

# Workgroup 0418 – Review of LDZ Customer Charges

## Workgroup Minutes

### Monday 30 April 2012

at the National Grid Office, 31 Homer Road, Solihull B91 3LT

#### Attendees

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MB)	Joint Office of Gas Transporters
Andy Manning	(AM)	British Gas
Bernard Kellas	(BK)	SSE
Joel Martin	(JM)	Scotia Gas Networks
Joanne Parker	(JP)	Scotia Gas Networks
John Edwards	(JE)	Wales & West Utilities
Jonathan Wisdom	(JW)	RWE npower
Lesley Ferrando	(LF)	Ofgem
Lewis Hodgart*	(LH)	Ofgem
Marie Clark*	(MC)	ScottishPower
Steve Armstrong	(SA)	National Grid Distribution
Will Guest	(WG)	Northern Gas Networks

\* via teleconference link

Copies of all papers are at: [www.gasgovernance.co.uk/0418/300412](http://www.gasgovernance.co.uk/0418/300412)

#### 1. Outline of Modification

TD welcomed all to the meeting and provided a brief outline of the Workgroup process.

#### 2. Initial Discussion

##### 2.1 Review of Customer Charges presentation

JM provided ran through the Scotia Gas Networks presentation, previously presented at the 26 March DNCFM meeting.

##### Emergency Costs

Attendees indicated that, whilst they recognised the basic logic behind these costs and suggested allocation, the wording should be amended to better justify the proposed approach – evidence should be provided to prove that the current method does not work in order to make the case that the change is beneficial. SA advised that costs are not recorded on a supply point basis and furthermore, little or no data is available on which to compile the costs anyway.

JM acknowledged that an amendment to the wording may prove helpful.

##### Replacement Costs

It was pointed out that a lack of evidence across the 3 bands (0 – 73.2 MWh, 73.2 – 732MWh and >732MWh) has resulted in a single cost across all three being applied for the Southern Network.

Similar to the emergency costs, it was suggested that the wording should be amended to better justify the proposed change. SA advised that currently the Networks lack (SOQ) LSP related evidence, although new information is now coming to light, which suggests that a change may be beneficial. However, it should be noted that the available indicators do not display a strong relationship between SOQ and the LSP size. JM supported this view by advising that it is

the level of detail (granularity) per supply point that is lacking – in essence there remain a lot of imponderables around SOQ/LSP impacts.

JM agreed to re-evaluate the evidence and the rationale behind the potential SOQ / LSP impacts.

#### Asset-Related Costs

JM noted that the Networks bear the cost of the first 10m of a new service.

Examining the two options under consideration, JM requested views. AM enquired why the square root was used in option 2, which JM advised is to avoid the effects of sharp SOQ jumps, especially when the majority of costs are aligned to domestic supply points. Advising that there remains an argument around where you target the information, SA welcomed any feedback that parties may have.

SA went on to point out that option 2 would require the utilisation of average supply point calculations to avoid invoking reconciliation issues. Whilst current charges increase as a reflection of supply point size, this has not been explicitly defined so far.

Looking at the two proposed options, AM was of the view that there may be additional ones to consider such as an energy based option.

TD enquired whether the DNs had a preference. SA felt a simpler (option 1) approach would be preferable, questioning whether the added complexity of option 2 (especially obtaining SOQ information) would deliver any benefits.

AM remained concerned around aspects of the rationale, believing that there is a potential for smaller Users to be unduly penalised.

TD clarified that Scotia Gas Networks would need to opt for one option within their modification. However, that does not stop either another DN or Shippers from raising alternative modifications to propose a solution based around another option. He went on to advise that the DNs fundamental aim has always been to provide a cost reflective solution and any feedback on the appropriateness of this modification would be welcomed.

LH believed that the modification should highlight a clear justification to support the figures put forward, to ensure transparency. SA responded that the evidence gleaned so far has indicated that this proposal provides for a more cost reflective solution than the current arrangements.

In considering the feedback provided during these initial discussions, JM acknowledged that removal of the potential supply point to meter point changes concept is linked with this modification.

When asked, parties indicated that they would prefer provision of more background information relating to the various justifications for the proposed change. JM agreed to consider providing additional background information as requested. He would anticipate this being ready for presentation in around 6 to 8 weeks.

**Action WG0418 04/001: Scotia Gas Networks (JM) to provide additional information in support of the modification.**

### **3. Consider Terms of Reference**

No comments were received on the Terms of Reference.

### **4. Any Other Business**

None.

**5. Diary Planning for Workgroup**

It was agreed that the Joint Office would should arrange a meeting once SGN have confirmed when the additional information requested is likely to be available.

**Action Log – UNC Workgroup 0418**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
WG0418 04/001	30/04/12	2.1	Provide additional information in support of the modification.	Scotia Gas Networks (JM)	Update to be provided in due course.