the final report is published by xoserve, she could not confirm the likely impact - DNs do not have sufficient information available at this time. DA supported this and said it is the DNs interest to get this information out asap. It was hoped they would be able to provide an update at the October DCMF.

Action Log – Distribution Charging Methodology Forum – 26 July 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner*	Status Update
0035	26/07/10	4.0	Arrange a meeting to discuss DNPC08 during the consultation.	Joint Office (MB)	Completed
0036	13/09/10	2.0	Subject to confidentiality issues, DNs to publish the DNPC08 sample data.	All DNs	Pending
0037	13/09/10	2.0	Provide a paper on the implementation timeline for outstanding proposals for the next DCMF.	All DNs	Pending