

## UNC DNCFM Workgroup Minutes

26 09 2023

via Microsoft Teams

Attendees		
Helen Bennett (Chair)	(HB)	Joint Office
Sian Wright (Secretary)	(SW)	Joint Office
Dimuthu Wijetunga	(DW)	Shell Energy UK
George Moran	(GM)	Centrica
James Knight	(JK)	Centrica
Jenny Schofield	(JS)	Northern Gas Networks
Mark Fletcher	(MF)	Shell Energy UK
Matthew Atkinson	(MA)	SEFE Energy
Rhys Jones	(RJ)	Wales & West Utilities
Stephen Cross	(SC)	SGN
Tom Sacker	(TS)	Cadent

*DNCFM 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/DNCFM/260923>*

*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 (27 June 2023)

The minutes of the previous meeting were approved.

#### 1.2. Review of Outstanding Actions

All three outstanding actions were agreed in the previous Workgroup to be considered together. James Harris (JH) and Jenny Schofield (JS) arranged an offline discussion with Claire Caple (CC) and George Moran (GM) to clarify the issues raised. As a result, it was agreed these actions can be closed.

**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. **Closed**

**Action 0102:** All GDNs to consider a change to the reporting to include the total assumption used rather than movements. **Closed**

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

JS summarised the discussion between JH, CC and GM that had taken place since the June 2023 meeting to review the actions for closure and it was agreed as a result that the following new action would be raised.

**New Action 0901:** All GDNs to provide SOQ data as per 60-day notices for 2023-24. This should be sent to Jenny Schofield directly or via the Joint Office.

Following this discussion and looking at the MOD0186 Statement. HB posed the question ‘Should we as GDNs look at coming up with something that is easier for stakeholders to understand and move away from the terminology MOD0186?’

GM noted that the DN Revenue Reports are difficult to follow, though the presentation that goes alongside is helpful. He said that the section in the Northern Gas Networks overview, which includes how the current year has moved, gives a good insight into what has happened and why. As discussed in previous meetings, there are parts of the MOD0186 statement that aren’t relevant to Centrica, but Centrica does recognise that they may be useful to others.

GM also noted ‘Electricity Distribution (ED) have a current change proposal to update their own PCFM to a single sheet that produces allowed revenue.

Tom Sacker (TS) concurred that *‘if it was aligned to PCFM it would help’*

GM to provide a copy of the ED proposed ‘single sheet’ to review. Helen Bennett (HB) to circulate.

Post Meeting Update:

The Revenue Forecast table that Electricity Distribution companies have proposed for RIIO-2 has been circulated.

HB provided the link to DN revenue reports published on the Joint Office website:

<https://www.gasgovernance.co.uk/DNRevenueReports/2023September>

**New Action 0902:** All participants to review the MOD0186 statements and report back to Jenny Schofield with any comments of improvement. Comments should be sent to Jenny Schofield directly or via the Joint Office. James Harris, Wales & West Utilities, will carry forward any work on MOD0186 that comes out of this action.

## 2.0 Allowed and Collected DN Revenue Reports

The presentations supporting these minutes are available at:

<https://www.gasgovernance.co.uk/DNCFM/260923>

### 2.1. Wales and West Utilities

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

RJ summarised the movements since 27<sup>th</sup> June 2023 noting that:

- Inflation rates have been updated to reflect actual monthly inflation to 30<sup>th</sup> June 2023 and revised OBR to 31<sup>st</sup> March 2026
- Recovered Revenue has reduced by a small amount (please refer to the presentation published alongside minutes).
- There was small movement in Actual RAV disposal values.
- Tax Trigger Events update – provisional figures using forecast data have been included within the first dry run of the 2023 AIP.
- Actual Totex and associated Tax Pool allocations have been updated and increased in line with WWUs Regulatory Reporting Pack (RRP) 2022/23
- Reported in the latest MOD0186, £502.7m for 2024/25, £558.9m for 2025/26

## 2.2. Cadent

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

TS summarised the key movements between June and September 2023 noting that:

- As with the other GDNs, all have been through the Regulatory Reporting Pack (RRP) Process since the June Workshop.

The numbers reflect the RRP including updated 2022/23 actual cost and performance and updated forecasts 2023/24 onwards.

Repex and Capex are in line for delivery and the OBR forecast is currently holding to.

- As previously reported in the June Workgroup, Shrinkage costs have come down for 2023/24 – pass back expected next year.
- Cadent have not adjusted unit costs to reflect changes in demand, pending the latest Xoserve data set (expected December) *“Flat demand, we have recovered where we expected to”*
- Looking to start RIIO 3 discussions shortly, Consultation process due to start at the end of 2023.

