UNC DNCMF Workgroup Minutes
Tuesday 24 September 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Brandon Rodrigues*	(BR)	ESPUG
George Moran*	(GM)	Centrica
Jon Trapps	(JT)	Northern Gas Networks
Matt Atkinson*	(MA)	Gazprom
Nicky White	(NW)	npower
Nitin Prajapati	(NP)	Cadent
Paul Whitton*	(PW)	SGN
Smitha Coughlan*	(SC)	Wales & West Utilities
Tom Breckwoldt*	(TB)	Gazprom

**via teleconference*

Copies of all papers are available at: https://www.gasgovernance.co.uk/dncmf/240919

1. Introduction and Status Review

Alan Raper (AR) welcomed all to the meeting.

1.1. Approval of Minutes (25 June 2019)

The minutes from the previous meeting were approved.

1.2. Review of Outstanding Actions

None to consider.

1.3. Pre-Modification discussions

None raised.

2. Allowed and Collected DN Revenue (MOD0186) Reports

Copies of the full reports are available at: http://www.gasgovernance.co.uk/dnrevenuereports

Copies of the presentation slides are available at: https://www.gasgovernance.co.uk/dncmf/240919

2.1. Cadent

Nitin Prajapati provided an overview of Cadent's revenue report.

The full summary of updates included:

- Inflation impacts
- Gas Prices
- Annual Iteration Process for Totex
- Final Customer Satisfaction scores
- Final shrinkage and leakage volumes
- Stakeholder engagement scores
- Impact of Theft of Gas
- Impact of Supplier of Last Resort claim for Together Energy
- Impact of October 2019 Load factors.

Summary Position

In relation to the headline movement since the last report, he highlighted that 2021 and 2022 will be the years with the most movements.

Collectable revenue Trace

NP stated that the biggest drivers were inflation, gas prices and the annual iteration process.

Inflation

He highlighted that the impact includes the forecast for the UK economy and an update to long term RPI forecasts aligned to RIIO2 assumptions.

Gas Prices

NP stated that gas prices have decreased again over the last three months thereby reducing shrinkage costs. He added that the shrinkage cost difference between June and September was £0.9m.

2018/19 CSAT

He highlighted that while the overall position shows a reduction in collectable revenues for 2020/21, more focus will be given to London and West Midlands to improve the scores.

Supplier of Last Resort

NP stated that Together Energy have been appointed as Supplier of Last Resort (SoLR) for the OneSelect failure and Ofgem published its decision on 09 September to allow recovery of Last Resort Supply payment amounting to approximately £2m across the GDNs. As a result, the collectable revenue in 2020/21 will be increased.

Collected Revenue Forecast

Cadent are forecasting a 0.2% over recovery equating to £3.9m.

Risk and Sensitivities

NP highlighted that the Smart Metering UM cost has been removed, (as it is now below the materiality threshold) as well as NTS Exit Capacity risk. This is because the new pricing methodology is not expected to be implemented in October 2019, so the risk has been moved to October 2020, with the first impact in 2022/23.

He concluded his presentation with providing an update on what the December report will include. In particular, he highlighted that changes to recent gas prices and the subsequent restriction in supply which may lead to an increase in gas prices. In addition, a high-level view of the RIIO2 forecast based on Cadent's December business plan submission will be provided.

AR asked a question in relation to the SoLR costs in the context of implementation of a new pricing methodology. He asked which mechanism would be used. NP suggested that depending on the outcome of the Ofgem decision, there is likely to be a separate charge for SoLR. He added that it would also depend on the implementation of system changes which would be needed by 01 April 2020. DNs are currently waiting for an update from Xoserve on the system changes. Jon Trapps (JT) reminded the Workgroup that pricing statements will need to be published by the end of January so system changes may be needed earlier than April 2020.

2.2. Northern Gas Networks (NGN)

JT provided an overview of NGN's revenue report highlighting that the allowed revenues were flat in the GD2 period and a further update will be provided at the next meeting.

He also highlighted that the energy element of the SoLR claim was not included and £235k would need to be added to 2020/21. The impact of load factors is also not included.

In terms of in-year over collection, he stated that NGN had previously indicated that they would over collect income but corrective actions have been taken to ensure this would not be the case. The £12.2m to be over-collected in 2019/20 was due principally to volatility in capacity-based invoices.

He indicated that the cost of debt assumption has been updated resulting in a £0.5m reduction.

The overall position for 2020/21 is higher with a 3.3% reduction adjustment in the total price change.

