

## UNC DNCMF Workgroup Minutes

### Monday 11 January 2021

### via Microsoft Teams

#### Attendees

Alan Raper (Chair)	(AR)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Ben Ferris	(BF)	Oxford Energy
Daniel Wilkinson	(DW)	EDF
Drew Sambridge	(DS)	Cadent
George Moran	(GM)	Centrica
Jonathan Trapps	(JT)	Northern Gas Networks
Matthew Atkinson	(MA)	Gazprom Energy
Nicolas Pollard	(NP)	Northern Gas Networks
Nitin Prajapati	(NP)	Cadent
Paul Whitton	(PW)	SGN
Smitha Coughlan	(SC)	Wales & West Utilities
Stephen Cross	(SCr)	SGN
Thomas Paul	(TP)	E.ON Energy
Tom Breckwoldt	(TB)	Gazprom Energy
Tom Stacker	(TS)	Cadent
Vladislav Zuevskiy	(VZ)	Northern Gas Networks

Copies of all papers are available at: <https://www.gasgovernance.co.uk/dncmf/110121>

#### 1. Introduction and Status Review

Alan Raper (AR) welcomed all to the meeting and confirmed the meeting to be quorate.

##### 1.1. Approval of Minutes (22 September 2020)

The minutes from the previous meeting were approved.

##### 1.2. Review of Outstanding Actions

None to consider.

##### 1.3. Pre-Modification discussions

None to consider.

#### 2. Allowed and Collected DN Revenue (MOD0186) Reports

Copies of the full reports are available at: <http://www.gasgovernance.co.uk/dnrevenue-reports>

##### 2.1. Cadent

Nitin Prajapati (NP) and Drew Sambridge (DS) provided an overview of the summary revenue report presentation, highlighting some of the key changes (movements) since the September 2020 report that has resulted in an updated report being provided on 14 December 2020, which now also includes the Ofgem Final Determinations and NTS related information.

Focusing attention on the RIIO-GD2 slides, DS explained that the information provided is pre-NTS's latest information changes.

Some of the more notable points highlighted during the discussion were:

- Ofgem are adopting as flexible an approach as possible around aspects of the timeline for the year ahead, although further tweaks may be required;

- NTS changes might impact upon the January / February 2021 dates;
- OBR (inflation) forecasts (to determine revenue forecasts) assume a lower rate of inflation than that utilised during RIIO-1 forecasting;
- in terms of NTS Exit Capacity, further 2021/22 year changes envisaged, and
- in respect of the '*Analysis of revenue through RIIO-2*' slide, 2022/23 data reflects higher legacy carry over impacts;

## 2.2. Northern Gas Networks

Jonathan Trapps (JT) provided an overview of the summary revenue report presentation noting that:

- additional adjustments on top of the Ofgem Final Determinations have been made;
- there has been minimal movement since the September 2020 report was provided;
- RIIO-GD2 inflation is calculated utilising CPIH, rather than RPI and is typically 1% lower in value;
- it is envisaged that the '*additional Exit RRC proposed*' figure of 3.1 for 2021/22 will be updated for the purposes of NGN's 60-day notification;
- the '*impact on change of inflation*' figure of (8.1) for years 2025/26 reflect a reduction in cash revenue, and
- the '*K factor*' takes into account a change in the methodology model from a 2 year lag to now be completed in the year after.

## 2.3. Scotia Gas Networks

Paul Whitton (PW) provided an overview of the summary revenue report presentation noting that:

- as far as Ofgem's impending publication of a revised PCFM (in w/c Monday 11 January 2021) information is concerned, the discussions between Ofgem, National Grid NTS and the GDNs that took place on Friday 08 January 2021, will potentially result in updating information being provided in due course;
- inflation figure now based on CPIH and not RPI going forward, and
- as far as the '*2021/22 Tariff Forecast Movement – Current View*' percentages are concerned, the possible National Grid NTS Revenue changes might result in a slight increase over and above the current -8.7% and -11.9% values.

## 2.4. Wales & West Utilities

Smitha Coughlan (SC) provided an overview of the summary revenue report presentation noting that:

- the '*MOD updates*' figure(s) reflect historic (pre-RIIO-GD1) errors and that the derivative costs and tax clawback values have now been agreed with Ofgem, and
- as far as the 'Price change' aspects are concerned, full details are expected to be provided within WWUs final price notice to be provided in due course.

During a brief general discussion around the four presentations provided, Tom Paul (TP) enquired about the Net Zero Scenarios and how the GDNs propose approaching these at which point SC indicated that she would discuss the matter with her Wales & West Utilities colleagues and provide a response after the meeting.

