
UNC Workgroup 0571 0571A Minutes
Application of Ratchet Charges to Class 1 Supply Points (and Class 2 with an AQ above 73,200kWhs)
Thursday 23 March 2017
at Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andy Clasper	(ACI)	National Grid Gas Distribution
Andrew Margan*	(AM)	British Gas
Angela Love*	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Gas Distribution
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
Eleanor Laurence*	(EL)	EDF Energy
Fraser Mathieson	(FM)	Scotia Gas Networks
Gavin Anderson*	(GA)	EDF Energy
Jon Dixon*	(JD)	Ofgem
John Welch	(JW)	npower
Kathryn Turner*	(KT)	Good Energy
Kish Nundloll	(KN)	ESP
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Phil Lucas*	(PL)	National Grid NTS
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Sean Hayward	(SH)	Ofgem
Shanna Key*	(SK)	Northern Gas Networks
Steve Mulinganie	(SM)	Gazprom
Steven Britton*	(SB)	Cornwall

* via teleconference

Copies of all UNC meeting papers are available at: <http://www.gasgovernance.co.uk/0571/230317>

The UNC Workgroup Report is due to be presented at the UNC Modification Panel by 18 May 2017.

1.0 Introduction

Opening the meeting, BF explained that the modification(s) are the subject of a UNC Panel 'send back' requesting that the Workgroup considers the issues around the potential perverse incentive to understate SOQ values, as highlighted within the SSE consultation response.¹

2.0 Consideration of Issues

¹ Please refer to the revised Terms of Reference for 0571 0571A as published on the Joint Office web site at: <http://www.gasgovernance.co.uk/0571>

2.1. Around potential incentive to understate SOQ Values (*in relation to 0571A*)

In undertaking an onscreen review of the Final Modification Report (version 2.0 dated 16 February 2017), BF initially focused attention on Section 6 – Impacts noting that the matter applies to both modifications and not just 0571A as previously stated, before then switching to review the SSE response.

Workgroup Review of the SSE Consultation Response

MJ provided a brief explanation behind SSE's concerns as voiced in their consultation response during which it was noted that the issue only applies to the winter period as during the summer month's ratchets resolve any potential issue (i.e. winter period AQ change) – in short, the issue is only a one day risk.

On the 1 day benefit issue, SH noted that it had been mentioned that the capacity reconciliation charge (CRC), introduced via UNC Modification 0445, would act to recover any avoided network charges in the absence of ratchet charges. However, it is his understanding was that in order for the CRC to be levied, Capacity Revision Applications for both a decrease in SOQ and an increase in SOQ must have first been approved by the Transporter. Furthermore, he does not believe that a SP ratchet satisfied this requirement and consequently a CRC would not be levied if SOQ was exceeded – network charges would therefore be avoided.

SH then noted that the modification proposals do not seek to remove an apparent network charge "concession" which applies for the remainder of a month in which a supply point ratchet occurs (i.e. network charges are seemingly not increased until the start of the following month), and he wonders whether, in the absence of ratchet charges, it is appropriate that this concession should remain for SPs which breach their SOQ. It was also noted that neither the CRC nor the SP ratchet charge take account of the LDZ Exit NTS Charge (the ECN), and he wonders whether any potential 'fix' might wish to consider this.

It was suggested that perhaps Xoserve could provide some (Nexus related) examples of how the potential winter ratchet regime is impacted (inc. how the removal of the charge rate over the winter period impacts) by the initial SOQ summer submissions. Some parties remained concerned that summer 'gaming' issues/actions could still potentially impact on the winter ratchet mechanisms.

New Action 0301: Xoserve (DA) to provide examples of how the potential winter ratchet regime is impacted (inc. how the removal of the charge rate over the winter period impacts) by the initial SOQ summer submissions.

DA explained that in his opinion the potential Capacity Reconciliation Charge (CRC) concern remains a valid one, as previous industry discussions have suggested that ratchets would not be expected to impact the CRC trigger. When MJ wondered if this highlighted a potential 'gap' in Class 2, especially from a DME perspective, SM suggested that there are a number of options to offset SSE's concerns in this area.

DA went on to highlight the UNC Modification 0445 'Amendment to the arrangements for Daily Metered Supply Point Capacity' and CRC aspects by explaining how both the Bottom Stop (capacity – utilisation alignment) and back charging principles (i.e. moving from Class 4 to Class 2 on 01 April 2017) have an effect. DA went on to suggest that the Workgroup needs to consider whether capacity charges based on ratcheted up charge concessions period, should be based on the SOQs immediately prior to the application of the ratchet, (although this can potentially lead to a triple charge) and how this could potentially impact on the new Project Nexus provisions – in short, if the grace period is removed, the ratchet should also be removed.

New Action 0302: Xoserve (DA) to provide examples of what happens to charges once ratchets are invoked and to also clarify how Class 2 rolling and fixed AQ aspects work.

3.0 Consideration of Whether Solution Requires Amendment

When asked, SM confirmed that he remains happy that Modification 0571 is ‘fit for purpose’ as written, as he believes these issues relate more to regime matters than shortcomings in the modification itself that is focused on the removal of ratchets over the ratchet period. It is not his intention to amend the modification to take into account summer behaviours and should the industry wish to address the wider concerns, then another UNC modification would be needed.

4.0 Consideration of a Variation Request (*inc. recommendation on materiality aspects*)

Consideration deferred.

5.0 Development of Supplemental Report (*if necessary*)

Consideration deferred.

6.0 AOB

None.

7.0 Next Steps - timetable

Subject to receiving responses to the outstanding action items, the Workgroup would look to:

- Consider whether the modification solution(s) require amendment;
- Consider whether a Variation Request would be appropriate, and
- Develop/complete the Workgroup Final Modification Report - Supplemental Report.

8.0 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 27 April 2017	Elexon, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> • Standard Agenda items <ul style="list-style-type: none"> ○ Consider amending the Solution ○ Consider whether a Variation Request is needed ○ Complete Supplemental Report

Action Table (23 March 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	23/03/17	2.1	To provide examples of how the potential winter ratchet regime is impacted (inc. how the removal of the charge rate over the winter period impacts) by the initial SOQ summer submissions.	Xoserve (DA)	Pending

Action Table (23 March 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0302	23/03/17	2.1	To provide examples of what happens to charges once ratchets are invoked and to also clarify how Class 2 rolling and fixed AQ aspects work.	Xoserve (DA)	Pending