

UNC DNCF Workgroup Minutes
26 March 2024
via Microsoft Teams

Attendees		
Helen Bennett (Chair)	(HB)	Joint Office
Harmandeep Kaur (Secretary)	(HK)	Joint Office
Alex Mitchell	(AM)	Wales & West Utilities
Emma Robinson	(ER)	EON Energy
James Harris	(JH)	Wales & West Utilities
James Knight	(JK)	Centrica
Jenny Schofield	(JS)	Northern Gas Networks
Matthew Atkinson	(MA)	SEFE Energy
Monika Hudakova	(MH)	OVO Energy
Paul Whitton	(PW)	SGN
Rakesh Gohil	(RG)	Centrica
Sanjeet Kang	(SK)	Cadent
Stephen Cross	(SC)	SGN

DNCF 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/DNCF/260324>.

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 (26 March 2024)

The minutes of the previous meeting were approved.

1.2. Review of Outstanding Actions

No outstanding actions to review.

2.0 Allowed and Collected DN Revenue Reports

The presentations supporting these minutes are available at:

<https://www.gasgovernance.co.uk/DNCF/260324>

2.1. 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 December 2022 and March 2023 noting:

- Gas prices and forecast inflation have seen significant reductions since NGN's last update in December 2023.

- NGN have included the indicators from the Office for Budgetary Responsibility (OBR) published on 6 March 2026 in their Inflation rates.
- The gas prices have continued to fall since the December 20233 update.
- The finalisation of the 25/26 SoLR position resulted in a £1.3m shift.

A breakdown of the movements and potential re-opener applications was provided. For full details, please refer to the published slides.

2.2. 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 confirmed that SGN has updated their Shrinkage Costs further to Ofgem's final position regarding SoLR claims. SC highlighted the below key Risks and Sensitivities:

- Wholesale gas prices are currently subject to volatility; therefore, the shrinkage cost forecast is subject to material changes.
- Current view in March 2024 is a price of 83.21p per therm against the budget price of 292.74p per therm.
- The GD3 price control forecast for the first year is based on an inflation rate of 2% which does not represent SGN's view of GD3 revenues. The revenues could be materially different after discussions with Ofgem regarding GD3 begin.

SC presented a breakdown of the Southern Gas and Scotland Gas Price Change. For full details, please refer to the published slides.

2.3. Wales & West Utilities

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

JH noted that there has been no material change in March 2024 and summarised the movement since 23 January 2024 as below:

- Shrinkage costs for 2023/24 have been updated to reflect actual costs to February 2024 with an expected 71.6p per therm for March which gives rise to a revenue reduction of £3.7m in 2025/26.
- For 2024/25 and 2025/26, an average of 72.2p and 79.1p per therm has been estimated respectively compared to 127.4p and 111.1p per therm in the January MOD186, which gives rise to 2025/26 revenue reductions of £6.2m in relation to 2024/25 and £4.3m in relation to 2025/26.

2.4. Cadent

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

SK summarised the key movements since 23 January 2024 as below:

- 2024/25 Final Charges have now been set with charging statements to be released at the end of March 2024. These charges are in line with the Final Charges issued on the 31 January 2024.
- For the MOD0186 report, there is no update or changes to the assumptions made when setting 24/25 Final Charges for the year ended March 2024. Cadent have not updated information for the Spring OBR publication.
- Key changes were shared and updated in the December MOD186 submission. Therefore, this submission has minimal impact on revenues in FY 25 and FY 26.

SK presented the movement in forecast Allowed Revenue and confirmed that the forecast looks further forward to the next two years under the RII02 price control period. SK noted that the

change in the adjustment term in future years is in relation to the current year. For full details, please refer to the published slides.

Monika Hudakova (MH) queried whether the latest inflation reports have been incorporated into the update. SK advised that the inflation rates included are from the November 2023 OBR submission. MH enquired whether the new inflation rates will impact the 2025/26 forecast. SK confirmed that there will be an impact going forward and Cadent will include this in their next update.

MH asked the same question to the other Operators. NGN confirmed that they have incorporated the latest OBR submission into their prices. SGN and Wales and West Utilities noted that they have used the November 2023 rates, however, they anticipate a similar impact on the numbers as NGN.

3.0 New Issues

None raised.

4.0 Any Other Business

The Chair noted that the DNCMF meetings are currently scheduled from 10:00 to 16:00, however, they always finish in much less time than scheduled. The Chair proposed changing the meeting timescales to 10:00 to 12:00. The Forum agreed with the Chair's proposal.

5.0 Diary Planning

DNCMF meetings are listed at: <https://www.gasgovernance.co.uk/DNCMF>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 25 June 2024	5pm Monday 17 June 2024	Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 24 September 2024	5pm Monday 16 September 2024	Microsoft Teams	Standard Workgroup Agenda