

UNC Workgroup 0687 Minutes

Creation of new charge to recover Last Resort Supply Payments

Thursday 25 July 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Bob Fletcher	(BF)	Joint Office
Brandon Rodrigues*	(BR)	ESP Utilities
David Mitchell	(DM)	SGN
Ellie Rogers	(ER)	Xoserve
Gareth Evans*	(GE)	Waters Wye Associates Ltd
Jonathon Trapps*	(JT)	Northern Gas Networks (0687 only)
Kate Mulvany*	(KM)	Centrica
Kirsty Dudley	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Louise Hellyer*	(LH)	Total Gas & Power Limited
Mark Jones*	(MJ)	SSE
Matthew Payne*	(MP)	SGN
Nitin Prajapati	(NP)	Cadent
Richard Johnson	(RJ)	Xoserve
Richard Pomroy	(RP)	Wales & West Utilities
Steve Britton*	(SB)	Cornwall Insights
Steve Mulinganie	(SM)	Gazprom
Stephanie Clements	(SC)	ScottishPower
Tracey Saunders	(TS)	Northern Gas Networks

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0687/250719

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 August 2019.

1.0 Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting.

1.1. Approval of Minutes (27 June 2019)

The minutes from the previous meeting were accepted.

1.2. Review of Outstanding Actions

Action 0501: Cadent (NP) to provide information on how the current process works in relation to miscellaneous pass through of charges, including SOLR. To include how DNOs would take into consideration under/over recovery from the SoLR charge and confirm there is no impact on DNOs overall allowed revenue or any other issues from the proposal.

Update: Nitin Prajapati (NP) provided an update and explained the specific licence condition is 'Standard Special Condition A48. Last Resort Supply; Payment Claims' Paragraph 3 which states:

'Where the licensee receives a valid claim it shall, during the relevant year, make a consequential increase to its transportation charges during that year which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount.'

He also advised that Cadent have published a 'Statement of Last Resort Supply Payments 2018/19' on the Joint office website, www.gasgovernance.co.uk/DNCharges/ChargesStatement/April2018, which is as per the requirements in the same licence condition above ('Standard Special Condition A48. Last Resort Supply; Payment) but this time paragraph 11.

When asked, in terms of the licence not specifying how you recover or through what charges in terms of this Modification, it was clarified that the Licence does not stop the Modification being specific. **Closed**

Action 0502: Total Gas & Power Ltd (AG)/Waters Wye Associates (GE) to clarify Business Rules 7-9 where appropriate and to clarify a) what is for information within the Business Rules/examples and b) to clarify the SOLR charges process to reflect discussions at the meeting and consider providing a new worked example split by DNOs.

Update: The update for this action is covered in the revised Modification and discussed in agenda item 2.0. **Closed**

2.0 Consideration of Amended Modification

Gareth Evans (GE) explained that some amendments have been made to the Modification. The specific changes relate to the Worked Example as part of the Solution section and the Implementation section.

Solution:

Further changes have been made to make it clear that there are recovery charge is different for each GDN.

He explained that Ofgem would split the LRSP between the GDNs, based on their proportion of GB Supply Meter Points connected to their networks. Effectively each GDN gets a specific amount to pay-out and recover and uses that to create a GDN-specific charge.

GE confirmed this would be a Monthly charge, in the same way as setting Transportation Charges is an annual process but are recovered monthly.

He also confirmed there are no substantial changes to the Business Rules, and clarified they are now set.

Implementation:

GE explained that there are hard cut off dates for this Modification, therefore, as the Modification Rules prescribe the implementation timescales, the dates suggested in the Modification are set-out accordingly.

ER added that the systems would be implemented in line with the Transportation Charges, 01 April. She went on to reiterate the 3 options for the systems update:

Option 1: Add a New Charge Type to Core Invoices

A major system change would be required to implement this option. Previously, changes of this nature have only been available as part a Major Release and the next major release would not facilitate any of the proposed implementation timescales. ER confirmed that due to the proposed timescales for implementation, a major release delivery could not be used for an April delivery.

Option 2: Add a new charge type to Scheduled Ancillary Invoices

This is a cheaper option because it is less complex to modify these invoices than the core invoices.

The difference between this option and Option 1 is that with this option second level supporting information would not be available.

Option 3: Add a New Charge Type to Unscheduled Ancillary Invoices

This option is similar to Option 2 but is more of a manual process.

Option 2 and 3 could be delivered in terms of a minor release, this will be discussed further at the next DSC Change Management Committee meeting.

In terms of a 01 April 2020 implementation, ER confirmed this will be aired at the DSC Change Management Committee meeting on Wednesday 07 August 2019.

In summary; this Modification could be implemented in a minor release but not as part of a major release. ER will develop the Change Proposal and recommend a minor release implementation.

RP said that, if this is implemented in Code and the system has not implemented a new charge type, the Transporters would not be able to recover allowed revenue, in which case it would go into K and recovered the following year. GE agreed that this is correct, but the aspiration is that a system solution would be functional early next year avoid this situation.

The Workgroup agreed there is a risk of not having a system solution to recover charges.

It was confirmed that the Legal Text, in draft form, was submitted 19 July 2019.

ER confirmed that the Change Proposal has been drafted and sent to Proposer is awaiting feedback.

This will be aired at the DSC Change Management Committee meeting on Wednesday 07 August 2019.

3.0 Consideration of Business Rules

Although not discussed, the Business Rules are now included in the amended Modification.

4.0 Review of impacts and Costs

This item was covered as part of the updates made to the Workgroup Report.

5.0 Consideration of Wider Industry Impacts

This item was covered as part of the updates made to the Workgroup Report.

6.0 Consideration of Legal Text

Both GE and the Proposer agreed with the Legal Text presented.

ER sought clarification that where it refers in the Modification to 'M', this variable is the total number of meter points, whereas the legal text defines 'MD' as the total number of meter points. GE confirmed both 'M' and 'MD' mean the same.

Workgroup confirmed they are happy for the legal text to proceed to consultation.

7.0 Development of Workgroup Report

AR proceeded to make some draft updates to the Workgroup Report. The Workgroup Report will be published once completed.

8.0 Next Steps

AR summarised that the Workgroup Report will be published once the draft updates made to it today are refined. This will then be presented to UNC Panel on 18 August 2019.

9.0 Any Other Business

None raised.

10.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
No further meeting dates		

Action Table (as at 25 July 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	22/05/19	3.0	Cadent (NP) to provide information on how the current process works in relation to miscellaneous pass through of charges, including SOLR. To include how DNOs would take into consideration under/over recovery from the SoLR charge and confirm there is no impact on DNOs overall allowed revenue or any other issues from the proposal.	Cadent (NP)	Closed
0502	22/05/19	3.0	Waters Wye Associates (GE) to clarify Business Rules 7-9 where appropriate and to clarify a) what is for information within the Business Rules/examples and b) to clarify the SOLR charges process to reflect discussions at the meeting and consider providing a new worked example split by DNOs.	Waters Wye Associates (GE)	Closed