

Representation - Draft Modification Report UNC 0619 0619A 0619B

Application of proportionate ratchet charges to daily read sites

Responses invited by: 5pm on 01 March 2018

To: enquiries@gasgovernance.co.uk

Representative:	John Welch
Organisation:	npower
Date of Representation:	01/03/2018
Support or oppose implementation?	619 - Oppose 0619A - Support 0619B - Oppose
Alternate preference:	<i>If either 0619 or 0619A or 0619B were to be implemented, which would be your preference?</i> 0619A
Relevant Objective:	a) 0619 Negative b) 0619A Positive c) 0619B Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

619 We understand the problems created by the ratchet regime, and it remains an imperfect system. However, it is not clear that the proposal does enough to safeguard against the possibility that SOQs could be submitted that are lower than is appropriate. As the process allows a DM SOQ to be submitted independent of AQ consumption values, and because it is linked so intrinsically to capacity charging, we feel more would be needed to reassure transporters and shippers that a relaxing of the charging regime would not create an environment where inappropriately reduced SOQs could be submitted due to a reduction in consequences.

619A This modification retains the current safeguards which despite imperfections, has the benefit of remaining a known quantity. It also makes clear that supply points with smaller usage (such as domestic smart meters) would be able to take up the option of class 2 settlement provision without ratchet penalties, and we feel this is an important point of clarity and distinction for the development of the industry. The ratchet regime prior to Nexus was always designed to ensure larger sites booked appropriate capacity,

and an indirect extension of this to smart meters through the Nexus arrangements was never a satisfactory outcome.

619B Whilst this alternative proposal adds an additional incentive charge to a new ratchet regime, again it is still not clear that it is set at an appropriate level, which would therefore make the case that it would safeguard against perverse incentives. We appreciate that modelling behavioural impacts of changes is extremely difficult to undertake, but we would have preferred more reassurance that indirect opportunities for SOQ under-booking were not being created through this proposal.

As a further point, we feel that if either of these modifications is approved, particularly 619 or 619B, further analysis should be undertaken by transporters and shared with the industry to understand any behavioural impacts of the changes, and ensure remedial action is possible at an early opportunity (if required).

Self-Governance Statement:

Not applicable.

Implementation:

We believe that implementation should take place as soon as is practical, factoring in other changes through the appropriate prioritisation mechanism, and allowing the CDSP enough time to make the required changes.

Impacts and Costs:

The impacts appear to affect central systems more directly than shipper systems.

Legal Text:

We have no issues to highlight with the legal text.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

No further comments.

Please provide below any additional analysis or information to support your representation

No further comments.