

UNC DNCMF Workgroup Minutes
Friday 20 June 2022
via Microsoft Teams

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Clare Caple	(CC)	E.ON
Daniel Wilkinson	(DW)	EDF Energy
Drew Sambridge	(DS)	Cadent
George Moran	(GM)	British Gas
Ian Clark	(IC)	Northern Gas Networks
James Harris	(JH)	Wales & West Utilities
Jenny Schofield	(JS)	Northern Gas Networks
Matt Atkinson	(MA)	Gazprom Energy
Paul Whitton	(PW)	SGN
Rhys Jones	(RJ)	Wales & West Utilities
Shonalee Maurya	(SM)	Cadent
Stephen Cross	(SC)	SGN
Tom Breckwoldt	(TB)	Gazprom Energy

Copies of the full reports are available at: <https://www.gasgovernance.co.uk/DNRevenueReports>

For a copy of the specific detailed presentations please refer to the published slides on the meeting page at: <https://www.gasgovernance.co.uk/dncmf/200622>

1.0 Introduction and Status Review

Alan Raper (AR) welcomed parties to the meeting.

1.1. Approval of Minutes (21 March 2022)

The minutes of the previous meeting were approved.

1.2. Review of Outstanding Actions

No outstanding actions.

2.0 Allowed and Collected DN Revenue Reports

All presentations referred to in these minutes may be found here:

<https://www.gasgovernance.co.uk/dncmf/200622>.

2.1. Scotia Gas Networks (Presented third)

Paul Whitton (PW) provided an overview of the 'SGN Mar 2022 Mod186 Summary' presentation, during which the following key points were noted, (by exception), as follows:

Key Revenue Changes – slide 2

PW advised the forecast shows movement from the actuals reported in April 2022 to this 186Mod Report publication.

Shrinkage costs

The updated Shrinkage costs reflect the 10 June 2022 position of wholesale gas prices (198 pence per therm).

PW highlighted the risks and sensitivities related to the reported revenue changes and noted the following:

Forecasts

The Mod186 Report contains final Totex figures for 2021/22, forecasts are constantly under review and will be subject to change throughout 2022/23.

LRSP claims

SGN plan to apply for a mid-year price change as per Ofgem's 'minded to' position. SGN anticipate a reduction of c.£22m at SGN level for 2022/23 Supplier of Last Resort (SoLR) revenues which will only impact the SoLR domestic rate for 2022/23.

Super tax deduction

Forecasts reflect a reduction in the eligible capex projects which will increase revenues in 2023/24. SGN continue to review the forecasts and will update accordingly.

SoLR costs

Forecast is based on Ofgem's view as of December 2021 and is subject to change if or when valid claims are received from suppliers. It is anticipated there will be a better view of this in September 2022.

Southern Gas Network movements and price update – slide 3

PW noted the Southern Network movements and price update table sees an overall 9.9% reduction for 2023/24

Scotland Gas Network movements and price update – slide 4

PW highlighted the difference in the adjustment for Base Revenue is due to the removal of Net Zero reopener impacting the Adjustment Base Revenue and Base Revenue for 2023/24.

PW noted the Scotland Network movements and price update table sees an overall 12.8% reduction for 2023/24.

When Claire Caple (CC) highlighted that the delta columns on the Mod186 Report for June do not reflect the same information, for example, the Base Revenue, PW explained the Base Revenue on the Mod186 Report is reported at a more granular level.

Wales & West Utilities (Presented second)

James Harris (JH) advised he will be representing Wales & West Utilities at future DNCFM meetings, he is the replacement for Smitha Coughlan.

JH provided an overview of the 'March 2022 MOD186' presentation, during which the following key points were noted, (by exception), as follows:

Movement Since March 2022 – slide 2

Xoserve

JH noted some small updates have been noted in the Xoserve costs according to their Business Plan 2022 which is reflected.

Shrinkage

JH advised there is a big impact showing for year ending 2024 for the allowed revenue which is mainly due to the gas prices volatility.

