

UNC DNCMF Workgroup Minutes

Tuesday 27 March 2018

at the Pure Offices, Lake View House, Tournament Fields, Warwick,
CV34 6RG

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(HB)	Joint Office
Angela Love*	(AL)	Energetics
Beth Handford*	(BH)	First Utility
Craig Neilson*	(CN)	Cadent
Gregory Edwards	(GE)	Centrica
James Knight*	(JK)	British Gas
Jon Trapps*	(JT)	NGN
Leteria Beccano	(LB)	Wales & West Utilities
Niall Coyle*	(NC)	E.ON
Paul Whitton	(PW)	SGN
Penny Jackson	(PJ)	npower
Smitha Coughlan	(SC)	Wales & West Utilities

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dncmf/270318>

1. Introduction and Status Review

BF welcomed all to the meeting before A Love confirmed that she was attending on behalf of Energetics, who are an iGT.

1.1. Approval of Minutes (11 January 2018)

The minutes from the previous meeting were accepted.

1.2. Review of Outstanding Actions

Action 0101: Wales & West Utilities (RW) to invite Xoserve to provide a presentation at the next meeting on UIG process and impacts on revenue.

Update: SC explained that before moving on to new pastures, her former colleague R Wiggington, had contacted Xoserve (F Cottam) on this matter, but so far, no response has been forthcoming.

BF advised that the Joint Office would now request Xoserve for a presentation before the next DNCMF meeting. **Carried Forward**

1.3. Pre-Modification discussions

None.

2. Allowed and Collected DN Revenue (MOD0186) Reports

Copies available at: <https://www.gasgovernance.co.uk/dnrevenue-reports>

2.1. Scotia Gas Networks

PW provided an overview of the SGN presentation during which AL enquired what progress had been made in regard to the final Ofgem direction of Shipper Of Last Resort (SOLR) in 2018/19 aspects. Responding, PW confirmed that this 'covers off' both electricity and gas aspects. Following the meeting, BF provided AL with an email update on the matter, as follows:

"It appears that there might have been some misunderstanding as to what documentation was published and referred to by the GDNs in the (DNCFM Workgroup) meeting. The link below refers to the final decision letter posted on the 19 January 2018 and the GDN's had been in communication with Ofgem and required a decision prior to the end of January to enable them to incorporate it in the 2018/19 tariffs.

<https://www.ofgem.gov.uk/publications-and-updates/last-resort-supplier-payment-claim-co-operative-energy-final-decision>

In reviewing the 'Sensitivities' slide, PW explained that SGN are still in negotiations / discussions with Ofgem over the voluntary contributions aspects whilst as far as the 'true up' bullet point is concerned, the Bank of England has recently recommenced doing the form.

In reviewing the 'Southern' and 'Scotland' Distribution Networks tables, PW advised that there have been no major changes since the previous update.

When asked whether the Modification 0621 figures provided differ depending upon which of the suite of alternative modifications are being considered, PW explained that the figures provided within this presentation are based on the 'original' Modification 0621, although SGN are working towards providing analysis across the whole suite of alternatives.¹ It was noted that as any one of the modifications could be implemented, provision of the supporting information sooner, rather than later would be beneficial – a point noted by PW.

When asked whether or not the amounts identified would flow through to later updates, PW explained that this would be heavily dependent upon how allowances and the 2 year lag impact, although he can confirm that it would not be just a single year impact, and would take effect over the next 3 to 4 years.

PW then provided a brief explanation of how SGN books capacity with National Grid NTS and how whilst capacity charges would increase, commodity charges would decrease even though there is not a direct impact on customers per se. Once it all settles down, the industry should reap the benefit of improved stability.

When PJ pointed out that Workgroup 0621 are currently looking at how capacity aspects would be allocated, PW highlighted that EU initiatives also mean that the timescales are extremely tight.

2.2. Northern Gas Networks

Focusing attention on the changes since the previous report, JT provided a brief overview of the presentation.

JT explained that NGN could potentially be significantly impacted by the Modification 0621 developments and outcome, to the tune of circa £11 increase to each customer's bill. In essence, it is anticipated that the transitional increases could be in the region of £15m with a total increase in the region of £33m, depending upon the final Ofgem allowance changes and revenue phasing aspects.

2.3. Cadent

In providing an overview of the Cadent presentation, CN explained that the main message is very similar to the two previous presentations.

¹ Please refer to the Modification 0621 page on the Joint Office web site for more information regarding the suite of modifications at: <https://www.gasgovernance.co.uk/0621>

Focusing attention on the 'Summary Collectable Revenue trace' slide, CN advised that whilst reflecting the sale of Cadent, there are no major swings from the previous report.

