

UNC Workgroup 0551 Minutes
Protecting consumers who are disaggregated under Modification
0428 from Ratchet charges for Winter 2015

Thursday 27 August 2015

31 Homer Road, Solihull, B91 3LT

Attendees

Alex Ross Shaw	(ARS)	Northern Gas Networks
Bob Fletcher (Chair)	(BF)	Joint Office
Carl Whitehouse*	(CW)	First Utility
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Addison*	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
Gareth Davies	(GD)	National Grid NTS
Hilary Chapman	(HC)	Xoserve
Karen Visgarda (Secretary)	(KV)	Joint Office
Kiran Samra	(KS)	RWE npower
Kirsten Elliott-Smith*	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Naomi Nathanael*	(NN)	Plus Shipping
Steve Mulliganie	(SM)	Gazprom

* *via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0551/270815

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2015.

1.0 Outline of Modification

BF introduced Modification 0551 and explained that both Gazprom and Xoserve had provided presentations for discussion at the meeting.

SM provided an overview for Modification 0551 and explained the background surrounding Modification 0428 and the impact of the Nexus deferral date. SM explained this was raised to protect existing customers who had had aggregations for a long period of time, with the majority in place for circa 15 years. SM explained that some customers were fully engaged and some were not, hence he wanted to propose the 'soft landing' approach with regards to the ratchet charging and that is why he had raised Modification 0551, this would also make it consistent with the approach for Project Nexus.

2.0 Initial Discussion

2.1. Initial Representations

None received.

2.2. Issues and Questions from Panel

SM overviewed the presentation 'Modification 0551 – Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015' and proposed 3 specific areas that he wanted input from the Workgroup from. These areas had been raised by the Panel members, and were:-

A plain English definition of what a Ratchet is. SM proposed the following as a possible suggestion.

“A ratchet is a commercial penalty charge applied to any daily metered meter point (MPRN) which during the Winter Period (October to May) exceeds its agreed Daily Capacity (SOQ). This commercial penalty exists to deter parties from setting their daily capacity requirements below what is actually needed during the Winter.”

General discussion took place within the workgroup and the general consensus was that this definition was acceptable. SM invited further suggestions after the meeting via email from the Workgroup participants.

SM explained that a confirmed change was required with regards to what was the end of the ratchet period, where currently the modification said Winter 2015/16 it should be 31st May 2016.

A general discussion took place as to when sites would be eligible for relief from ratchets and what would a suitable qualifying date be. It was felt that perhaps 01 January 2015 or 01 April 2014 might be possible solutions. DA explained that some de-aggregation took place at the beginning of this year, but said that either date seemed like they would be acceptable, while noting that 01 April 2014 as this was the modification implementation date. DA stated that both of these dates would need to be investigated further and DA and HC would sense check these. CB suggested to possibly align it with the date that the Ofgem decision had first been made, however, as this was made on 25 July 2013, it was felt that this was not acceptable.

CW raised the point that from a transporters perspective there were no fundamental issues with the principle, however, he felt that Ofgem might take a bit of persuading without some controls in place. SM did not see this to be an issue from an Ofgem perspective, as they would support any proposal that sought to treat customers in a fair manner. SM did however, agree there maybe concerns that customers could exceed their SOQ's with a 'soft landing' option as there wouldn't be an incentive to remain within the previous aggregated capacity, which is why he was proposing a 'cap' be based on the aggregate SOQ. CW offered to work with SM on producing some suitable wording, and for this then to be included within the Legal Text documentation.

CB and DM both raised the point that if the date was 01 April 2014, then all customers will have already gone through a Winter period and any ratchets would already have been applied to the sites if they had exceeded their capacity following disaggregation. DM stated that Ofgem will question this date, as a full cycle will have already been undertaken. CB stated this would also have an impact on the ratchet charges as well. SM asked HC and DA if they could undertake analysis with regards to the aggregation data, to determine which date would be the best possible option to pick up the majority of sites impacted by Modification 0428.

SM stated he would update the documentation and add in the proposed date in due course, once Xoserve had completed the analysis. “Any Multi Metered Supply Point that existed as at the [00 Month Year] and which was subsequently reconfirmed as a Daily Metered Single Metered Supply Point”.

HC overviewed the 'Ratchet Charges Overview' presentation and explained this was a direct response in answer to the Panel Consumer Representative wanting greater clarification regarding what a Ratchet was and an example of specific Ratchet charges. HC then explained that two options had been proposed with regards to the Ratchet charging process, and these were:-

Option 1 – Suppression of Ratchet charges - Ratchet will occur (charging and SOQ increase), however the charges will be suppressed prior to invoicing.

