

Workgroup Terms of Reference

Modification 0368 – Smoothing of Distribution Charge Variation

Workgroup Report to Panel Meeting: 15 September 2011

Date referred from Panel: 17 March 2011

Background – Why Change?

See <http://www.gasgovernance.co.uk/0368>.

Solution

Smoothing of any under or over-recovery over a four year period. In addition Distribution Charges may only be altered once a year at the beginning of the financial year.

Smoothing the variability of distribution charges will reduce their volatility, so reducing the risks faced by shippers and consumers with regard to cost variability. To ensure that the DNs are not unduly penalised, there may be benefit in adjusting the Gas Transporter licences to take into account the new process.

Topics for Discussion

- Understanding the objective
- Review the definitions within the modification
- Assessment of potential Licence conflicts
- Assessment of whether the 4 year period should be extended to 8 years
- Clarification of when the 4 year period starts (or 8 years)
- Assessment of any Price Control Review impacts
- Assessment of alternative means to achieve objective
- Development of Solution (including business rules if appropriate)
- Assessment of potential impacts of the modification
- Assessment of implementation costs
- Assessment of legal text

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup.

Composition of Workgroup

This Workgroup will be open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present.

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.