Discussions then centred on the 'Risks and Sensitivities' slide, during which CN confirmed that the Smart Metering Uncertainty Mechanism is basically 'logged up' across the whole price control and comprises volume change related information, especially supply volumes etc.

CN explained that as far as the East of England Streetworks Uncertainty Mechanism was concerned, he anticipates observing a modest difference moving forwards. Additionally, CN confirmed that the new SoLR claim relates to the previously mentioned CO-OP issue.

In considering the potential impact associated with adoption of a Capacity Weighted Distance model (and associated move away from a commodity based revenue for capacity), CN suggested that this could potentially see a reduction in charges of circa £20m (out of £100m). However, he also anticipates an increase in capacity charges of circa £50m. CN asked parties to note that changes to the Short haul regime could potentially affect Cadent's views – currently Cadent is engaging in discussions with National Grid NTS to better understand the potential impacts, especially DN base changes etc.

When asked whether UNC Modification 0636 A/B or C 'Updating the parameters for the NTS Optional Commodity Charge' could also impact upon Short haul considerations², CN indicated that either Modification 0621 and / or 0636 could have a potential impact on the matter and as a consequence, Cadent is keeping a watching brief to analyse potential impacts.

Concluding the discussions, CN explained that not only does he expect to provide an update on the retrospective cost of index change drivers (ref: Bank of England) within the next report, he would also look to amend the 'cost of debt 2019/20' forecast in due course.

2.4. Wales & West Utilities

SC provided a brief overview of the WWU presentation, during which she confirmed that the 'Exit Capacity' information provides a very similar message to that given by the other DN presentations. SC also pointed out that WWU has raised Alternative Modification 0621D in order to address some of its concerns. When asked whether or not she has a view on the potential impacts on WWU's figures, SC responded by advising that she would seek a view from her colleagues and provide an offline answer to AL outside of the meeting.

3. Supplier of Last Resort Process Update

It was agreed that this item had already been 'covered off' during discussions on item 2.0 above.

When asked why SoLR related information is not always clear within the respective DN reports, CN responded by advising that the DNs have been in discussion with Ofgem, especially transparency of (SoLR related) information, to which Cadent in particular has tried hard to satisfy its Licence obligations around this matter – a view shared by the other DNs.

4. Base Revenue Allowance Overview

After a brief discussion, it was agreed by those in attendance that this item could now be removed from future DNCFM agendas going forwards, on the grounds that the requested information had been provided at the January 2018 meeting.

² Please refer to the 0636 modifications page on the Joint Office web site for more information regarding the suite of modifications at: <https://www.gasgovernance.co.uk/0636>

5. Topic Tracker Update

5.1. Allowed Revenue Breakdown

CN apologised explaining that he had not had an opportunity to progress this matter since the previous meeting. However, CN would also like guidance on what items parties would like to see being tracked. During a brief debate, it was suggested that perhaps there would be benefit in tracking the following items:

- SoLR;
- UNC Modification 0621;
- UNC Modification 0636;
- RIIO 2 (framework development and GDN approaches);
- 2 year lag impacts, and
- UIG

6. UIG

6.1. UIG Process and how it impacts revenue – Xoserve

BF noted that, assuming Xoserve provides the requested presentation in time for consideration at the next meeting, a decision may have already been made by Ofgem on UNC Modifications 0642 (Urgent), 0642A and 0643 (Urgent).

6.2. Update on UIG Modifications (0642, 0642A and 0643)

See item 6.1 above.

7. New Issues

7.1. Workgroup 0621 Update

It was agreed that this matter had been ‘covered off’ under the discussions on item 2.0 above.

When it was requested that the Joint Office look to provide a ‘signpost’ progress update in order to aid industry awareness and understanding of the subject, BF responded by explaining that whilst this is fine in principle, it is extremely difficult in reality, as the frequency of Workgroup 0621 meetings is extremely high – in short, this may well be too late as the Workgroup is due to report in May.

8. Any Other Business

8.1. Cadent Final Tariff Report

When PJ requested that all the GDNs look to provide rolling AQ / SOQ information similar to Cadent’s approach, the GDN representatives present agreed to consider providing the information, including alignment with Workgroup 0621 developments where ever possible.

9. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 26 June	The new Joint Office, Solihull - tbc	<ul style="list-style-type: none"> • Standard agenda items
10:30 Tuesday 25 September	The new Joint Office, Solihull - tbc	<ul style="list-style-type: none"> • Standard agenda items

Action Table (as at 27 March 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	11/01/18	6.0	BF to invite Xoserve to provide a presentation at the next meeting on UIG process and impacts on revenue.	Joint Office (BF)	Carried Forward