

DN Charging Methodology Forum Minutes

Monday 26 March 2012

via teleconference

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andy Manning	(AM)	British Gas
Denis Aitchison	(DA)	Scotia Gas Networks
James Stone	(JS)	E.ON UK
Joanne Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Lesley Ferrando	(LF)	Ofgem
Steve Armstrong	(SA)	National Grid Distribution
Will Guest	(WG)	Northern Gas Networks

1. Introduction and Status Review

Copies of all papers are available at: www.gasgovernance.co.uk/dncmf/260312

1.1 Review of Minutes

The minutes of the previous meeting (26/09/11) were accepted.

1.2 Review of Actions

DNCMF 09/01: Joint Office (TD/MB) to arrange the next DNCMF meeting for early November 2011.

Update: TD explained that whilst the meeting was arranged as requested, it was subsequently cancelled.

Closed

2. Workgroups

2.1 Workgroup 0391 – Distributed Gas Charging Arrangements

The minutes for Workgroup 0391 can be found at:
<http://www.gasgovernance.co.uk/0391/260312>

3. Issues

3.1 Customer Charge Update

Review of Customer Charges presentation

DA provided a brief overview of the presentation.

In considering the emergency costs on slide 7, DA confirmed that whilst the flat rate charge would apply to all supply points, it would / could vary from one Network to another and would be applied on a year by year basis, and would be very much dependent on the target revenue each Network may be trying to recover – its more about structure, rather than the actual level of charges.

Moving on to consider the replacement costs on slide 8, DA informed those present that one advantage is that all of the DNs are working to a common theme due to the regulatory framework. He confirmed that similar to the recovery of emergency costs, these would be applied on a Network basis

and once again reflecting the Network's particular revenue recovery requirements.

DA then advised that the asset-related costs are not intended to be cost reflective, but seeks to recover costs across all supply points. DLCA stands for Domestic Load Connection Allowance.

DA then provided a quick overview of the illustrative charges and possible impacts associated with options 1 & 2.

Status update on draft modification – Review of LDZ Customer Charges.

DA explained that whilst the draft modification proposal was raised by Scotia Gas Networks, it has the approval of all the other DNs and as such, can be seen as a joint initiative.

AM indicated that he would be reviewing the draft proposal in more detail outside of the meeting, although his initial reaction is that he is not keen to apparently load more costs on to his customers and believes that the Authority may wish to consider RMR aspects. DA acknowledged that there may be a need to increase customer charges but suggested that analysis shows that the proposed charges are cost reflective and it is interesting to note that all the Networks analysis have resulted in similar figures. TD suggested that it is difficult to explain intuitively why the smaller domestic loads should pay more as opposed to asserting that this is what the data has revealed.

SA is of the opinion that the new methodology will be more cost reflective across the wider market and is a reasonable approach. He went on to justify this view by reminding those present that whilst domestic customers may end up paying more, the I&C customer could witness a significant reduction in their charges. LF noted that whilst it is important that any domestic customer impacts are correctly assessed, she believes that the analysis is currently suggesting these impacts are limited. DA also pointed out that how any changes in charges get passed on to the customer is for the shippers to consider.

TD noted that the relatively long lead-time implied by targeting 2014 implementation would allow for suitable preparation to take place.

When asked, DA indicated that he now intends to convert this draft modification proposal into a formal submission. Hopefully, a formal modification could be ready for submission to the April Panel meeting.

3.2 RIIO Update

SA suggested that there was no update available at this time but that the implications of the RIIO decisions would need to be considered once finalised.

4. Any Other Business

None.

5. Diary Planning for Workgroup

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

In noting that as the quarterly DN revenue reports are due by the end of April, it was agreed to hold DNCF, DCMF and Workgroup 0391 meetings in Solihull towards the end of April 2012.

Suggested agenda items for future meetings would be welcome.

New Action DNCMF 03/02: Joint Office (MB) to arrange a DN charging meeting for the end of April.

DN Charging Methodology Forum Action Log

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
DNCMF 09/01	26/09/11	5.	To arrange the next DNCMF meeting for early November 2011	Joint Office (TD/MB)	Update provided. Closed
DNCMF 03/01	26/03/12	5.	Arrange a DN charging meeting for the end of April	Joint Office (MB)	Update to be provided in due course.