

DN Charging Methodology Forum (DNCMF) Minutes
25 June 2024
via Microsoft Teams

Attendees		
Yvonne Reid-Healy (Chair)	(YRH)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Aaliya Khan	(AK)	Joint Office
Alex Mitchell	(AM)	Wales & West Utilities
James Harris	(JH)	Wales & West Utilities
James Knight	(JK)	Centrica
Jonathan Trapps	(JT)	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
Simran Kelsey	(SKe)	Not Known
Stephen Cross	(SC)	SGN

DNCMF 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/DNCMF/250624>.

The quarterly DN Operator Cost Information reports are published at: <https://www.gasgovernance.co.uk/DNRevenueReports>

1.0 Introduction and Status Review

Yvonne Reid-Healy (YRH) welcomed parties to the meeting and confirmed the meeting was quorate.

1.1. Apologies for Absence

Jenny Schofield – Northern Gas Networks

1.2. Approval of Minutes (26 March 2024)

The minutes of the previous meeting were approved.

1.3. 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/DNCMF/250624>

2.1. 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 below key Risks and Sensitivities:

- SGN had revised their forecast using March OBR forecasts, SC noted that due to inflation being lower and more stable, revenue has been impacted.
- There had been a reduction of costs for Gas Year 2024/25 but SGN expected an increase in 2025/26 due to the updated indicative tariff.
- SC advised that no SoLR claims have been forecasted for 2025/25, but this is subject to change.
- SGN have included a forecast for the first year of the GD3 price control, in order to adhere to their five-year plan. SGN have taken the approach of rolling forward revenue levels for 2025/26, as discussions with Ofgem regarding GD3 are yet to begin. SC noted that their revenues could be materially different to the figures quoted.
- All 2023/24 actuals are to be included in Modification 0186 in September.

SC presented a breakdown of the Southern Gas and Scotland Gas Price Change. For further details, please refer to the [published slides](#).

Matt Atkinson (MA) questioned whether any more clarity could be provided in respect of allowed revenues and when forecasts could be produced. SC believed that more details could be provided in December.

Sanjeet Kang (SK) advised that Cadent had included a timetable within their presentation, which may provide further clarity on what can be expected for GD3.

2.2. Wales & West Utilities

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

AM advised that Wales & West Utilities have seen movements in the following areas since 26 March 2024:

- **Shrinkage:** Forecast Shrinkage costs for 2024/25 and 2025/26 have been updated based on an average of forward-looking gas prices which result in a combined revenue increased of £3.0 million in 2025/26.
- **Exit Capacity:** Forecasts for 2024/25 and 2025/26 have been updated based on new unit rates from NGT, this results in a combined revenue increased of £1.2 million in 2025/26.
- **Inflation:** Monthly inflation forecasts have been updated to reflect the latest OBR projections, which decreases 2025/26 revenue by £10.3 million.

AM provided the Forum with additional comments in relation to the above movements, please see the [published slides](#) for further information.

2.3. 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 26 March 2024 as below:

- **Inflation:** The March 2024 OBR forecast is lower causing a reduction in allowed revenues by c1.6%
- **Shrinkage:** Due to the volatility of gas prices, the forecasting of future gas prices is challenging. SK noted that the market has seen a reduction in gas prices, and this has been factored into their forecasted revenues. SK advised that this would be closer aligned with the gas unit prices seen on the open market.

- **NTS Exit Capacity:** Gas transportation charges are lower in 2024/25 but expected to be higher in subsequent years following NGT's update to their transmission charges.

SK advised that Cadent had also seen movement in tax allowance, noting a reduction of 2.5% in 25/26.

SK took the Forum through an overview of the RIIO-3 Update, SK noted the delay to the SSMD due to purdah, therefore potential changes to RIIO-3 have been delayed.

SK advised that Cadent has identified three areas which may need to be reviewed:

- Depreciation
- Cost of equity/cost of debt
- Financial resilience

SK presented the Forum with a timeline of what GD3 may look like, noting that all GDNs will be publishing their first draft Business plan to Ofgem in July 2024, which will be reviewed and then be populated as a final Business plan in December 2024. SK noted that initial determinations would take place in June 2025 and a Licence Decision is expected to be made in February 2026.

Please see the [published slides](#) for further information.

2.4. Northern Gas Networks

Jonathan Trapps (JT) provided an overview of the NGN quarterly DN Operator Cost Information Report. For full details please refer to the presentation published alongside the minutes.

JT summarised the key movements since 26 March 2024:

- **Inflation:** In March, NGN had incorporated actual inflation to Jan 24. JT advised that NGN have now utilised the latest rates provided by Ofgem and can see an increase in revenue of £7.3 million.
- **Shrinkage:** Since March, gas prices have increased, and NGN have seen an increase of £2.3 million.
- **Exit:** NGN have updated their expected revenue with newly published NGT rates, noting an increase of £0.9 million

JT presented the Forum with a table on the Pipeline of re-opener applications, noting that the larger reopeners are due to expenditure level increase not revenue. For further information, please see the [published slides](#).

3.0 New Issues

None raised.

4.0 Any Other Business

4.1. Charging Statements

James Harris (JH) questioned where Wales & West Utilities' Charging Statements were now held on the Joint Office Website, following the website redesign. JH noted that some of their customers had been unable to find them.

YRH advised that she would take this away and provide JH with an answer.

New Action 0601: Yvonne Reid-Healy (YRH) to confirm the location of Charging Statements on the Joint Office website.

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 24 September 2024	5pm Monday 16 September 2024	Microsoft Teams	Standard Workgroup Agenda

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0601	25/06/24	5.0	Yvonne Reid-Healy (YRH) to confirm the location of Charging Statements on the Joint Office website.	September 2024	YRH	Pending