

Workgroup 0391 - Distributed Gas Charging Arrangements

Workgroup Minutes

Monday 26 March 2012

via teleconference

Attendees

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

Copies of all papers are at: www.gasgovernance.co.uk/0391/260312

1. Introduction and Status Review

TD welcomed all to the meeting.

1.1 Review of minutes

The minutes of the previous meeting (27/02/12) were approved.

1.2 Review of actions

WG0391 11/001: National Grid Distribution (SA) to prepare a set of draft business rules based on workgroup discussions and any feedback ready for consideration at a follow up meeting in early 2012.

Update: SA advised that draft legal text had been prepared which also encompasses a set of draft business rules.

Closed

WG0391 02/001: Distribution Networks (SA) to seek updated cost information from Xoserve, including whether a lower cost approach might be feasible.

Update: SA advised that a change request had been raised with Xoserve, and it could take some time to produce implementation cost estimates.

Carried Forward

2. Discussion

2.1 Assessment of Options

SA opened by providing a brief overview of the suggested changes to the legal text in Section Y of the UNC, with a new section 7 – LDZ System Entry Commodity Charge – proposed.

Looking at each key element in turn, parties debated the matters as follows:

Opex Costs

SA advised that this relates to entry point equipment situated within a network's assets – i.e. compressors etc. When asked, SA explained that the existing RPI model for annual updates is proposed, for ease and consistency with the existing approach. However, where a significant change occurs such as a significant change in flow rates or introduction of network compression, a separate review of the charges could be triggered - one possible trigger being when the network operator perceives a parameter has changed, such as costs increasing or decreasing.

In considering how any changes to these charges would best be communicated to impacted parties, SA suggested the 150 day indicative charge notification would suffice – this was supported by those present, with WG also suggesting that providing some form of tolerance for triggering a recalculation would be beneficial. SA confirmed, the proposals relate to forecasting potential usage and do not envisage development of a supporting reconciliation mechanism reflecting actual costs, for example actual use of network compression.

In essence, as previously noted, the DNs are attempting to keep a similar model to existing charging methodology mechanisms as a means to avoiding continual reviews, unless exceptional circumstances dictate a different response. JB wondered if providing examples based around a couple of sample sites would aid understanding.

The consensus was that this suggested approach for Opex costs was appropriate.

DN Usage Credit

SA advised that more detail on how the calculation provides for an equivalent commodity charge is contained within the accompanying explanatory note.

SA explained the rationale for the dependability factor, suggesting that this is similar in concept to the electricity system load factors for generation. AM believed that, while recognising the merit in SAs approach, the electricity equivalent applies the logic in reverse - they take their 'F' factor and apply planning considerations to derive load factors rather than starting with load factors to derive dependability. There was consensus that the suggested approach (and methodology) are reasonable. JB highlighted that the REA have some ongoing concerns relating to flow rates into the system.

LDZ System Credit

SA advised that analysis indicates that it is the low pressure tiers that appear to incur the most impact whilst a more detailed explanation of the utilisation rate calculation is provided in the explanatory note.

AM believed that potentially any credits given to an (entry) shipper would end up being shared with the facility operator (producer) rather than benefiting the customer. SA pointed out that, as with any other transportation charges, any commercial / contractual issues such as these would need resolution by the shippers and producers involved.

In closing, SA pointed out that, in-line with the annual LDZ system charge reviews, it is proposed that the credits would also be reviewed on a yearly basis.

3. Any Other Business

Ofgem Senior Partner Changes – potential impact on 0391WG

LF advised that following the recent change to the Ofgem Senior Partners, the new person in charge of the Gas Distribution area could have a subtly different view on the progress and impacts of Workgroup0391. She expects to discuss

the matter with the incumbent over the next few weeks and will provide feedback if Ofgem would like to see alternative approaches explored.

4. Diary Planning for Workgroup

Parties indicated that they would be happy to progress the Workgroup Report on the basis that the paper provided above (item 2.1) is suitable as the basis for the draft legal text.

As the (full) Xoserve final cost information was not expected to be available by end of June, parties indicated that they would prefer to avoid delays and move forward based on the initial cost estimate provided by Xoserve.

Two new actions were agreed:

New Action WG0391 03/001: Joint Office (TD) to prepare a draft Workgroup Report for circulation prior to the April meeting with a view to presenting to the May UNC Panel meeting.

New Action WG0391 03/002: National Grid Distribution (SA) to amend the modification proposal to reflect the discussions and agreements reached at the meeting.

It was agreed that the next DNCMF and 0391 meeting should be held at the National Grid Office, 31 Homer Road, Solihull, B91 3LT towards the end of April 2012, when the quarterly DN revenue reports could also be presented.

Action Log – UNC Workgroup 0391

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
WG0391 11/001	15/11/11	2.1	To prepare a set of draft business rules based on workgroup discussions and any feedback ready for consideration at a follow up meeting in early 2012.	National Grid Distribution (SA)	Update provided. Closed
WG0391 02/001	27/02/12	2.1	To seek updated cost information (including actual costs and possible cheaper solutions) from Xoserve for consideration at the next meeting.	DNs (SA)	Update to be provided. Carried Forward
WG0391 03/001	26/03/12	4.	To prepare a draft Workgroup Report for circulation prior to the April meeting with a view to presenting to the May UNC Panel meeting.	Joint Office (TD)	Update to be provided in due course.
WG0391 03/002	26/03/12	4.	To amend the modification proposal to reflect the discussions and agreements reached at the meeting.	National Grid Distribution (SA)	Update to be provided in due course.