

During the meeting held 18th August 2015, the following was raised and documented:

JF suggested at the UNC Panel meeting the Workgroup should assess the problem and consider the best way to address this.

Considering this, I am of the belief that the workgroup should conclude on a number of aspects, and ensure they are appropriately addressed within the workgroup report, thus achieving the intention of the UNC Panel. To assist, I have identified what I believe to be the main items under discussion which are relevant to MOD:0539, and where further discussion and consideration of the current Modification Report be valued prior to completion of the workgroup report. This is included within Appendix 1 to this letter.

Kind regards

Rob Wigginton

Appendix 1

Principle	Point raised during the meeting / as part of the presentation made by National Grid Distribution (NG)	Reflected in the work group report	Questions for workgroup to consider
Should a rebate be given?	<p>In principle yes. Based on a part of a system not being used, a specific DN Entry site would be correct in being given a rebate, and the remaining customers using that element of system should contribute to this rebate.</p> <p>Not properly articulated thus far (but discussed at the first meeting) is validating that the DN Entry site does indeed incur the NTS Entry Commodity Charge.</p> <p>Furthermore it is agreed by participants, such a rebate is in line with Ofgem's Objectives of increasing DN Entry Sites by reducing the barrier to entry which all participants appear supportive of.</p>	<p>Partly, this is the essence of the workgroup report and the Modification.</p> <p>The workgroup report does not address whether the DN entry site uses the services that the NTS entry commodity charge recovers. referenced.</p>	Is a DN Entry site actually using the services paid for under the NTS Entry Commodity Charge? If it does , why would a rebate be due?

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Should a rebate be given? (cont)	Is there certainty that none of the systems charged for through the NTS Entry Commodity Charge are t being used.	No This was highlighted in the presentation by NG. The workgroup highlighted the challenge of understanding what proportion of the charge reflected underlying systems/processes which may or may not be used (such as Energy Balancing). The absence of NTS prevented any further challenge	The workgroup report should highlight that: There is uncertainty to the extent to which DN Entry sites may or may not be using systems paid for by the NTS Entry Commodity Charge. Where this charge does pay for elements of a system used, it would not be appropriate for a credit to be issued.

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<p>Is it correct that the rebate is given by the Gas Distribution Networks (and ultimately their customers)</p>	<p>No. Under Licence condition A5 (cost reflective pricing) this would not be correct. The costs and revenues are not part of the Distribution network and therefore it is not correct that Network customers pay a charge which an NTS customer otherwise would have. This in effect is a cross subsidy and a breach of the DN licence.</p>	<p>This is stated within 'Impacted' for Relevant Objective A. Where the following is now entered: <i>Some participants consider this modification would have a negative impact on relevant objective a) as it is not reflective of the costs to be incurred by Distribution Networks administering the rebate.</i></p>	<p>For the avoidance of doubt, the workgroup report should specifically reference that it is the existing customer base of the NTS Entry Commodity Charge who should be paying collectively toward the rebate given. The current proposal therefore negatively affects Gas Distribution Customers who would be cross subsidising NTS Customers.</p> <p>The workgroup report should further specifically state that some workgroup participants believe this breaches GDN licence condition A5 on cost reflectivity.</p> <p>The workgroup report should make it clear that if it can be demonstrated that the DN entry sites do not use the services paid for by the NTS entry commodity charge then WWU (and other DNs) would support a modification that refunded this charge by NTS to DN entry shippers. These DN entry shippers will all have a relationship with NTS for balancing purposes.</p>

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What prevents NTS paying the rebate directly	It was raised that in response to MOD0508 that the cost would be prohibitive for NTS to administer. This assumption has not properly been revisited since MO0508 with the workgroup currently focussed on whether it would be costly for DNs to administer.	No, as the Modification sets out to recover such charges by DNs, no alternative arrangement has been considered given no alternate modification has thus far been raised.	It should be captured in the workgroup report, alongside the comments relating to relevant objective A that 'Some workgroup participants believe that the cost for NTS to administer the rebate would equally be immaterial. This is because NTS know both their prices, and the entry flows of each DN Entry Site recorded within Gemini. As such a more appropriate party would be NTS to administer this rebate'
Materiality	Should materiality and ease of implementation be considered Caution should especially be given to materiality in an emerging market where changes such as flows from Fracking are not inconceivable and may result in a materiality threshold being breached in future years. Putting in place an inappropriate solution now because the effect is immaterial is not appropriate when we expect the number of sites eligible for a this rebate to grow substantially	No reference made in the work group report.	This should be mentioned as a challenge in the workgroup report.

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Solutions section	<p>It was noted that no amendments can be made to the Solution Section. The following is referenced and it is believed work group participants would have valued being able to make appropriate comments:</p> <p><i>The use of an entry commodity charge rebate in this manner is consistent with the established charging methodology, as approved by Ofgem and implemented through UNC Modification 0391.</i></p>	<p>It should be noted that all Elements of 0391 are specific costs borne by Gas Distribution Companies. Therefore whilst the principal applies, the methodology in respect of the rebate and charging parties does not necessarily do so in the instance and therefore the solution section may be misleading to the reader.</p>	<p>The workgroup report does not appropriately reflect to the reader the strong views of the work group that it should be NTS that provide this rebate and the wording around 0391 may mislead the reader to thinking that it is correct that the DN pay such a rebate.</p>