

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

Workgroup Minutes

Tuesday 28 June 2011

via teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alison Chamberlain	(AC)	National Grid Distribution
Andy Manning	(AM)	British Gas
Chris Warner	(CW)	National Grid Distribution
Denis Aitchison	(DA)	Scotia Gas Networks
Elaine Carr	(EC)	ScottishPower
Helen Inwood	(HI)	RWE npower
Jo Parker	(JP)	Scotia Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Julia Haughey	(JH)	EDF Energy
Mathieu Pearson	(MP)	Ofgem
Simon Trivella	(ST)	Wales & West Utilities
Steve Armstrong	(SA)	National Grid Distribution
Sue Davies	(SD)	Wales & West Utilities
Will Guest	(WG)	Northern Gas Networks

1. Review of Minutes and Actions from previous meeting

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

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.

Update: CW advised that expanded the modification to include LSPs as well as SSPs would not be expected to impact the implementation timeline.

Closed

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

Update: This was presented and discussed (see 2 below).

Closed

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

Update: CW advised that the modification is sufficiently clear to support the preparation of legal text, which has been requested.

Closed

2. Discussions

SA outlined the arguments put forward when the move to 95:5 was agreed (published ahead of the meeting at www.gasgovernance.co.uk/0382/280611). He

explained that the summary was based on Ofgem's Impact Assessment, and MP confirmed it was a fair summary.

It was confirmed that cash flow impacts were noted in the assessment. TD suggested that the proposer's issue remained whether sufficient weight had been attached to this impact, and particularly its effect upon small shippers. MP suggested that the move to 95:5 had been carefully considered against the relevant objectives and, on the whole, it has proved to be a sound approach. It would be reasonable to assume that a very strong case would need to be mounted if the previous decision is to be overturned.

In terms of what may have changed since the previous decision, HI highlighted Ofgem's proposed retail reforms, which are looking to introduce simpler tariffs and to largely move away from standing charges. It would seem appropriate for the impacts of any retail changes to be taken into account and efforts made to deliver consistency between transportation charges and retail requirements. HI added that in any event she would have concerns regarding implementation timelines for any change – sufficient notice should be given prior to any move being introduced.

MP agreed to discuss the points raised with his colleagues at Ofgem. He pointed out, however, that a 50:50 regime could increase volatility, with bigger swings in the level of charges. The decision to move to a 95:5 regime was based in part on enhanced cost reflectivity but also furthering competition, such as through more stable charges.

SA pointed out that the move to the current 95:5 based regime had prevented a repeat of the extreme 2007 price change swings (no volume driver was in place at the time) and warned against adopting a regime change to protect a few (smaller) players. TD noted that there is a licence obligation to ensure that there is no undue discrimination, and measures that particularly help smaller Shippers may be regarded as due rather than undue discrimination. In addition to the proposer, another small supplier - Spark Energy - had written in support of the modification. ST voiced concern that various assumptions are being made surrounding the possible change to a 50:50 regime, arguing that individual cash flow issues might be better addressed through targeted measures rather than via changes to the transportation charges faced by all Shippers.

In terms of next steps, TD suggested that the Joint Office should prepare a Workgroup Report for consideration at the next meeting, and that National grid Distribution should provide legal text for the Workgroup to assess.

Action WG0382/0604: National Grid Distribution (CW) to commission legal text for consideration at the 25/07/11 meeting.

Action WG0382/0605: Joint Office (TD) to prepare a draft Workgroup Report for consideration at the 25/07/11 meeting.

3. Any Other Business

None.

4. Diary Planning for Workgroup

The next Workgroup meeting will be via teleconference on Monday 25 July 2011.

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 provided. Closed
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 provided. Closed
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 provided. Closed
WG0382/0604	28/06/11	2.	Commission legal text for consideration at the 25/07/11 meeting.	National Grid Distribution (CW)	Required by 18/07/11
WG0382/0605	28/06/11	2.	Prepare a draft Workgroup Report for consideration at the 25/07/11 meeting.	Joint Office (TD)	Required by 18/07/11