

UNC Workgroup 0539 Minutes
Removal of NTS Exit Commodity Charges for Distributed Gas
Tuesday 01 September 2015
via teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Colette Baldwin	(CB)	E.ON
Craig Neilson	(CN)	National Grid Distribution
Debra Hawkin	(DH)	Independent Consultant TPA Solutions
Erika Melén	(EM)	SGN
Robert Wigginton	(RW)	Wales & West Utilities
Richard Pomroy	(RP)	Wales & West Utilities
Tim Davis	(TD)	Barrow Shipping

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0539/010915>

The Workgroup Report is to be presented at the 17 September 2015 UNC Modification Panel.

1.0 Review of Minutes and Actions**1.1. Minutes (18 August 2015)**

The minutes of the previous meeting were approved.

1.2. Actions

No outstanding actions to review.

2.0 Legal Text Review

EM provided the legal text for consideration. EM explained the minor changes required to the legal text. The Workgroup considered the amendments for UNC TPD Section Y, paragraphs 7.2 and 7.3.

EM clarified that the amendments reflect that DN Entry Points will be provided with a rebate of the TO Exit (Flat) and SO Commodity NTS charges.

The Workgroup raised no issues regarding the content of the legal text.

CN enquired whether the UNC would need to be amended to cover the notification of changes to the rate. DH suggested that by simply referring to the rate should remove the need for DNs to have to provide additional notifications should National Grid NTS change the rates.

3.0 Conclude Workgroup Report

The Workgroup considered the report and the discussion points submitted for consideration by Wales & West Utilities.

The Workgroup considered the points raised by Wales & West Utilities and the first challenge on whether the rebate should be given and how much was justified. Parties agreed with the principle that sites should not incur charges for services they do not use. However, RW believed the Workgroup report did not address whether the DN Entry site uses the services that the NTS Entry commodity charge recovers. He challenged if the DN

Entry site benefits from a service funded through this charge or whether a full rebate should be due.

DH clarified that the DN Entry commodity or capacity charge is not levied on the LDZ embedded entry points, the rebate is related to the NTS Exit commodity charge.

RW questioned what the consequence of a full rebate would be and whether it would be appropriate. DH suggested any such challenge would need to be quantified. If National Grid Distribution wish to make a statement that a full rebate should not be offered this would need to be quantified and substantiated with specifics as to which elements were or were not applicable. The Workgroup considered how the vast majority of costs are compressor costs and therefore not relevant to the embedded DN entry site, which indicated most if not the entire rebate should be given.

RW and CN believed a rebate would put DNs in breach of Licence condition A5 (cost reflective pricing). They believed that the costs and revenues are not part of the Distribution Network and therefore it would not be correct for other DN customers to pay an additional amount of the NTS Exit commodity charge, which has been avoided by a DN Entry site. RW and CN believed a rebate will in effect create a cross subsidy and may breach the DN licence. TD challenged that DNs would not be in breach of their licence by readjusting prices as the changes would not be material and would follow normal practice of apportioning charges across different customer types. TD explained there is no transfer of monies between DNs and NTS, the allowed revenue would still be collected. TD highlighted that every price change will result in a change in the distribution of charges. DH suggested that charges might be more cost reflective compared to that of the existing situation. She acknowledged that the solution may not be perfect but it offered a simple cost reflective option to improve cost reflectivity.

CN again expressed his concerns with the use the DN regime to rebate an NTS charge as it distorts the DN price reflectivity and challenged whether it would be more appropriate for National Grid NTS to manage rebate process.

RP confirmed that DNs have allowed revenue and recover this allowed revenue from customers. He believed that providing a rebate/refund that is not received by the DNs would not be cost reflective or efficient as it could be seen as a cross subsidy for National Grid NTS. He believed in principle National Grid NTS should provide the rebate. RP believed that this modification failed to demonstrate a clear case for change.

RW suggested that the Workgroup Report should record that there is a belief, that the cost for NTS to administer the rebate would be immaterial and it would be more appropriate for them to administer the rebate. However, this was challenged by other Workgroup participants, with TD advising that the previous assessment for Modification 0508 had indicated that for Xoserve to incorporate a new charge type within their systems to allow National Grid NTS to administer the rebate would cost in the region of £0.5m.

The Workgroup reconsidered the materiality of the modification. It was confirmed that the DN charges would need to be set to recover around £3m additional revenue, equivalent to 0.18% of revenue by the year 2020. The 0.18% increase within the short medium term planning horizon was considered to be immaterial and would allow ample time to amend arrangements if there was a change in materiality.

CN suggested the DNs would need to consider how they meet their pricing notification obligations, if charges should change for NTS (acknowledging the actual rate is not quoted and is only referred to). RW suggested the DNs would need to consider an expansion of the wording within the pricing statements to discharge their obligations, noting that the rates can change and would be made available in the NTS charging statements.

The timetable of the modification was considered. It was agreed to submit the Workgroup Report to the September Panel to allow consideration of the Final Modification Report in the October Panel in an attempt to try and provide time for DNs to reflect the required

changes in their pricing statements which are due 01 January 2016 should the modification be implemented.

The Workgroup concluded the Workgroup Report.

4.0 Next Steps

The Workgroup agreed to submit the Workgroup Report to the 17 September 2015 Panel meeting and request short notice consideration of the Final Modification Report on 15 October 2015.

5.0 Any Other Business

None.

6.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

No further meetings planned.