2.3. Scotia Gas Networks (SGN)

PW provided a brief overview of SGN's revenue report. He highlighted that the key revenue changes were in relation to:

- RPIFt - Updated inflation for 2019/20 onwards in line with August 2019 Treasury forecast;
- MODt - Updated to reflect November 2019 AIP 1st dry run position;
- MPt 2020/21 - Updated to include Together Energy SoLR claim;
- SHRt - Shrinkage gas price 2019/20 onwards as per market forecast report 31 August 2019;
- BMt - Updated with 2018/19 scores and forecast for future years.

He also highlighted the key revenue movements between June and September 2019 In terms of the Together Energy SoLR claim he reported that the expected impact is £400K for Southern and £220K for Scotland but these figures are still to be finalised.

PW also reported that additional sensitivities have been included in 2020/21 Southern tariffs relating to an internal administration error concerning reduced booking capacity at three offtakes which were identified mid-October last year. There will be a 0.4% reduction to nullify additional revenue which would have been received. SGN are currently waiting for Ofgem confirmation regarding mechanism that should be used.

He concluded by highlighting the overall summary position which was a 0.5% reduction for Southern and 7.7% increase for Scotland.

2.4. Wales & West Utilities (WWU)

Smitha Coughlan (SC) provided an overview of WWU's revenue report, highlighting the key changes since March 2019. She highlighted that:

- Collected revenue has increased due to updates to 2019/20 revenue forecast.
- Gas prices have gone down due to decrease in long term gas price forecast.
- MODt calculation has gone down due to the revised balance for 2018/19 RRP outturn. She explained that the change is due to a small change in the Totex incentive mechanism figure plus an historical error in the tax calculation.
- Reduction in inflation due to error in forecast calculation.
- NTS costs reduction due to amendments in capacity bookings from October 2019.

3. RIIO-GD2 Update

Discussion of this agenda item was deferred to the January 2020 meeting. A brief discussion took place on whether the RIIO2 impact will be embedded into GDNs main revenue presentations or provided as a separate report.

4. NTS Charging Modification Update

AR provided a brief update on Modification 0678 stating that Ofgem and CEPA presented at NTSCMF on 03 September 2019 focussing on the methodology to support the Impact Assessment. At this meeting Ofgem indicated that the expectation is to be able to give a minded-to position by the end of 2019 for Modification 0678 and its alternatives and possibly for Modification 0686 too. Ofgem will not be making a decision in October 2019 on Modification 0686. The CEPA presentation and the minutes can be accessed using this link: https://www.gasgovernance.co.uk/ntscmf/030919.

5. Supplier of Last Resort Process Update

It was noted that there are two Modifications being considered at present:

- Modification 0687 - Creation of new charge to recover Last Resort Supply Payments and
- Modification 0688 - Recovery of Shipper Losses incurred in Supplier of Last Resort events).

Modification 0687 is awaiting an Ofgem decision following consideration at the 19 September 2019 Panel meeting. The Panel recommended implementation.

Modification 0688 has been discussed at the Transmission Workgroup but has been on hold for a couple of months while the proposer considers an alternative solution.

6. New Issues

None

7. Any Other Business

None raised.

8. Diary Planning

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

JT raised a general concern about the falling attendance and duration of the meetings becoming shorter. AR asked if the meetings should continue to be face to face or whether a teleconference is more appropriate moving forward. Pricing managers normally have another meeting on the same day so suggested a face to face meeting would still work.

JT asked Shippers if they would like to receive any other additional information at future meetings? Tom Breckwoldt (TB) requested a better understanding of the effect of RIIO2 on charges.

JT confirmed that the next Mod186 reports will be available in December and reminded Workgroup that the requirement is for the reports to be published by the 10th working day.

AR asked Workgroup if there were any issues in relation to the proposed 2020 meeting dates. Workgroup agreed the meeting dates as proposed.

Workgroup meetings will therefore take place as follows:

Post-Meeting Update

Please note that the date of the first meeting in 2020 has changed from Wednesday 15 January to Monday 13 January 2020.

Time / Date	Venue	Workgroup Programme
10:30 – 14:00 Monday 13 January 2020	Joint Office, Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	• Allowed and Collected DN Revenue

10:30 – 14:00 Tuesday 24 March 2020	Joint Office, Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	• Allowed and Collected DN Revenue
10:30 – 14:00 Tuesday 23 June 2020	Joint Office, Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	• Allowed and Collected DN Revenue
10:30 – 14:00 Tuesday 22 September 2020	Joint Office, Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	• Allowed and Collected DN Revenue

Action Table (as at 24 September 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			No outstanding actions		