

UNC DNCMF Workgroup Minutes
Tuesday 25 September 2018
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Helen Cuin (Chair)	(HCu)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Beth Handford*	(BH)	First Utility
Craig Neilson	(CN)	Cadent
James Knight*	(JK)	British Gas
Jon Trapps	(JT)	NGN
Leteria Beccano	(LB)	WWU
Megan Coventry*	(MC)	SSE
Niall Coyle	(NC)	E.ON
Nicky White	(NW)	npower
Nitin Prajapati	(NP)	Cadent
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/250918>

1. Introduction and Status Review

HCu welcomed all to the meeting.

1.1. Approval of Minutes (26 June 2018)

The minutes from the previous meeting were accepted.

1.2. Review of Outstanding Actions

None

1.3. Pre-Modification discussions

None.

2. Allowed and Collected DN Revenue (MOD0186) Reports

Copies available at: <https://www.gasgovernance.co.uk/dnrevenueereports>

2.1 Northern Gas Networks

Focusing attention on the changes since the previous report, John Trapps (JT) provided a brief overview of the pricing statement provided for the meeting. He summarised the information provided as showing slight movement since the June positions, specifically the following areas:

Adjustments to Base Revenue via 'MOD'

JT explained he is not expecting any movement in this section of the forecast.

'MOD' Adjustment

This includes as much forecast as possible.

Shrinkage/Leakage

The Long-Term assumption is reflected in this forecast but this is being re-visited internally.

For more detail please refer to the statement published at:

<http://www.gasgovernance.co.uk/dncmf/250918>

2.2 Scotia Gas Networks

Paul Whitton (PW) provided a brief overview of the SGN presentation, during which he confirmed the key revenue changes:

RPIft: Updated inflation for 2018/19 onwards in line with August 2018 Treasury forecast;

Ext: Updated cost adjustment 2019/20 onwards;

SHRA: Updated cost adjustment reflect latest forecasted gas prices as of 31 August;

BM: Updates to reflect 2017/18 actuals;

-Kt: Update collected revenue movements reflected in 2019/20 and 2020/21;

MODt: Updated to reflect latest movements, CoD Totex etc;

PW also highlighted the Risks and Sensitivities for both Southern and Scotland, which were:

- The current issue around Xoserve SOQ and AQ calculations, which is under investigation.
- PCFM figure not finalised.
- Potential future effects of Demand Estimation Changes and domestic EUC band changes.

For more detail please refer to the presentation published at:

<http://www.gasgovernance.co.uk/dncmf/250918>

2.3 Cadent

Craig Neilson (CN) introduced Nitin Prajapati (NP) to the meeting as a new member to his team.

He then went on to provide an overview of the Cadent DN revenue presentation during which he provided a high-level description on the approach taken for September 2018 MOD0186.

CN explained that the high-level summary position is very little percentage movement overall and then proceeded to give the summary position at Network level and a detailed description of the Collectable Revenue Trace slide (5).

Moving on to the Gas Price Reference Cost (8) CN talked through the slide which shows the September Forecast Gas Price Reference Cost as opposed to the June Forecast cost and asked the attendees if they thought there might be a better source of forecast to reflect this data.

CN highlighted an amendment to the figures reported on the Cost of Debt slide (9) for London.

A link to the Cadent 2018 Strategic Performance Overview has been provided on slide 13.

When explaining the GD-2 Base Revenue Forecast slide (15) CN highlighted that the Exit Capacity forecast reflects the current process and that Modification 0621 could impact the forecast.

CN explained in detail a recent Ofgem decision to move to CPIH, Consumer Price Inflation, which is a new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH). This is very well detailed in slides 17 through to 20.

Finally, CN highlighted to the workgroup the Risks and Sensitivities for the September forecast:

- Reductions in Network innovation expenditure
- SMAR Metering UM: Timing of determination
- NTS Exit Capacity cost: Indicative impact of Modification 0621 (lagged GD-1 impact)
- NTS Exit Capacity cost: Indicative impact of Modification 0621 (Allowance reset)

CN has instigated a dialogue with National Grid NTS and asked them to provide an indicative position whilst going through uncertainty. At this point JT advised that NGN will see a large rise in prices if Modification 0621 is implemented peaking in 2022/23.

For more detail please refer to the presentation published at:
<http://www.gasgovernance.co.uk/dncmf/250918>

2.4 Wales & West Utilities

Leteria Beccano (LB) provided a brief overview of the WWU presentation, during which she confirmed that the information provides a very similar message to that given by the other DN presentations advising that the updated forecasts show a reduction from 2019/20 onwards and in to the future.

For more detail please refer to the presentation published at:
<http://www.gasgovernance.co.uk/dncmf/250918>

3. Supplier of Last Resort Process Update

CN advised that until Ofgem decide how the electricity split is determined there is very little progress that can be made with this.

4. Topic Tracker Update

CN provided a brief update on the Topic Tracker confirming that Modification 0621, Unidentified Gas and Supplier of Last Resort are all on the tracker.

5. UIG Task Force Update

No official update was provided for this meeting; however, it was mentioned that Xoserve have asked for some information to be provided from the DNs on Measurement Errors and that it has been identified there is some inconsistency in the frequency of Measurement Error updates and that not all Measurement Errors are being reported.

6. 0621 Update

HCu provided a brief update on the suite of 0621 Modifications - Amendments to Gas Transmission Charging Regime, this was also provided at NTSCMF on 4th September.

HCu confirmed that Ofgem are working on two aspects for their Regulatory Impact Assessment: an analytical impact assessment and a compliance assessment, both are due to be completed at the end of October. Baringa are providing analytical support to Ofgem and Ofgem are working with National Grid on the compliance aspects.

It is anticipated that the "next step decision" will be made soon after the impact assessment, on whether to send back, proceed to consultation or reject the modifications.

More detail on the Baringa work can be found in the 04 Sept NTSCMF minutes.

It was agreed to include this item on the January agenda for an update.

7. Any Other Business

7.1. Business Plan Revenue Impact Reporting

Nicky White (NW) mentioned, for the next price control, the Ofgem framework decision has been published. The Business Plans are expected to go to Ofgem around May 2019 and she suggested she would like to see the Business Plans translated into the Allowed Revenue reports to enable Shippers to better understand the impacts and considerations of the line items for RIIO-2.

It was agreed that all DNs would consider the timelines and the best way to articulate this information and a response will be provided offline to E.ON and npower to feed back into the Stakeholder groups. An update will also be provided at the next DNCMF.

CN agreed to liaise with all the DNs offline to provide a response.

New Action 0901: DNs to provide an update on their consideration at the next DNCF in January on the Business Plan Revenue Reporting

7.2. ENA Workgroup Framework

CN mentioned that, in the capacity of supporting RIIO-2 and development of the framework, Ofgem have a view that, before the end of December there might be an opportunity to raise awareness of financial reporting through wider stakeholder groups. These are likely to be organised by ENA.

8. Diary Planning

- CN summarised the next steps for the December reporting:
 - 2019/20 indicative charges will be published by 02 December
 - DN Revenue Reports will be published prior to Christmas
 - The next DNCF will be held 14 January 2019

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
10:30 to 13:30 Monday 14 January 2019	Joint Office, Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	<ul style="list-style-type: none"> • Standard agenda items • Supplier of Last Resort Update • Topic Tracker Update • UIG Task Force Update • 0621 Update

Action Table (as at 25 September 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0901	25/09/18	7.1	DNs to provide an update on their consideration at the next DNCF in January on the Business Plan Revenue Reporting.	All DNs	Pending