

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 June 2016
at Elexon, 4th Floor, 350 Euston Road, London. NW1 3AW

Attendees

Angela Love	(AL)	ScottishPower
Andy Clasper	(AC)	National Grid Distribution
Bob Fletcher (Chair)	(BF)	Joint Office
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Mitchell*	(DM)	Scotia Gas Networks
Edd Hunter	(EH)	RWE npower
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Evans*	(GE)	Waters Wye Associates
Kirsten Elliott-Smith*	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Mike Berrisford (Secretary)	(MB)	Joint Office
Rachel Hinsley	(RH)	Xoserve
Richard Fairholme*	(RF)	Uniper
Richard Pomroy*	(RP)	Wales & West Utilities
Sean Hayward	(SH)	Ofgem

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0571/230616>

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 (26 May 2016)

The minutes of the previous meeting were approved.

2.0 Workgroup Report

2.1. Review of Amended Modification

Consideration deferred.

2.2. Consideration of Panel Questions

Consideration deferred.

2.3. Review of Draft Legal Text

BF pointed out that the legal text had been provided the day before the meeting and incorporated into the draft Workgroup Report for consideration under item 2.4 below.

2.4. Completion of Workgroup Report

During an onscreen review of the draft Workgroup Report, BF explained that discussions with S Mulliganie reveal that he is of the opinion that Modification 0571 is sufficiently developed. CB then advised that following internal E.ON discussions, questions remained around whether or not the Project Nexus legal text impacts affect 0571/0571A, especially when the Project Nexus Business Rules Document (BRD) has already updated to reflect this fact. In further discussions with S Mulliganie, both parties concluded that there might be some 0432 legal text housekeeping considerations to take into account when developing 0571/0571A. Responding, CW indicated that National Grid Distribution is already contemplating the need to raise a Project Nexus 'sweep up' modification (over and above UNC Modification 0586FT), but is awaiting a decision on the potential delay to the Project Nexus Implementation Date (PNID) before raising the modification in question – some parties felt that this could potentially leave the industry exposed to a level of uncertainty. BF enquired whether this is a Project Nexus Workgroup, or a 0571/0571A Workgroup issue.

When asked whether the 30,882 sites with a Market Sector Flag (MSF) of domestic but with an AQ exceeding 73,200kWh is the number of domestics which could incur ratchet charges under 0571A, CB responded by indicating that it is, although she suggested that there remains an element of uncertainty around how and where you would set the ratchet threshold – in essence, she is still leaning towards the stated (SSP/LSP split) threshold, and leaving it up to the DNs discretion as to when they would apply the charge. CB also explained that she did discuss the matter in detail with Scotia Gas Network personnel before raising her alternate modification. Supporting the point, FM explained that SGN investigations have revealed some anomalies in sensitive areas of their network that his colleague D Mitchell is currently considering. Furthermore, SGN remains supportive of adoption of appropriate business behaviours (i.e. SOQs etc. which should be incentivised by potential ratchet charges).

CW explained that unless there are exceptional circumstances at play, National Grid Distribution would look to apply a ratchet charge, where it is appropriate to do so.

FM indicated that he believes that the proposed 0571A threshold is acceptable.

When asked whether or not Ofgem would wish to see justification for moving away from the current provisions, SH responded by making reference to the UNC Modification 0473 decision and explaining that Ofgem would be keen to see detailed justification for any proposed changes to the ratchet thresholds (i.e. potentially discriminatory decisions). At this point CW confirmed that consideration of ratchets would be included within NGDs proposed sweep up modification. However, a problem might exist whereby 0571/0571A is implemented before the sweep up modification that then potentially impacts on the production of suitable legal text.

BF pointed out that the industry assumption is that parties get ratchet protection moving into Class 2 for a 12 month period (i.e. soft landing) and 0571 is predicated on this fact. He then suggested that perhaps one option would be to make reference in the Workgroup Report to the BRD amendment and the forthcoming sweep up modification. He also suggested that if the requirements were to be included within the legal text for 0571/0571A and either one, or both modifications rejected, the provision could then be included within the sweep up modification – CW indicated that NGD is almost ready, following discussions with Dentons, to raise the sweep up modification (possibly as a self-governance modification) and suggested that there might be benefit in discussing the matter further at the next Project Nexus Workgroup meeting. CW explained that the current aim is to formally raise the (sweep up) modification in time for consideration at the 18 August 2016 Panel meeting.

Looking to summarise the discussion so far, BF suggested that the effective implementation dates for 0571/0571A and the sweep up modification should both be the Project Nexus Implementation Date (PNID).

