

UNC DNCMF Workgroup Minutes
Tuesday 24 March 2020
Via Teleconference

Attendees

Lorraine O'Shaughnessy (Chair)	(LO)	Joint Office
Helen Cuin (Secretary)	(KJ)	Joint Office
George Moran	(GM)	Centrica
Jon Trapps	(JT)	Northern Gas Networks
Matthew Atkinson	(MA)	Gazprom
Niall Coyle	(NC)	E.ON
Nicky White	(NW)	Npower
Nitin Prajapati	(NP)	Cadent
Paul Whitton	(PW)	SGN
Smitha Coughlan	(SC)	Wales & West Utilities

Copies of all papers are available at: <https://www.gasgovernance.co.uk/dncmf/240320>

1. Introduction and Status Review

Lorraine O'Shaughnessy (LO) welcomed all to the meeting and confirmed the meeting to be quorate.

1.1. Approval of Minutes (13 January 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>

Copies of the presentation slides are available at: <https://www.gasgovernance.co.uk/dncmf/240320>

2.1. Northern Gas Networks (NGN)

Jon Trapps (JT) provided an overview of NGN's revenue report confirming there was no material movement from January or the 60-day notice pricing statement.

JT wished to note that DNs will be moving towards a rolling Revenue Forecast which is currently in discussion with Ofgem. A consultation is anticipated for the process.

The key movements from December to March, were inflation had gone down and Supplier of Last Resort (SoLR) had been factored.

2.2. Cadent

Nitin Prajapati (NP) provided an overview of Cadent's revenue report. The key updates were, inflation, Supplier of Last Resort (SoLR), collectable revenue positions reflecting recovery for 2019/20 and inclusion of the arithmetic price change for RIIO-GD2.

NP went on to explain the inflation forecast impacting revenues in 2020/21 with a £10m reduction, SoLR for Shell Energy and OVO Energy with a £3.1m increase and the collected Revenue Forecast reduced to (£0.2m), sign posting £4.5m over recovery for 2019/20.

NP provided a brief overview of the anticipated updates in June, there were: Inflation; final collected revenue positions for 2019/20; and refreshed Exit Capacity costs dependent on a decision from Ofgem on Modification 0678 / 0678A.

NP also provided an update on the RIIO GD-2 Arithmetic Price Change and included a breakdown of the price change by each LDZ.

2.3. Wales & West Utilities (WWU)

Smitha Coughlan (SC) provided an overview of WWU's revenue report, highlighting the key changes with the provision of a spreadsheet detailing the movements since December 2020.

SC provided additional comments on Collected Revenue, Gas Price Forecast, Supplier of Last Resort Claims (SoLR) and NTS Exit Capacity.

SC reported that Collected Revenue had some AQ / SOQ changes in WWU's portfolio which reduced the capacity charges by £200k, reducing the forecast collected revenue in 2019/20 but this was offset by increases in the commodity income.

SC also confirmed that the NTS Exit Capacity forecast reflects an assumption that the 'Postage Stamp' charging methodology will apply from October 2020, and that due to the two year lag, the first impact on revenue will be 2022/23.

George Moran (GM) enquired about information presented for NTS bookings. SC explained the forecast assumption uses the latest booking to forecast years, she clarified the actual booking forecast has not changed this and it has simply been aligned with the bookings.

2.4. Scotia Gas Networks (SGN)

Paul Whitton (PW) provided a brief overview of SGN's revenue report focusing on the key revenue changes which related to Inflation, Exit Capacity bookings, Shrinkage gas prices, a revised forecast for 2019/20 and latest view of 2019/20 collected revenue.

PW explained that the Shrinkage update reflects the final proposals for 20/21 and revised gas prices for end of February 2020. The collected revenue is the latest view for 19/20 which includes GD2 figures and Cost of Capital assumptions.

PW reported that most of last year's forecast decrease in tariffs was due to issues with October 2018 bookings and a change in approach from Ofgem's final decision for SGN not to include this within the tariffs and instead include it as part of the GD1 close out process.

PW also provided the key revenue movements from December 2019 and March 2020 for both Southern and Scotland.

3. RIIO-GD2 Update

LO asked if anyone had any further comments to make on this, and no further update was provided to that which had already been included in the Allowed and Collected DN Revenue Reports above.

Niall Coyle (NC) enquired about the planned date for the open hearing. SC believed these had been postponed however further information will be provided in due course.

New Action 0301: All DNs to provide an update on the re-organised open hearing for GDNs.

4. NTS Charging Modification Update

LO provided a brief update on the progress on Modification 0678 - Amendments to Gas Transmission Charging Regime following the recent UNC Modification Panel on 19 March. LO advised that the two Modifications that had been raised, Modification 0717 - Increasing the Storage Transmission Capacity Charge Discount to 80% and Modifications 0718/A/B/C - Introduction of a Conditional Discount for Avoiding Inefficient Bypass of the NTS, that Ofgem had advised they could not be considered for urgent status on a minded to decision for 0678 and that no assessment had been made by Ofgem on the merits of the Modification proposals.

Ofgem confirmed that this is an industry led process and the expectation is that industry would lead on the next steps, and Ofgem would continue to engage constructively in the process as far as their role as ultimate decision-maker allowed, LO went on to advise that Ofgem said that the October 2020 timeline will be challenging. However, it was anticipated a decision will be made in May 2020. LO advised that any interested parties should review the Modification 0678 and NTSCMF which is the correct forum for discussion the above modification via the JO web pages for further information.

5. Supplier of Last Resort Process Update

It was noted that Modification 0687 - Creation of new charge to recover Last Resort Supply Payments remains with Ofgem for a decision following the UNC Panel's recommendation to implement.

LO also noted that Xoserve are also looking at other Shipper of Last Resort (SoLR) processes and system changes and will be engaging with Shippers to fully understand the impacts to Shipper and Transporter systems in relation to re-assigning Shipper/Supplier IDs.

6. New Issues

No new issues raised.

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>

Time / Date	Venue	Workgroup Programme
10:30-12:30 Tuesday 23 June 2020	Potential Teleconference	Allowed and Collected DN Revenue
10:30-12:30 Tuesday 22 September 2020	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Allowed and Collected DN Revenue
10:30-12:30 Tuesday 11 January 2021	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Allowed and Collected DN Revenue

Action Table (as at 24 March 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	24/03/20	3.0	All DNs to provide an update on the re-organised open hearing for GDNs.	All DNs	Pending

Action Table (as at 24 March 2020)

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