UNC DNCMF Workgroup Minutes
Tuesday 28 March 2023
via Microsoft Teams

Attendees

Helen Bennett (Chair)	(HB)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Claire Caple	(CC)	E.ON
Daniel Wilkinson	(DWi)	EDF Energy
Dimuthu Wijetunga	(DW)	Shell Energy
Drew Sambridge	(DS)	Cadent Gas
Emma Robinson	(ER)	E.ON
George Moran	(GM)	British Gas
James Harris	(JH)	Wales & West Utilities
Jenny Schofield	(JS)	Northern Gas Networks
Mark Hartland	(MH)	E.ON
Matt Atkinson	(MA)	SEFE Energy
Nathan Li	(LN)	Engie UK
Paul Whitton	(PW)	SGN
Rakesh Gohil	(RG)	British Gas
Rhys Jones	(RJ)	Wales & West Utilities
Stephen Cross	(SC)	SGN

DNCMF meetings will be quorate where there are at least 6 participants, of which at least 2 shall be Shipper Users and 2 DN Transporters.

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of these are available at: https://www.gasgovernance.co.uk/dncmf/280323

The quarterly DN Operator Cost Information reports are published at: https://www.gasgovernance.co.uk/DNRevenueReports

1.0 Introduction and Status Review

Helen Bennett (HB) welcomed parties to the meeting.

1.1. Approval of Minutes (10 January 2023)

The minutes of the previous meeting were approved.

1.2. Review of Outstanding Actions

Action 0101: All GDNs to advise on any correlation between locational LDZ and LDZ Exit Capacity NTS (ECN) Charges aggregate demand changes and why this varies so much amongst GDNs.
Update: Paul Whitton (PW) explained there should be some correlation between LDZ and ECN Charge demand changes to a degree, in terms of directional consistency i.e. a rise in one should see a rise in the other.

Claire Caple (CC) provided examples where SGN and Cadent's indicative charging statement showed inconsistencies between LDZ and ECN Charges aggregate demand movements, questioning the cause of the directional differences and why demand was not forecast to change the same for the LDZ and ECN. It was further explained that the SOQ changes do not show consistency and there was a need to understand why there was no correlation. PW clarified he would expect to see some directional changes but not necessarily the same increase across both elements.

GDNs asked for further clarity on the concerns and what specific information was required. Shippers wished to understand what could cause unusual movements.

The timing of the 2023 Final statements was considered along with the appropriate way to provide the supporting data. It was suggested information is provided as an ad-hoc data request with a view to considering the provision of supporting data going forward.

It was recognised that the industry has seen unprecedented changes in the last 18 months. It was suggested that the Gas Distribution Networks (GDNs) should consider scenarios that could cause opposite movements and provide an update at the next meeting.

It was also suggested that parties review the charging statements due for publication by 01 April 2023 and submit any required information requests. **Carried Forward.**

Action 0102: All GDNs to consider a change to the reporting to include the total assumption used rather than movements.
Update: It was suggested that Total SOQ Assumptions, by LDZ, broken down by charging bands would allow parties to see how percentage changes manifest, for example, the supporting data behind SOQ movements in LDZ capacity.

George Moran (GM) confirmed demand is incorporated in the overall movement reporting and will include an ECN aggregated demand breakdown. **Carried Forward.**

New Action 0301: DNs to consider the Shipper request to provide Total SOQ Assumptions, by LDZ, broken down by charging bands.

2.0 Allowed and Collected DN Revenue Reports

The presentations supporting these minutes are available at:
www.gasgovernance.co.uk/dncmf/280323

2.1. Northern Gas Networks

Jenny Schofield (JS) provided an overview of the NGN quarterly DN Operator Cost Information Report. For full details please refer to the presentation published alongside the minutes.

JS summarised the key movements between December 2022 and March 2023 noting:

- The Shrinkage forecasts included the Heren gas prices. A Downshift in gas prices.
- The Supplier of Last Report (SoLR) claims had been finalised as £25.9M for 23/24, compared to the £21.4M that was indicated in the minded to decision letters dated 4 November 2022.
- A reduction in the finalised rateable values in the final Price Control Financial Model (PCFM).

A breakdown of the movements and potential re-opener applications was also provided. The difference in Allowed Revenue was reported as £1.6m

SEFE enquired about the allowed revenue and rates and if there were any indications from Ofgem for GD3. JS confirmed no indication had been provided.

British Gas enquired about the Shrinkage assumptions and the breakdown provided. JS explained an average had been taken due to the fluctuations in December and pass-through costs which would have resulted in an overestimation and not provided a fare reflection. The March figure was an average of 5 weeks.

