

UNC Workgroup 0418 Minutes Review of LDZ Customer Charges

Monday 21 January 2013

at 31 Homer Road, Solihull. B91 3LT

Attendees

Tim Davis* (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Bernard Kellas	(BK)	SSE
Ben Tucker*	(BT)	EDF Energy
Binoy Dharsi*	(BD)	EDF Energy
Clare Cantle-Jones	(CJ)	ENA
David Chalmers	(DC)	National Grid Distribution
Jens Martin	(JM)	E.ON UK
Joanne Parker*	(JP)	Scotia Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Wisdom	(JW)	RWE npower
Lewis Hodgart	(LH)	Ofgem
Rochelle Harrison	(RH)	British Gas
Steve Armstrong	(SA)	National Grid Distribution
Steven M ^c Knight*	(SM)	GDF Suez
Will Guest*	(WG)	Northern Gas Networks

* via teleconference

Copies of all papers are at: www.gasgovernance.co.uk/0418/210113

1. Review of Minutes and Actions

1.1 Minutes

The minutes of the previous meeting (23/10/12) were accepted.

1.2 Actions

0418 10/001: Joint Office (TD) to prepare a draft Workgroup Report for consideration at the next meeting.

Update: TD explained that in light of the fact that we are still awaiting provision of legal text and possibly a revised modification (0418), allied with the need to also consider Modification 0418A, he has held off preparing a draft workgroup report for consideration at this meeting.

Carried Forward

2. Review of Legal Text

JM confirmed that the lawyers are still working on a revised version of the legal text (addressing issues around cost difference and service cost impacts) that should hopefully be ready in week commencing 28 January. Additionally, as the legal text required to support modification 0418A is expected to be similar to 0418, it should be available around the same time.

JM confirmed that Scotia Gas Networks see value in continuing to progress their (0418) modification and are not intending to adopt the 0418A approach. In a similar vein, RH confirmed that British Gas believe that the solution proposed by their alternative modification is the preferred approach.

Discussions moved on to examine each of the modifications impact on the relevant objectives, with some parties believing that the methodology prescribed by 0418A is preferable, as they see a volume based solution providing a better

reflection of costs and usage, especially when bearing in mind the basis of the obligations (DLCA)¹ around the 10m service connection rule which British Gas suggest should be a socialised cost. However, not all parties agreed that 0418A provides a superior solution with SA pointing out that, whilst both modifications seek to spread the cost across all customers, it is the balance in how this may be achieved that is the main difference. In supporting this, JM advised that SGN continue to believe that a flat rate charge across all load bands is appropriate, bearing in mind that this is an allowance, and as such, should be borne equally across all parties. SA was also of the opinion that the Workgroup would need to recognise any potential impacts on larger users and whether or not, these would disincentivise their use of gas.

The Workgroup reviewed the 'Modification 0418A Impacts on GDN Customer Charges' spreadsheet. JM provided a brief overview before explaining that this information needs to be considered alongside the figures already provided within Modification 0418 to fully appreciate what the information is trying to convey. In examining the figures, SA pointed out that for some of the larger parties, you could witness a 100% increase in their charges. When asked whether or not the allowance is part of the DNs' baseline revenue figures, SA confirmed this to be the case. Basing a solution around SOQs was discounted on the grounds that it would not work and the historic methodology is flawed anyway. The Workgroup agreed it was difficult to justify either modification's proposed approach. Some parties therefore questioned the value of moving away from the current methodology, although it was also acknowledged that understanding the current (historic) methodology can be difficult.

In acknowledging that a clear consensus view could not be reached on which of the two modifications better facilitated the relevant objectives, thoughts turned to how the Workgroup could assist Ofgem in making an informed decision on one or both modifications. LH suggested that if any historic precedential evidence could be provided that could prove helpful. Furthermore, if this could be supported by identification of various criteria relating to the relevant objectives and any potential licence impacts that could prove most beneficial.

Each Proposer (JM for 0418, RH for 0418A) agreed to consider what additional information could be provided to bolster the argument for supporting implementation of their preferred approach.

3. Completion of Workgroup Report

It was agreed to defer undertaking any work on a Workgroup Report until the next meeting. The report is due to be presented to the March Panel meeting, but an extension can be sought.

4. Any Other Business

Potential System Changes & Modification Timeline Impact Considerations

A brief discussion took place appertaining to provision of a timely Ofgem decision on either or both modifications and the potential impact upon Xoserve's ability to deliver any associated system changes. It was also suggested that neither modification would necessarily be linked to delivery of 0428 or Project Nexus system changes – although this should not be discounted either as it could potentially lead to lower (system and implementation) costs. When asked, whether or not Xoserve had provided an

¹ The Domestic Load Connection Allowance (DLCA) is a statutory allowance set out in the Gas Act (1985) under which a Transporter does not charge for the first 10 metres of service laid in public property to domestic properties situated within 23 metres of an existing main.

'impact assessment for the modifications, JM confirmed at this point they had not. However, he would now request Xoserve provide a ROM (Rough Order of Magnitude) estimate and identify potential system change timescale issues.

Discussions then moved on to consider whether or not a 2014 target implementation date remains realistic. Some Shippers suggested that 2015 would be preferable to allow plenty of notice to be given and the impact of the change to be built into prices. JM advised that discussions with Xoserve have suggested that aiming for a 2014 implementation date is becoming increasingly tight.

JM agreed to ascertain with Xoserve the implications of alignment of 0418/0418A with Modification 0428 and/or Project Nexus implementation, and to establish a potential implementation timetable.

5. Workgroup process

5.1 Agree actions to be completed ahead of the next meeting

The following new actions were agreed:

Action 0418 01/001: Scotia Gas Networks (JM) and British Gas (RH) to consider what additional information could be provided to bolster the argument for supporting implementation of their preferred approach.

Action 0418 01/002: Scotia Gas Networks (JM) to request a ROM from Xoserve.

Action 0418 01/003: Scotia Gas Networks (JM) to ascertain with Xoserve the implications of alignment of 0418/0418A with Modification 0428 and/or Project Nexus implementation, and to establish a potential implementation timetable.

6. Diary Planning for Workgroup

It was agreed to meet by teleconference at 09:30 on Wednesday 20 February 2013.

Action Log – UNC Workgroup 0418

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0418 10/001	23/10/12	3.0	Prepare a draft Workgroup Report for consideration at the next meeting.	Joint Office (TD)	Carried Forward
0418 01/001	21/01/13	2.0	Consider what additional information could be provided to bolster the argument for supporting implementation of their preferred approach.	SGN (JM) & BG (RH)	Update due 20 February.
0418 01/002	21/01/13	4.0	Request a ROM from Xoserve.	SGN (JM)	Update due 20 February.
0418 01/003	21/01/13	4.0	Ascertain with Xoserve the implications of alignment of 0418/0418A with Modification 0428 and/or Project Nexus implementation, and establish a potential implementation timetable.	SGN (JM)	Update due 20 February.