Inflation

JH noted that inflation rates have been updated to reflect actual monthly inflation up to 31 March 2022.

JH advised the September submission will be updated to include Regulatory Reporting Pack (RRP) data.

Additional Comments – slide 3

JH noted that Shrinkage and Inflation are the two main drivers that reflect the movement since the March 2022 report.

When CC mentioned that the Shrinkage information provided on Slide 2 are not reflected in the published Mod186 Report, JH clarified the information being reported in the presentation show the impact on allowed revenue whereas the Mod186 summary shows forecasts at normal prices.

2.2. Cadent (Presented first)

Shonalee Maurya (SM) provided an overview of the 'June 2022 MOD186' presentation, during which the following key points were noted, (by exception), as follows:

Key Updates for June 2022 MOD186 – slide 2

SM advised the key updates since March 2022 include:

- Updated Inflation monthly rates based on actual information along with utilising the March 2022 Office for Budget Responsibility inflation forecast
- Updated UK gas price information based on latest available information
- Updated NTS Exit Capacity pricing following NTS pricing release in May 2022

SM advised there remains significant geopolitical uncertainty surrounding inflation and gas prices and that Cadent will continue to update their forecast throughout the year based on latest available information at the time of writing and submitting documents.

SM noted that Ofgem are minded to approve a change Supplier of Last Resort claims from domestic customers connected via Independent Gas Transporters. SM advised that Cadent expect this will result in a price change in relation to SoLR from October 2022.

Movement in forecast Allowed Revenue for the year 23/24 – slide 3

SM advised the movement in the forecast for Allowed Revenue for the year 2023/24 is notably due to Inflation; NTS Price Change Expectation and Shrinkage costs.

George Moran (GM) noted it would be useful to know the latest gas price information that the forecast is relating to and asked for what the assumptions are or a snapshot as at a particular date, he added this information would be particularly useful due to prices being so volatile at the moment.

Next Steps – slide 4

SM advised the next steps would be to:

- Update of SoLR pricing following Ofgem decision.
- The September MOD186 Report be updated based on our RRP submission and revenue forecast.

- We will continue to monitor UK Gas Prices and inflation, amongst other variables, and their respective impact on revenues and unit rates.

Appendix

SM advised the appendix provides more detailed numbers against the high-level detail shown in previous slides.

2.3. Northern Gas Networks (Presented fourth)

Ian Clark (IC) provided an overview of the '*NGN Mod186 Pricing Statement – Movement from March to June 2022*' presentation, during which the following key points were noted, (by exception), as follows:

Summary of updates March to June 2022 – largest movements - slide 2

IC noted that the largest movements between March 2022 and June 2022 are due to Inflation; Shrinkage and NTS Prices and advised that consideration should also be given to IGT Income on SoLR and 2021/22 RRP processes.

Movements from March to June 2022 – slide 4

IC noted the overall impact of changes and advised, for 2023/24, to expect a slight reduction given the impact of price volatility.

Pipeline of re-opener applications – slide 4

IC noted the indicative expenditure increase of Pipeline re-opener applications for Specified street works (£5.1m per annum) and HSE policy for working time directive (£10.4m per annum).

3.0 New Issues

None.

4.0 Any Other Business

CC mentioned that the format of the Mod186 Reports seem to be a little different, such as, SGN have removed the bad debt row; NGN has inserted rows near the top of the report.

CC advised that changes in format complicates things when she has trackers in place to bring all the information together.

AR referred to a previous discussion where it was agreed that the Networks would try to increase standardisation.

The Networks agreed that the format should be more aligned going forward.

5.0 Next Steps

AR confirmed that next steps as being:

- Consideration of the Allowed and Collected DN Revenue Reports

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 Monday 19 September 2022	17:00 Thursday 08 September 2022	Teams Meeting	Standard Workgroup Agenda

Action Table (as at 20 June 2022)

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