

**UNC Workgroup 0418 Minutes  
Review of LDZ Customer Charges  
Tuesday 12 November 2013  
via teleconference**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Ben Tucker	(BT)	EDF Energy
Colette Baldwin	(CB)	E.ON UK
Dave Chalmers	(DC)	National Grid Distribution
Jens Martin	(JMa)	E.ON UK
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Trapps	(JT)	Northern Gas Networks
Rochelle Hudson	(RH)	British Gas
Steve Armstrong	(SA)	National Grid Distribution
Victoria Volossov	(VV)	Ofgem

\* via teleconference

Copies of all papers are at: <http://www.gasgovernance.co.uk/0418/121113>

The Final Modification Report is due to the Modification Panel on 21 November 2013.

**1. Introduction and Status Review**

BF welcomed everyone to the meeting.

**1.1 Review of Minutes**

The minutes of the previous meeting were accepted.

**1.2 Review of Actions**

**0418 10/01:** Ofgem (JT) to provide a view as to whether the DN REPEX information published for the 11 October meeting is what Ofgem expect to see included within a (revised) Final Modification Report.

**Update:** JM gave a brief resume of what had been sent to Ofgem in response to its questions, adding that Modification 0418A has a different mechanism and the rationale for that approach was best explained by its proposer (British Gas). RH then explained the rationale for recovery of costs on the volumetric basis, pointing out that in the electricity industry there was a precedent for smearing non-reflective costs, eg AAHADC (which was why British Gas chose to use that basis). VV requested that the British Gas response be added to that provided by Scotia Gas Networks, and be provided for publication on the Joint Office website. **Post Meeting Note:** *This has been published at: [www.gasgovernance.co.uk/0418/121113](http://www.gasgovernance.co.uk/0418/121113).*

VV asked a further question regarding Leakage costs; JM confirmed it was a separate cost category (for visibility) but was included within the customer charge recovery basis.

Responding to BF, VV confirmed that the information provided was what Ofgem had wanted to see. **Closed**

**0418 10/02:** Scotia Gas Networks (JM) to look to provide additional supporting CAPEX information.

**Update:** The Networks had provided additional information. Shippers wanted to better understand the cost driver and what the allocations were based on; JM and SA

gave an explanation. Asked where the costs of DLCA were recovered from, it was explained that it was not explicitly recovered but made up part of the customer charge. RH referred to the figures provided by WWU (costs relating to customer charge) and asked what drives the cost – what was the data behind the numbers? It was explained that emergency calls were not differentiated as domestic/non-domestic – it was a generic cost. RH queried whether just using SP numbers made this truly cost reflective. The Networks acknowledged RH's view but indicated there was nothing else on which to base this. CB commented it was the same emergency service and can affect the whole of a network area; changing the way it was allocated would not make it any better.

It was indicated that no additional costs have been allocated to domestic customers; RH was not of the same view. SA observed that the data shows how it was allocated under this modification proposal. It was clear that views remained disparate, and the points made were perhaps now best aired in a further consultation. **Closed**

**0418 10/03:** National Grid Distribution (SA) to provide a supporting volumetric breakdown around the re-laid/transferred service cost factors along with a clarification of definition for a re-laid or transferred service.

**Update:** SA indicated the costs were part of the REPEX costs. CB had expected more information to be provided, and that non-domestic transfers were to be separately identified. SA said that a breakdown was not made between transfers and relays; he could only give information prepared for cost reporting to Ofgem. **Closed**

## 2. Final Modification Report

### 2.1 Consider additional DN information/analysis – assess any material effect on either of the modifications or consultation responses

Considered under the actions noted at 1.2 above.

### 2.2 Clarify and differentiate the User Pays elements – reflect the allocation made across different categories of Transporter User (iGTs, DNs, NTS)

JM envisaged funding through Project Nexus and this was for the DNs and National Grid NTS to discuss. It was not a specific User Pays charge to customers.

These modifications will not be implemented before Nexus goes live, and the plan was to include the required functionality within the Project Nexus build scheme if possible, rather than have to build earlier and then rebuild it again for Nexus.

It was queried what would happen if the implementation date slipped. JM explained that Nexus was to deliver elements of build across 2015, and if this cannot be met then an appropriate date will be agreed with Ofgem and the industry.

### 2.3 Conclusions

BF reiterated the Panel's questions that the Workgroup had endeavoured to address, and summarised the conclusions reached.

It had been confirmed that the modifications would not be User Pays and that any system costs to implement the change will be met by the Transporters.

It was noted that the additional analysis had raised more questions, which both Shippers and DNs agreed the Workgroup had not been able to answer. It was considered that the extra analysis would further inform industry views.

The Workgroup therefore recommended that these Modifications be issued for further industry consultation.

### 3. Any Other Business

None.

#### Action Log – Workgroup 0418

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0418 10/01	11/10/13	2.	Provide a view as to whether the DN REPEX information published for the 11 October meeting is what Ofgem expect to see included within a (revised) Final Modification Report.	Ofgem (JT)	<b>Closed</b>
0418 10/02	11/10/13	2.	Look to provide additional supporting CAPEX information.	Scotia Gas Networks (JM)	<b>Closed</b>
0418 10/03	11/10/13	2.	Provide a supporting volumetric breakdown around the re-laid/transferred service cost factors along with a clarification of definition for a re-laid or transferred service.	National Grid Distribution (SA)	<b>Closed</b>