



SGN has provided the below statement for consideration by the UNC Distribution Workgroup, in order to provide an update in relation to safety case discussions with the HSE and as a clarification with regards the ratchet regime.

**Related Documents:**

**1) SGN Statement on UNC Modification 0571 (*Application of Ratchets Charges to Class 1 Supply Points Only*) for Joint Office of Gas Transporters Modification Panel meeting - 16th February 2017:**

<https://www.gasgovernance.co.uk/sites/default/files/ggf/SGN%20Statement%20on%20UNC%20Mod%20571%20for%20Mod%20Panel%20Meeting%20-%2016th%20Feb%202017%20%28v1.3%29%20AM.pdf>

**2) SGN Consultation Response to UNC Modifications 0571/0571A:**

<https://www.gasgovernance.co.uk/sites/default/files/ggf/Representation%20-%20Scotia%20Gas%20Networks%200571%200571A%20v2.0.pdf>

**3) UNC Modifications 0619 '*Application of proportionate ratchet charges to daily read sites*' and 0619A '*Protection from ratchet charges for daily read customers with an AQ of 732,000kWh and below*'**

<https://www.gasgovernance.co.uk/0619>

**Update:**

SGN previously provided the above statement (1) in response to queries raised by the UNC Modification Panel regarding our consultation response to Modifications 0571/0517A (2). Senior members of the SGN management team have since held a number of face to face meetings with senior managers within the HSE, in which the ratchets regime, and the proposed amendments thereto, have been the subject of ongoing discussions.

SGN maintains that a wholesale dilution of the regime represents a change to the “adequate arrangements” as defined in our original statement (1). This has been flagged with the HSE, whom have noted our concern.

SGN would be happy to facilitate any discussion between Ofgem and the HSE in relation to the above.

As a clarification, SGN also maintains the view previously expressed in workgroup discussions that it is the high-consuming Industrial and Commercial loads which would represent the main area of concern should the current regime be diminished. Such sites have the potential to significantly impact capacity management and therefore it is critical that accurate market signals are provided. Such sites are considered to be the focus of the ratchets regime.

However, as a consequence of the new product classes implemented by Project Nexus, smaller consumers whom opt to utilise daily metered reading equipment could be placed in product classes which would result in them also becoming subject to ratchets.

SGN supports the widely acknowledged view that this is an unintended consequence of the new product classes, and that such customers are not the intended focus of the regime. These customers would previously have been classified as non-daily metered, and as such are not considered to pose a significant threat to the integrity of the network.

The above distinction, and associated volume threshold, is supported by data as provided within UNC Modification 0619A (3).