At this junction, CB advised that she is still inclined to stick with the 73,200kWh threshold for 0571A, but would consider providing additional justification as to why in due course and if a reference should be made to domestic consumers where their AQ is in excess of 73,200kWh.

LL was concerned that micro businesses might be subject to ratchets by these rules when their threshold is higher, however they would have minimal impact on networks.

Discussions then focused on the User Pays status with BF advising that a statement would be needed in due course. RH then advised that an early view from Xoserve is that both solutions are potentially looking at a circa £100k cost. Xoserve will be undertaking further analysis based around manual v's system based solutions.

In focusing attention on Section 7 – Legal Text, CB questioned whether the provided text actually matches the intent of her (0571A) modification before agreeing to review the legal text and provide a view at the next meeting.

The Workgroup deferred further consideration of the Workgroup Report until the 28 July 2016 meeting.

New Action 0601: National Grid Distribution (CW) to double check whether the Project Nexus legal text covers off the protection considerations and to also provide an early overview of the potential PN sweep up modification.

New Action 0602: Xoserve (RH) and National Grid Distribution (CW) to look to provide a Rough Order of Magnitude (ROM) and Agency Charging Statement (ACS) for modifications 0571/0571A.

New Action 0603: E.ON (CB) to review the 0571A legal text provided within the draft Workgroup Report (v0.3, dated 05 May 2016) and provide a view at the next meeting.

3.0 Review of Outstanding Actions

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

Update: RH provided a brief verbal update on the outstanding action presentation and explained that Xoserve is currently investigating the 2 DM sites that have the MSF set as domestic, and would be contacting them to discuss the matter in more detail in the near future.

BF suggested that CB should consider whether or not to amend 0571A in light of the additional information now available. **Closed**

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

Update: RH explained that the 799 DMV sites is correct as of 09 June, and whilst several sites had multiple ratchets, no analysis has been undertaken as to how many were challenged.

When asked, RH confirmed that this data is across all networks and would provide a breakdown in due course. One party questioned the value of obtaining ratchet information for Class 1 and 2 sites (especially the non mandatory sites), believing that it is the size of the site at the point of ratchet that is more pertinent. Responding, RP explained that in instances such as described, any party would be charged should they utilise a higher capacity.

When asked whether or not there is a 'market threshold' at which point a ratchet potentially invokes a capacity issue elsewhere on the network, RP suggested that whilst this is a valid point, the 'value' is there to protect the network and supply, and neither modification is looking to address this fact. BF pointed those present in the direction of the Ofgem (JD) comments relating to loads at a previous meeting. CW went on to suggest that the matter is also heavily dependent on how parties perceive the impacts of ratchets upon their business (i.e. moving a site from Class 4 to 2 for instance). RP added that in short, it is an incentive to prevent parties playing 'fast and loose' with the system.

Summarising, BF suggested that the assumption is that 799 sites are Class 2 and that there are 90 sites with 172 ratchets.

CW suggested that the real question relates to how many of the ratchets are on Class 1 sites. RH agreed to provide a breakdown of ratchets across Class 1 and 2 sites. **Closed**

New Action 0604: Xoserve (RH) to provide a breakdown of ratchets across Class 1 and 2 sites.

4.0 Next Steps

Consideration of amended modification(s) where appropriate and completion of the Workgroup Report at the 28 July 2016 meeting.

5.0 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 28 July 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Standard Agenda items plus • Consideration of amended modification(s), where appropriate • Completion of Workgroup Report

Action Table (23 June 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	26/05/16	3.1	To investigate the number of Domestic LSP's are above the limit of 73,200kWhs.	Xoserve (SN)	Update provided. Closed
0502	26/05/16	3.1	To supply data on the number of mandatory DM and DMV sites.	Xoserve (SN)	Update provided. Closed
0601	23/06/16	2.4	To double check whether the Project Nexus legal text covers off the protection considerations and to also provide an early overview of the potential PN sweep up modification.	National Grid Distribution (CW)	Pending
0602	23/06/16	2.4	To look to provide a Rough Order of Magnitude (ROM) and Agency Charging Statement (ACS) for modifications 0571/0571A.	Xoserve (RH) & National Grid Distribution (CW)	Pending
0603	23/06/16	2.4	To review the 0571A legal text provided within the draft Workgroup Report (v0.3, dated 05 May 2016) and provide a view at the next meeting.	E.ON (CB)	Pending
0604	23/06/16	3.0	To provide a breakdown of ratchets across Class 1 and 2 sites.	Xoserve (RH)	Pending