

**UNC Workgroup 0418 Minutes  
Review of LDZ Customer Charges  
Monday 23 July 2012  
at 31 Homer Road, Solihull, B91 3LT**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Bernard Kellas	(BK)	SSE
Binoy Dharsi	(BD)	EDF Energy
James Thomson*	(JT)	Ofgem
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
Steve McKnight*	(SM)	GDF Suez
Will Guest	(WG)	Northern Gas Networks

\* via teleconference

Copies of all papers are at: [www.gasgovernance.co.uk/0418/230712](http://www.gasgovernance.co.uk/0418/230712)

**1. Review of Minutes and Actions**

**1.1 Minutes**

RH believed an action had not been captured at the previous meeting relating to the asset related costs and the energy related information, RH questioned the option of using kWhs instead of using SOQs.

**New Action: 0002: Scotia Gas Networks to consider reporting asset related costs and energy related information using kWhs instead of SOQs.**

The minutes of the previous meeting were then accepted.

**1.2 Actions**

**0001:** Scotia Gas Networks (JM) to provide additional information in support of the modification.

**Update:** SGN have not been able to ascertain any evidence that costs vary with size of site (see discussion for further information). **Complete.**

**2. Discussion**

JM confirmed that Scotia Gas Networks (SGN) have not been able to ascertain any evidence that costs reflected in the customer charge are greater for larger than smaller supply points. He acknowledged that more time may be associated to each job, but this tends to be different for each site and does not provide a material justification for aligning costs with supply point size. JM reported that the service replacement costs associated with changing a larger service would be different, and the methodology would be a split for small, small/ medium and larger supply points, however SGN had not been able to identify any correlation with SOQs or load bands.

In relation to the asset related costs, using a method of fixed or a square root of the SOQ element, JM confirmed that this had been considered by the DNs and

no justification found for using a square root element. In conclusion, SGN were looking to propose a flat rate. DNs were keen to support a simple charging mechanism unless there was a real justification for applying a different more complex method. JM asked if Shippers could provide any information against applying a flat rate that DNs could consider further.

**Action 0003: Shippers to provide any information to justify using an alternative to flat rate allocation of asset related customer charge costs.**

JM agreed to look at option 3 (based on energy usage) on the asset related costs using the model and provide some figures at the next meeting.

**Action 0004: SGN to provide some analytical information using Option 3 (energy usage) to allocate asset related costs.**

JM anticipated that the modification would need some refinement following further consideration of the costing model. The DNs will meet to progress this.

LH wished to ensure a full case for change is made. If a redistribution of charges is proposed, notwithstanding that this may be a small increase per domestic customer, a clear justification would be needed, showing in particular how and why the revised approach would better reflect costs.

**3. Any Other Business**

None.

**4. Diary Planning for Workgroup**

*Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)*

Workgroup meetings will take place within the DN Charging Methodology Forum:  
Monday 10 September 2012, 31 Homer Road, Solihull, B91 3LT

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**Action Log – UNC Workgroup 0418**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
04/001	30/04/12	2.1	Provide additional information in support of the modification.	Scotia Gas Networks (JM)	<b>Complete</b>
002	23/07/12	1.1	Scotia Gas Networks to consider reporting asset related costs and energy related information using kWhs instead of SOQs.	Scotia Gas Networks (JM)	Pending
0003	23/07/12	2.0	Shippers to provide any information to justify using an alternative to flat rate allocation of asset related customer charge costs.	Shippers	Pending
0004	23/07/12		SGN to provide some analytical information using Option 3 (energy usage) to allocate asset related costs.	Scotia Gas Networks (JM)	Pending