British Gas enquired if all have GDNs taken the same approach. JS explained the governance structure and audit requirements may differ with each GDN who are required to validate the base data used.

2.2. SGN

Stephen Cross (SC) provided an overview of the SGN quarterly DN Operator Cost Information Report. For full details please refer to the presentation published alongside the minutes.

PW summarised the key movements between December 2022 and March 2023 noting that:

- Shrinkage costs continue to be subject to volatility. Shrinkage costs reflect the 23/24 tariff and January PCFM position for wholesale gas prices, which are a reduction from the previous report. The latest suggests an average p/therm of 215p for 2022/23 compared 236p used for the tariffs. 2023/24 includes an average of 296p.
- The updated forecast for Miscellaneous Pass-through term (MPt) reflects the final claims received in relation to the 2023/24 SoLR, a c.£9m increase on the previous view.

SC provided an update on the Risks and Sensitivities, reporting that wholesale gas prices continue to be subject to extreme volatility. To adhere to SGNs five-year tariff forecast obligation, SGN has included a forecast for the first year of GD3 price control.

A breakdown of the movements and re-opener applications was provided and the difference in Allowed Revenue for Southern and Scotland.

2.3. Wales and West Utilities

James Harris (JH) provided an overview of the WWU quarterly DN Operator Cost Information Report. For full details please refer to the presentation published alongside the minutes.

JH summarised the key movements between December 2022 and March 2023 noting that:

- The business rates had been updated following the latest rates review.
- Shrinkage costs had been updated to reflect revised shrinkage forecast costs for 2022/23 to 2025/26 based on a four-week average for the month of February 2023.

2.4. Cadent

Drew Sambridge (DS) provided an overview of the Cadent quarterly DN Operator Cost Information Report. For full details please refer to the presentation published alongside the minutes.

DS summarised the key movements between December 2022 and March 2023 noting that:

- The 2023/24 Final Charges have now been set with charging statements to be released at the end of March 2023.
- There was no update or changes to the assumptions made when setting 23/24 Final Charges for the year ended March 2024. Information for the Spring Office for Budget Responsibility (OBR) publication had not been updated.
- There remains significant geo-political uncertainty for inflation and gas prices (295p/therm used for 23/24 & 200p/therm for 24/25).

DS also noted:

- In adherence to Ofgem’s decision on the treatment of Legacy Closeout adjustment items and true-ups, the cost adjustments are now spread across the final 3 years of RIIO-GD1.
- Cadent will continue to monitor macro changes such as inflation and gas price rates and present their impact on revenues and unit rates. The Spring Budget included an OBR forecast with higher forecast inflation then the estimates in November 2022 used in the revenue forecasts presented. This will be factored into future revenue projections.
- The June report will include an initial view of significant over and under-recovery for the year based on initial invoices.

3.0 New Issues

None raised.

4.0 Any Other Business

4.1. Issues/Topic Tracker

HB wished to note the aged topics on the published tracker and asked DNs to review if these needed to remain on the tracker or if there are any new issues to be added for discussion at the next meeting in June.

4.2. Re-openers

Claire Caple (CP) enquired about the potential for re-openers and project updates such as Net Zero, to understand the likelihood of claims and what may feed into future reports.

Jenny Schofield (SC) explained the difficulty of predicting future potential re-openers, and the approval process with Ofgem, confirming potential pipelines for re-openers are provided within the presentation material.

4.3. Future Meetings

James Harris (JH) enquired about the timing of meetings in conjunction with the UNC timeline for the publication of DN Operator Cost Information by the 10th working day. It was suggested with the timing of meeting papers that future meetings are moved to the end of the month.

5.0 Next Steps

Standard Agenda.

6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 27 June 2023	5pm Monday 19 June 2023	Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 26 September 2023	5pm Thursday 18 September 2023	Microsoft Teams	Standard Workgroup Agenda

DNCMF Action Table

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0101	**10/01/2023**	**2.1**	All GDNs to advise on any correlation between locational LDZ and LDZ Exit Capacity NTS (ECN) Charges aggregate demand changes and why this varies so much amongst GDNs.	June 2023	All GDNs	**Carried Forward**
0102	**10/01/2023**	**2.1**	All GDNs to consider a change to the reporting to include the total assumption used rather than movements.	June 2023	All GDNs	**Carried Forward**
0301	**28/03/2023**	**1.2**	DNs to consider the Shipper request to provide Total SOQ Assumptions, by LDZ, broken down by charging bands	June 2023	All GDNs	**Pending**