

**UNC Workgroup 0418 Minutes
Review of LDZ Customer Charges
Wednesday 24 April 2013
at Consort House, 6 Homer Road, Solihull, B91 3QQ**

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Bernard Kellas	(BK)	SSE
Binoy Dharsi	(BD)	EDF Energy
Clare Cattle-Jones*	(CJ)	ENA
Colette Baldwin	(CB)	E.ON UK
David Chalmers	(DC)	National Grid Distribution
Dimuthu Wijetunga	(DW)	npower
Jens Martin	(JM)	E.ON UK
Joanne Parker	(JP)	Scotia Gas Networks
Joel Martin*	(JMa)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jon Trapps	(JT)	Northern Gas Networks
Lewis Hodgart*	(LH)	Ofgem
Rochelle Harrison	(RH)	British Gas
Steve Armstrong	(SA)	National Grid Distribution
Will Guest	(WG)	Northern Gas Networks

* via teleconference

Copies of all papers are at: www.gasgovernance.co.uk/0418/240413

1. Review of Minutes and Actions

1.1 Review of Minutes

The minutes of the previous meeting (20/02/13) were accepted.

1.2 Review of Actions

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.

Update: Please refer to item 3 below for more details.

Carried Forward

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

Update: JM advised that Xoserve had provided a high-level cost indication of between £0.5 – 1.0 million with a projected lead-time of 12 months.

Closed

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 establish a potential implementation timetable.

Update: JM explained that although the DNs had originally indicated a possible April 2014 implementation date, it is now looking increasingly unlikely that this date would be

realistically achievable, similar in fact to action 01/001 above. Alignment with the various Project Nexus modifications and a prospective implementation date of April 2015 may also bring with it potential overall cost savings, although the 'key' would be when Xoserve could actually deliver the (0418) system changes – TD reminded parties that the proposed Project Nexus implementation is a phased approach with the system design cut-off date looming large on the horizon, therefore care is needed in picking the correct window of opportunity for 0418/0418A.

It was noted that an April 2015 implementation target would allow Shippers more time to consider the potential impacts.

Closed

2. Review of Legal Text

TD advised that revised legal text had not been provided at this time.

3. Completion of Workgroup Report

Opening discussions, TD advised that the appendices would be added to the Workgroup Report once analysis had been completed.

Detailed discussions took place focusing in the main on the cost reflectivity aspects of the respective modifications and whether or not a suitable level of information granularity would be available to support a Workgroup recommendation for one or other modification. It was suggested that whilst the level of granularity of the DN's information is not perfect, it is certainly a lot better than it once was, although it remains doubtful that any better information around the service replacement (domestic / non domestic split) could / would be provided at this time – the principle issue relates to the gathering of more meaningful (small / medium / large) non domestic site related information.

SA explained that unfortunately the GDNs (historical, circa 1985 onwards involving multiple changes along the way) information does not provide a suitable level of information as it is based on an overall national view of costs. Furthermore, the current customer related cost model does not breakdown the information to a level that naturally aligns to the information presented in the table on page 5 of version 0.2 of the report – perhaps one solution would be to adopt a 'hybrid' approach based on current costs and predicted future costs. RH remained of the view that 0418A provides for a better solution and believes that simply moving costs into the domestic sector when there is insufficient (granular) data to support it (as per 0418 proposals), is fundamentally wrong.

In considering the (0418) 'Service Replacement Costs (Repex)' statement, RH enquired whether or not the DN's believe that they have a suitable level of detailed information to support the proposal. Responding, SA indicated that DN's believe that they do, although they acknowledge that the level of granularity for the >732 MWh banding is insufficient to propose adoption of a different model at this time, but could consider looking at this in future – unfortunately some proxy assumptions have had to be made at this time. LH suggested that in the absence of supporting data, perhaps a better approach would / could be to seek a default position.

When asked why the DN's propose a move away from the current SOQ based formula approach for Asset Related (DLCA) Cost calculations, SA advised that in their view, it is more appropriate to fall in-line with the rest of the proposed charging model changes.

Whilst views clearly remained polarised as to which approach is preferable (0418 or 0418A) RH indicated that she would, subject to support from other Shippers, consider amending the 'Asset Related (DLCA) Cost' proposal in Modification 0418A from the current flat unit rate charge (pence/kWh) to an SOQ based one. When asked, RH also indicated that she is considering amending the socialised commodity cost and the NTS SO/TO aspects of 0418A as well. TD questioned why it is thought that a supply point based approach (0418A) is preferable to a throughput based solution (0418) – it was acknowledged that both cases could be argued as being viable, but that perhaps the issue boils down to which would provide the most appropriate default position. It was

also suggested that the smaller supply point payment timelines could also make a difference.

When asked, SA confirmed that the 'Fuel Poor Allowance' is part of a DN's allowed revenue and should we wish to change this it would require a change to the Charging Methodology.

LH indicated that Ofgem are also considering the potential charging impacts associated with the two modifications.

In seeking a view on the timeline for amending Modification 0418A, TD advised that a request for revised legal text had already been made. In light of the fact that British Gas (RH) now propose amendments to 0418A and revised legal text is awaited, those parties present requested more time to consider the changes and to meet again (please refer to item 5 below for more detail) once these had been made and work through the Workgroup Report in more detail. TD reminded everyone present that currently the Workgroup is scheduled to present its report to the 16 May UNC Panel.

4. Any Other Business

None.

5. Diary Planning for Workgroup

Following a brief discussion it was agreed to look to schedule another Workgroup meeting for late May, early June¹.

¹ Post meeting note: a follow up meeting has been pencilled in for Tuesday 04 June 2013, commencing at 13:30hrs.

Action Log

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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) and BG (RH)	Update to be provided. Carried Forward
0418 01/002	21/01/13	4.0	Request a ROM from Xoserve.	SGN (JM)	Update provided. Closed
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 provided. Closed