

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:	Richard Pomroy
Organisation:	Wales & West Utilities Ltd
Date of Representation:	28 th February 2018
Support or oppose implementation?	0619 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) 0619A Positive 0619 0619B Negative b) 0619A None c) 0619A Positive 0619 0619B Negative d) 0619 0619B Positive

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

We support 0619A because we believe that this proposal provides the commercial regime that best enables networks to manage demand on their network. It removes small Supply Meter Points from the regime which were already well understood and predictable by networks and therefore we do not see a risk if they are removed from the ratchet charging regime. We acknowledge the points made about the size of the charges but observe that these charges are avoidable and that any revenue recovered from ratchet charges are returned to Shippers collectively by the operation of the price control arrangements. We believe that there needs to be an incentive for Shippers to meet their obligations in TPD G and 0619 and 0619B do not provide sufficient in our opinion. We acknowledge that there may be a perception that the presence of ratchet charges discourages migration to Class 2 but we have not seen evidence that demonstrates why Shippers cannot work with their customers to manage their SOQ.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

See below.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Implementation should be after system changes have been designed, built and tested. 0619 and 0619B must be implemented outside the ratchet charging window and 0619A should also ideally be implemented outside the window.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

WWU will not face any direct costs other than CDSP costs for implementing the changes required.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

Modification Panel Members have requested that the following questions are addressed: *Remove Section if no questions*

Q1: Please provide clear views and supporting evidence on the self-governance status of this modification focusing, in particular, on whether this proposal is likely to have a material impact upon competition in the shipping, transportation or supply of gas.

We believe that these modifications are not self-governance. In 16/17 there were 33 ratchets on the WWU network of which two incurred very significant charges. These charges would have been likely to be significant for these customers and therefore changes to ratchet charges are likely to have a significant impact on competition.

Q2: Respondents to provide a view as to whether or not this modification should be [re]designated as self-governance.

No. These modifications should not be designated as self-governance.

Q3: Please provide your views on the self-governance status.

See above.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No

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

1. The assertion in 0619 and 0619B about site that ratchets do not represent a risk to the network is incorrect. Networks are designed to meet the demand seen on any one day in 20 years (1:20) and therefore there may well be some spare capacity on days that are not 1:20 days. The fact that a site may ratchet and not cause problems for the network does not mean that if it ratcheted on a 1:20 day or a day close to a 1 in 20 day it would not cause problems. The fact that some new connections trigger reinforcement illustrates that, in general, networks are not unconstrained.
2. Shippers have a responsibility to provide accurate site data in TPD G 5.5.3 and 5.5.4 and the fact that ratchets still occur suggests that this does not happen in all cases. We think that Shippers could do more to reduce the incidents of ratchets.
3. Networks rely on accurate site data including SOQ from shippers in order that we can design a reliable and efficient Network to meet our 1:20 licence condition
4. Networks use a number of algorithms based on statistical analysis of previous demand and weather data in order to convert this individual site data (from shippers) into network capacity requirements.
5. A UNC process for increasing SOQ exists (TPD G 5) which ensures that the process in points 3 and 4 above are carried out in advance of flows increasing so that any necessary network investment can take place in advance of increases in flows. This ensures the network remains reliable and able to support demand on 1: 20 days.
6. The existing ratchet charging mechanism (TPD B 4) provides an incentive for Shippers to carry out point 5.
7. If the current ratchet charges were removed than an alternative incentive would be needed to ensure shippers follow due process (point 5) to maintain the integrity of planning processes. In our opinion neither 0619 nor 0619B provides sufficient incentive.
8. We agree that the small Supply Meter Points (under 73,200kWh) should be excluded from the ratchet regime as these are typically temperature sensitive loads which have predictable demands and which WWU can forecast accurately. The demand of these Supply Meter Points do not suddenly change due customers doing something that the network does not expect.
9. We accept that the current regime may be regarded as a blunt instrument but we are not persuaded that 0619 and 0619B make a case for change that is overall better than that proposed by 0619A.