Option 2 – Adjustment of Ratchet charges.

- Ratchet will occur (charging and SOQ increase), and charges will appear on the relevant invoice.
- Shipper would submit a Request for Adjustment to Xoserve, and the charge would be retrospectively credited.

General discussion took place regarding the physical ratchet process including the possible impacts and potential options, together with the assumptions as provided by Xoserve. It was thought that Option 1 could be the best option. CB stated that with this option the customers have the opportunity to exceed their existing capacity more than once and SM agreed that some customers might ratchet a few times. A lengthy discussion took place regarding the ratchet process and the associated impacts with regards to DM and NDM sites.

CW mapped out the process and suggested that if a meter point exceeds the previous aggregated capacity (including the capacity used by other meter points that were previously within the aggregation), then they would be subject to ratchet charges.

SM suggested that a single meter point contained in an old aggregation is only ratcheted if it exceeds that original aggregation irrespective of the capacity used by meter points that were previously within the same aggregation – hence his proposal of the cap and the soft landing.

CB suggested that in process terms, nothing would change and this would be beneficial to the customers. DA stated that if they identify a meter point that should be subject to a ratchet charge then Xoserve would need to obtain the data from the other meter points to confirm the overall capacity for either option. BF asked how many multiple DM meter points were within the same aggregation prior to the disaggregation taking place under Modification 0428? DA suggested there were circa 500 DM meter points in total. SM stated again the need for a simple 'cap', which would not be expensive from a contractual perspective as this was a transition exercise.

DA proposed that a smooth way for the process to be undertaken would be to do all the validations prior to the day, e.g. Site A 100 with 2 DM components, meter 1 booked aggregation of 70 and meter 2 booked an aggregation of 40, then meter point 1 would be a candidate for ratchet charges, if the total booked SOQ was greater than the previous capacity. DA stated that following this process would mean building the complexity before the day and then the ratchet charge could be analysed before the charging day. General discussion took place regarding this possible process and the impacts. CW stated that this would add greater complexity into the Legal text process, however, this was not an issue, it would just take longer.

General discussion took place and HC stated she would investigate both options and respond to SM regarding which was a better option, together with which date would be most suitable with regards to the ratchet charges.

New Action 0101: Gazprom (SM) to amend Modification 0551 and conclude the reports week ending Friday 04 September.

New Action 0102: Xoserve (HC) to undertake data analysis regarding a suitable date start date for Ratchet charges to be commenced from.

New Action 0103: Xoserve (HC) to investigate the most appropriate and suitable Option to be adopted. Option 1 – Suppression of Ratchet Charges, Option 2 – Adjustment of Ratchet Charges.

3.0 Next Steps

BF confirmed that this Modification 0551 is to be discussed on 04 September 2014 following the Governance Workgroup meeting at 14.00hrs, to complete the Workgroup report.

4.0 Any Other Business

MJ sought clarification with regards to ratchet charges and the impact of Nexus, specifically in relation to class 3 and 4 sites that moved into Class 1 or 2, as he was under the impression these site were provided with relief from ratchets for the first year. CW stated that nothing had been changed with regards to Nexus and ratchet charges. SM stated there was no reference to Nexus in Modification 0551, however he was under the impression that sites were given relief from ratchets in certain scenarios during the first 12 months following Nexus implementation. CW confirmed he would discuss this matter further with MD Xoserve.

5.0 Diary Planning

During a brief discussion it was agreed by the Distribution Workgroup that Modification 0551 should be further discussed following the Governance Workgroup meeting on 04 September 2015, to enable the completion of the Workgroup Report.

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
14.00 Friday 04 September 2015	31 Homer Road, Solihull, B91 3LT	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Consideration of User Pays • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Completion of Workgroup Report

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	27/08/2015	2.2	Gazprom to amend Modification 0551 and conclude the reports week ending Friday 04 September.	Gazprom (SM)	Post Meeting Update Completed
0102	27/08/2015	2.2	Xoserve to undertake data analysis regarding a suitable date start date for Ratchet charges to be commenced from.	Xoserve (HC)	Pending
0103	27/08/2015	2.2	Xoserve to investigate the most appropriate and suitable Option to be adopted. Option 1 – Suppression of Ratchet Charges, Option 2 – Adjustment of Ratchet Charges.	Xoserve (HC)	Pending