TS also noted:

- Indicative Charges will be released in November 2023. Cadent will have updates to RPE etc. looking forward to the March 2025 update (these will not be available for the November release)
- The December MOD0186 report will be updated based on the latest revenue model provided by Ofgem (PCFM)
- Indicative views on RIIO 3 – GDNs will be looking to submit Business Plans in December 2024 at which point Cadent should know what expenditure will be, cost of capital etc. June 2025, GDNs should receive Draft Determinations from Ofgem.

## 2.3. 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 June and September 2023 noting that they are similar to other GDNs presentations:

- RRP updates - All areas are updated from Totex, Incentives, Innovation, non-controllable costs, tax entries. The full report can be found on the NGN website.
- Shift on VCMA - Ofgem has amended some of the allowances, re-purposing the fuel-poor allowance but also increasing amounts allocated to supporting vulnerable customers.
- Pensions – NGN will be further de-risking the defined benefit pension scheme for consumers, by undertaking a further insurance buy-in of the pension scheme.
- As reported by the other GDNs, Shrinkage has come down. Gas prices start to increase again which is typical of this point in the year.

A breakdown of the movements and potential re-opener applications was also provided. JS highlighted in the breakdown of movements £45m overall for GD2 with £30.6m for 2024/25.

Looking at the timeline between now and the 2024/25 60-day notice, JS notes that GDNs are due to submit the first dry run of the Annual Iteration Process (AIP) on 30 September 2023 with the finalised version due January 2024.

NGN will review the snapshot of capacity data taken on 1<sup>st</sup> December by Xoserve. Whilst this does not impact the value of Allowed Review, it does impact the price change. Currently assumed nil SOQ change and will revise later in the year.

## 2.4. 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.

SC summarised the Key Revenue Changes highlighting:

- Final Revenue Reporting Pack (RRP) data, actuals for 2022/23 and forecasts for future years are all included in the September MOD0186
- VCMA reflects latest view of costs for 2023/24 onwards including Ofgem's agreement to include an element of Fuel Poor Allowance under Vulnerability and Carbon Monoxide Allowance
- Price Index Updated to reflect actuals up to June in line with Ofgem's inflation methodology.

SC provided an update on the Risks and Sensitivities:

- The Shrinkage Forecast was not updated for this version due to minimal movement, which reflects the September first dry run submission to Ofgem.
- Forecasting for the first year of the GD3 Price Control has been included, but as discussions with Ofgem regarding GD3 have not yet begun and there is no basis to include any forecasts, this is not guaranteed.

A breakdown of the movements and re-opener applications can be seen on slides 4 & 5 which show the difference in Allowed Revenue for Southern and Scotland. SC noted that there has been a small movement for Southern and a similar small movement for Scotland.

## 3.0 New Issues

None raised.

## 4.0 Any Other Business

None raised.

## 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](http://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 23 January 2024	5pm Thursday 18 January 2024	Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 26 March 2024	5pm Thursday 21 March 2024	Microsoft Teams	Standard Workgroup Agenda
10:00 Thursday 27 June 2024	5pm Thursday 19 June 2024	Microsoft Teams	Standard Workgroup Agenda
10:00 Thursday 26 September 2024	5pm Thursday 18 September 2024	Microsoft Teams	Standard Workgroup Agenda

**DNCMF Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Reporting Month</b>	<b>Owner</b>	<b>Status Update</b>
<b>0101</b>	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.	Sept 2023	All GDNs	<b>Closed</b>
<b>0102</b>	10/01/2023	2.1	All GDNs to consider a change to the reporting to include the total assumption used rather than movements.	Sept 2023	All GDNs	<b>Closed</b>
<b>0301</b>	28/03/2023	1.2	DNs to consider the Shipper request to provide Total SOQ Assumptions, by LDZ, broken down by charging bands	Sept 2023	All GDNs	<b>Closed</b>
<b>0901</b>	26/09/2023	1.2	All GDNs to provide SOQ data as per 60 day notices. This should be sent to Jenny Schofield, NGN, directly or via the Joint Office	January 2024	All GDNs	<b>Pending</b>
<b>0902</b>	26/09/2023	1.2	All participants to review MOD186 statement and report back to JS with any comments to improve. This should be sent to Jenny Schofield, NGN, directly or via the Joint Office.	January 2024	All Participants	<b>Pending</b>