Following on, George Moran (GM) then requested that the GDNs, in respect of their Final Determinations, look to provide more clarity around aspects such as:

- K Factor lag changes (i.e. the move from a 2 year to 1 year lag model) and other elemental reduction impacts on Revenue Allowances;

- RIIO-1 to RIIO-2 Revenue Volatility Assessments and Risk Mitigation;
- Revenue Flexibility Signals and their potential impact on Risk Premiums, and
- Pricing Event (Yearly) Timetable across the Year.

Responding, JT pointed out that the GDNs are currently working through the (new) processes with Ofgem, and currently anticipate minimal movements in future (between one reporting period and the next) – furthermore, whilst discussions with Ofgem remain ongoing and the NTS pricing aspects remain a concern at this time.

**New Action 0101:** GDNs to consider the Net Zero Scenarios and how they propose approaching these.

**New Action 0102:** GDNs to look to provide more clarity around the effect of reducing the K factor lag on Revenue Allowances within their final determinations.

**New Action 0103:** GDNs to look to provide more clarity around step-change from RIIO-1 to RIIO-2 Revenue Volatility Assessments and Risk Mitigation / Premiums within their final determinations.

**New Action 0104:** GDNs to look to provide additional clarity around key events in Annual Pricing Timetable and alignment with events associated with the final determinations.

Discussions then moved on to provision of more granular Exit Zone related charging information (especially NTS charges flow through into the ECN charges) going forwards, whereupon SC outlined that one of the main variance factors involved relates to the interaction / interplay between utilising the Postage Stamp Methodology and Shipper Demand Factors, and how this can potentially introduce variance. It was noted that this matter is not simply related to a one-off (step change between RIIO-GD1 & 2 methodologies) exercise and may require reporting over a couple of years period. Furthermore, Cadent envisages that the rates for each (ECN) Exit Zone price would be included within their final pricing information to be provided in due course.

**New Action 0105:** GDNs to look to consider provision of more granular Exit Zone related charging information (especially as to NTS charges would flow through into the ECN Charges) going forwards.

### 3. NTS Charging Modification 0678A Update

When AR advised that now '*UNC Modification 0678A (Urgent) – Amendments to Gas Transmission Charging Regime (Postage Stamp)*' provisions had been fully incorporated into the Uniform Network Code (v5.53, as at 01 October 2020), it was agreed that this agenda item could now be removed going forward.

### 4. Supplier of Last Resort (SoLR) Modification 0687 Update

In making reference to the Ofgem update provided at the 19 November 2020 Panel meeting, AR advised that Ofgem stated that whilst there is no decision on the merits of the Modification itself, the decision itself has been deprioritised.<sup>1</sup>

AR pointed out that in essence this would result in a potentially longer lead time, especially as implementation involves CDSP system changes.

### 5. New Issues

No new issues raised.

<sup>1</sup> A copy of the 19 November 2020 Panel meeting minutes (item 265.9c) can be viewed &/or downloaded from the Joint Office web site at: <https://www.gasgovernance.co.uk/panel/191120>

## 6. Any Other Business

None raised.

## 7. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 - 12:30 Tuesday 23 March 2021	Teleconference 0203 443 9666, Conference ID 565 115 535# <a href="#">Join Microsoft Teams Meeting</a>	Allowed and Collected DN Revenue
10:00 - 12:30 Tuesday 22 June 2021	Teleconference 0203 443 9666, Conference ID 565 115 535# <a href="#">Join Microsoft Teams Meeting</a>	Allowed and Collected DN Revenue
10:00 - 12:30 Tuesday 21 September 2021	Teleconference 0203 443 9666, Conference ID 565 115 535# <a href="#">Join Microsoft Teams Meeting</a>	Allowed and Collected DN Revenue
10:00 - 12:30 Monday 10 January 2022	Teleconference 0203 443 9666, Conference ID 565 115 535# <a href="#">Join Microsoft Teams Meeting</a>	Allowed and Collected DN Revenue

### Action Table (as at 11 January 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	11/01/21	2.	To consider the Net Zero Scenarios and how they propose approaching these.	All GDNs	<b>Pending</b>
0102	11/01/21	2.	To look to provide more clarity around the effect of reducing the K factor lag on Revenue Allowances within their final determinations.	All GDNs	<b>Pending</b>
0103	11/01/21	2.	To look to provide more clarity around step-change from RIIO-1 to RIIO-2 Revenue Volatility Assessments and Risk Mitigation / Premiums within their final determinations.	All GDNs	<b>Pending</b>
0104	11/01/21	2.	To look to provide additional clarity around key events in Annual Pricing Timetable and alignment with events associated with the final determinations.	All GDNs	<b>Pending</b>
0105	11/01/21	2.	To look to consider provision of more granular Exit Zone related charging information (especially as to NTS charges would flow through into the ECN Charges) going forwards.	All GDNs	<b>Pending</b>