

UNC Workgroup 0571 Minutes

Application of Ratchets Charges to Class 1 Supply Points Only

Thursday 24 March 2016

Attendees

Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrew Margan*	(AM)	Centrica
Andy Clasper	(AC)	National Grid Distribution
Becci Winter	(BW)	National Grid Distribution
Bob Fletcher (Chair)	(BF)	Joint Office
Dave Addison	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Davies	(GD)	National Grid NTS
Gavin Anderson*	(GA)	EDF Energy
Hilary Chapman	(HC)	Xoserve
John Welch	(JW)	RWE npower
Karen Visgarda	(KV)	Joint Office
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Sasha Pearce	(SP)	npower
Sean Hayward*	(SH)	Ofgem
Stacey Goldsmith	(SG)	National Grid Distribution
Steve Mulinganie*	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0571/240316>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 July 2016.

1.0 Review of Minutes (25 February 2016)

The minutes of the previous meeting were approved.

2.0 Review of Actions

0102: DNs to consider potential impacts (physical capacity, pricing) on the Networks, which sites (Class 2) might be significant and analyse how SOQ risk can be managed pre- and post-Nexus.

Update: HC explained that this action had been looked at sympathetically, and in real terms, it was still a problem for the Network, as ratchets need to be maintained to ensure network integrity. SM said that they were not convinced regarding the capacity management of ratchets for these types of customers and the security within the Network, this type of customer could be NDM and would not be subject to ratchets. RP suggested there needed to be a mechanism to choose a sensible SOQ, where ratchet's still might be needed, but not the charges or scaled charges. It was subsequently agreed that the DN's had considered this action and that is could now be closed. **Closed.**

3.0 Consideration of alternative approach(es)

SM overviewed the schematic table of the 3 potential Options, which were:-

1. Minimum SOQ (no lower than that derived by Class 3 &4)
2. Ratchets without penalties (speed of correction)
3. Ratchets with sliding penalties (only applies to larger customers)

Options	Benefits	Drawbacks
1. Apply a minimum SOQ as derived in Class 3&4	<ol style="list-style-type: none"> 1. Approach is consistent with methodology used elsewhere 2. Simple 3. Concept of minimum SOQ has existed before 	<ol style="list-style-type: none"> 1. System changes may be needed to facilitate
2. Apply Ratchets without penalties	<ol style="list-style-type: none"> 1. As MPRN's are daily read the correction would occur dynamically (little lag) 2. Simple 	<ol style="list-style-type: none"> 1. No penalties
3. Apply Ratchets with sliding penalties	<ol style="list-style-type: none"> 1. Targets penalties 	<ol style="list-style-type: none"> 1. Proportionally risk is same for all customers 2. Will need to determine ranges for penalties

SM explained he had not received any feedback or views following on from the last meeting, but he was more than happy to discuss this further and said Gazprom favoured Option 2. He also confirmed he would include the above table in the modification appendix section, to give greater clarity of the options discussed in the workgroup.

An in-depth general discussion ensued regarding Option 2 and the ratchet impact, together with the heat loads in a cold Winter, where it could mean a Ratchet charge was incurred. CB said if that was to happen, then perhaps Option 3 would be more favourable, to avoid these potential costs.

Further general discussion continued surrounding Ratchet's in Class 2 but not in Class 3 and JW suggested that the bigger sites could possibly take advantage of settlement in Class 2, but that they could not take the same advantage in Class 3. SM said that in this situation, a customer could move to NDM to avoid a Ratchet charge altogether. RP said the knock on effect and risk to networks was still there for larger Class 2 sites. SM said he would consider this detail in the modification to give further clarity, however, he was not convinced there was a real to network integrity, which was being mitigated by the application of ratchet charges.

CB and LL both proposed that sensible steps needed to be taken in relation to capacity from a customer viewpoint, i.e. not incurring extra charges particularly for daily read domestic consumers who would have no impact on the network. LL also suggested that there should be a boundary with a cut off point and that this should not just be from a domestic angle as it could include micro businesses. BF asked from a customer's viewpoint in Class 3 & 4, what would make them change their existing behaviour, which would be more of a risk from a Daily Meter Read perspective. CB said there are currently no capacity constraints, and that would continue in the new regime as proposed, however

smaller consumers would not impact the network. AC explained that National Grid Distribution were presently close to capacity in some parts of the network and that ratchets help them manage the network. BF said there was surely an element of a consumer being constrained by the physical size of the service pipes and attached meter capacity.

A long and protracted general discussion then ensued surrounding the ratchet regime, and the associated impacts and charges. SM proposed that the ratchet charge could have a disincentivise effect on the roll out of smart meters and the use of granular data they provide, which was considered one of the big wins of such metering. HC disputed this comment and explained that ratchets were still present in the current Daily regime and provided an element of protection. AC also confirmed that the ratchet regime was introduced in Code in 1996.

SM advised that he would be taking Option 2 forward and that an alternate could be raised for Option 3, if that was seen as required by another party. HC also stated that a solution was required in relation to Project Nexus and that there shouldn't be unrealistic expectations around implementation timescales, however, she stated that it would be far more preferable to take forward this solution carefully allowing time to explore all avenues and if need be, for the implementation of this modification to be put back. SM agreed and said that he would be happy to put the implementation date back, if all felt this was required to allow proper analysis of the solution.

4.0 Development of Modification

SM reiterated that he would now develop the 3 Options in more detail, to aid further discussion at the next meeting on 28 April 2016.

4.1. General discussion

No further discussion.

5.0 Next Steps

BF confirmed that SM would amend the modification for further discussion on 28 April 2016 and that the 3 Option's Table would be added in the Appendix section of the modification. He also suggested that if anyone else had another viable option for consideration, to contact SM direct.

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
10.30am Thursday 28 April 2016	Energy UK, Charles House, 5-11 Regent Street, London, SW1Y 4LR	<ul style="list-style-type: none"> • Consider alternative approaches • Development of modification • Development of Workgroup Report

Action Table (24 March 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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Action Table (24 March 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0102	28/01/16	2.2	DNs to consider potential impacts (physical capacity, pricing) on the Networks, which sites (Class 2) might be significant and analyse how SOQ risk can be managed pre- and post-Nexus.	All DNs	Closed