

UNC Workgroup 0571 0571A Minutes
Application of Ratchet Charges to Class 1 Supply Points (and
Class 2 with an AQ above 73,200kWhs)

Thursday 26 May 2016

at Consort House, 6 Homer Road, Solihull. B91 3QQ

Attendees

Andy Clasper	(AC)	National Grid Distribution
Bob Fletcher (Chair)	(BF)	Joint Office
Colette Baldwin	(CB)	E.ON UK
David Mitchell	(DM)	Scotia Gas Networks
David Reilly*	(DA)	Ofgem
Edd Hunter	(EH)	RWE npower
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Evans*	(GE)	Waters Wye Associates
Jon Dixon*	(JO)	Ofgem
Karen Visgarda (Secretary)	(KV)	Joint Office
Kirsten Elliott-Smith*	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Naomi Nathanael	(NN)	Plus Shipping
Phil Lucas	(PL)	National Grid NTS
Richard Pomroy	(RP)	Wales & West Utilities
Steve Mullinganie	(SM)	Gazprom
Steve Nunnington	(SN)	Xoserve
Suchitra Hammond*	(SHa)	Ofgem

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0571/260516>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 August 2016.

1.0 Introduction and Status Review

1.1. Review of Minutes (28 April 2016)

The minutes of the previous meeting were approved.

2.0 Consideration of Alternate Modification 0571A

CB provided an overview of the E.ON alternative Modification 0571A, explaining that it had been raised to protect customers with a residential heating load, which were by their nature temperature sensitive and prevent them being involuntary caught up in ratchet charges. BF explained that Panel had questioned why Aqs above 73,200kWhs limit were included, what is this the correct cut off point, as by definition there are domestic sites with Aqs above 73,200kWhs. CB said the limit set was a reasonable threshold to protect most domestic customers and also a number of micro business customer who by their nature, would not pose a risk to the network. DM said SGN preferred the alternate solution, as it would protect most domestic and small businesses and it would be easier to implement within central systems.

3.0 Workgroup Report

3.1. Provision of Clear Justification for the 'split point' for Small Users

A general discussion took place surrounding the ratchet charges and SOQ's from a Domestic and non Domestic class perspective with no arbatory limit. SM felt it would not be possible to review the classes at this time or once Nexus had been implemented, as it would be a major and indepth piece of work. SN agreed to investigate the number of Domestic LSP's that were above the limit of 73,200kWhs.

Action 0501: Xoserve (SN) to investigate the number of Domestic LSP's are above the limit of 73,200kWhs.

RP said there would have to be a really good reason to apply a ratchet charge, especially to a customer who might be less informed, however ILSP customers should not continually get relief where they could pose a risk to the network. DR agreed on some of the points, but said potential discrimination aspects also needed to be taken into consideration in relation to both modifications, and these needed to be viewed in a balanced way. SM said that the direct benefits to a consumer in class 2 other than the provision of more frequent meter reads, what were these benefits compared to the proposed risks for sites which are not mandatory DM and would be NDM without restriction today. MJ then said that there was also the Unidentified Gas issue which was due to run out in 2017 when the AUGE first report would be available, which also needed to be taken into consideration. CB said with regards to the consumer being placed into Class 2 and Class 3, the Shipper's make that decision and DR said a benefit to the consumer would be in relation to being daily metered and the settlement options when compared to not being in class 2.

JD proposed that the whole matter should be viewed in a different way and that in real terms it was irrelevant how someone was settled and the frequency of meter reads submitted, it is the potential impact an individual site could have on the network was the issue – in the past this was considered to be site which were very large and usually fall into the mandatory DM category. SM said Class 2 site gain from an element of consumption profiling, however this is very limited. DR requested that the arguments needed to be on an individual basis within the Workgroup Report to clearly show all sides to the argument.

A general discussion then ensued in relation to the number of sites that are treated on a individual basis and how these were managed, together with how class 2 and class 3 are treated from a consumption perspective in relation to the SOQ's. MJ proposed the SOQ should be kept the same. SM said there would be no penalty charge for the first year, as the consumer would be changing from class 3 or 4 to class 2 and that ratchets were not applied for the first year.

BF said that evidence was needed regarding the modifications in order to make a decision in relation to the ratchet charges. Further general discussion took place regarding the ratchet charges being relevant to class 2 and the other issue of SOQ optimisation was also discussed. SM said the SOQ optimisation had not been included in the modifications as that would have added too much complexity. SM also wanted to know what the current population of DM's was, RP said it was in the region of 135 daily metered mandatory sites on his network. SN agreed to confirm the number of DM's.

Action 0502: Xoserve (SN) to supply data on the number of mandatory DM and DMV sites .

AC said the Draft Legal Text was being produced and both modifications have sufficient detail for the Legal Text to be completed in time for the next meeting on 23 June 2016.

Action 0503: National Grid Distribution (AC) to supply the Legal Text in readiness for the next meeting to be held on 23 June 2016.

Post meeting note; Draft Legal Text received on 02 June 2016.

3.2. Consideration of Business Rules

Deferred until the meeting on 23 June 2016

3.3. Consideration of User Pays

Deferred until the meeting on 23 June 2016

3.4. Review of Impacts and Costs

Deferred until the meeting on 23 June 2016

3.5. Review of Relevant Objectives

Deferred until the meeting on 23 June 2016

3.6. Consideration of Legal Text

Deferred until the meeting on 23 June 2016

3.7. Completion of Workgroup Report

Deferred until the meeting on 23 June 2016

4.0 Review of Outstanding Actions

Action 0401: National Grid Distribution (CW) to discuss with Xoserve, and provide a view on, whether or not a Rough Order of Magnitude (ROM) would be needed for either 0571 or 0571A (should it be formally raised) going forwards, at the next Workgroup meeting.

Update: SN explained that Xoserve were not in a position to give an official costing for change, due to the implementation impact of Nexus. He said they could provide a high-level costing based on previous work undertaken and that is would be in the region of £100k, to deliver either one. He said there would also be a yearly management fee to be taken into consideration. BF requested these costing's in writing and SN said that he would produce them, but they would be very heavily caveated. **Closed**

5.0 Next Steps

BF said the amended modification and Draft Legal Text would be discussed at the next meeting on 23 June 2016.

Any Other Business

None.

6.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Thursday 23 June 2016	Elaxon, 4 th Floor, 350 Euston Road, London, NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • Review of amended modification • Review of Draft Legal Text • Completion of Workgroup Report

Action Table (26 May 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	28/04/16	2.0	To discuss with Xoserve, and provide a view on, whether or not a Rough Order of Magnitude (ROM) would be needed for either 0571 or 0571A (should it be formally raised) going forwards, at the next Workgroup meeting.	National Grid Distribution (CW)	Closed
0501	26/05/16	3.1	Xoserve (SN) to investigate the number of Domestic LSP's are above the limit of 73,200kWhs.	Xoserve (SN)	Pending
0502	26/05/16	3.1	Xoserve (SN) to supply data on the number of mandatory DM and DMV sites.	Xoserve (SN)	Pending
0503	26/05/16	3.1	National Grid Distribution (AC) to supply the Legal Text in readiness for the next meeting to be held on 23 June 2016.	National Grid Distribution (AC)	Closed