

## Representation - Draft Modification Report 0571/0571A

### Application of Ratchet Charges to Class 1 Supply Points (and Class 2 with an AQ above 73,200kWhs)

Responses invited by: **5pm 24 January 2017**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Mark Jones
<b>Organisation:</b>	SSE Supply
<b>Date of Representation:</b>	24 January 2017
<b>Support or oppose implementation?</b>	<b>0571</b> – Oppose <b>0571A</b> - Qualified Support
<b>Alternate preference:</b>	<i>If either 0571 or 0571A were to be implemented, which would be your preference?</i> <b>0571A</b>
<b>Relevant Objectives:</b>	a) Negative d) Negative f) Negative

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

SSE does not support 0571 as we feel that the limit below which ratchet charges are avoided is too high and that shippers should be able to set realistic SOQ values with daily information and be capable of renominating capacity at the earliest opportunity.

Whilst we agree with the intent of modification 0571A, that domestic and smaller I&C sites should not be subject to ratchet charges, there is nothing within the modification that puts any requirement on shippers to nominate realistic SOQ values, and so cost benefits could be gained from deliberately underestimating the initial SOQ values during the first year of registration into class 2, especially on sites registered during the spring or summer as capacity would not ramp up until the winter and so charges would be avoided. In any event there would always be the incentive to understate the SOQ as there would be no incentive to get it correct as there would be no penalty since charges would only ramp up to actual usage - creating effectively a 'one-away' bet.

There is also a very strong argument within the modifications that these are customer products, whereas the classes are shipper settlement products which may or may not be back to backed with a customer contract. Shippers within the I&C sector with class 2 sites will, by definition, have access to daily reads and should be able to immediately renominate capacity to avoid or minimise ratchet charges and these instances should be fairly infrequent and of a very low magnitudes if the SOQ values have been set realistically. To do this for domestic customers would involve significant resources, both in terms of monitoring, and the potential volumes of sites requiring renomination.

During workgroup discussions SSE proposed the solution of deriving the SOQ from the AQ for smaller customers put into class 2, as it is currently calculated for smaller customers, and is how it will continue to be calculated for customers in classes 3 and 4. This would give the best solution of allowing any class 2 benefits and keeping the SOQ based on AQ, and so avoiding any issues of ratchets and the understating of SOQ values. However, the Nexus systems will be unable to do this at implementation and so any solutions along these lines would have to be developed post Nexus implementation.

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

We believe that the modification should not be self-governance.

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

The modifications could be implemented as soon as possible.

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

None identified.

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

Yes.

**Modification Panel Members have requested that the following question is addressed:**

**Q: Respondents are asked to provide views on who they believe should fund the central implementation costs.**

We believe that the costs should be funded wholly by the Transporters

**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**