

UNC Workgroup 0571 Minutes
Application of Ratchets Charges to Class 1 Supply Points Only
Thursday 28 January 2016
31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andy Clasper	(AC)	National Grid Distribution
Angela Love*	(AL)	ScottishPower
Carl Whitehouse	(CWh)	First Utility
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Mitchell	(DM)	Scotia Gas Networks
David Reilly*	(DR)	Ofgem
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Gavin Anderson*	(GA)	EDF Energy
Hilary Chapman	(HC)	Xoserve
John Welch	(JW)	RWE npower
Jon Dixon*	(JD)	Ofgem
Kirandeep Samra	(KS)	RWE npower
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Matt Jackson	(MJa)	British Gas
Mike Bagnall	(MB)	British Gas
Naomi Nathanael	(NN)	Plus Shipping
Nigel Winnan*	(NW)	Wales & West Utilities
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Robert Wigginton	(RW)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0571/280116>

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

1.0 Outline of Modification

SM introduced the modification and explained that, in recognising the introduction of four new classes of Supply Points under Project Nexus and the wider availability of daily read sites with lower AQs, this modification proposes to limit the application of Ratchets Charges to Class 1 Supply Points whose operation may be material to the safe operation of the Network. Ratchet charges were approximately twice the capacity booked and they were an incentive intended to protect the network from large loads, i.e. large users taking

more than was booked during the winter period, or where the site may have a disproportionate impact on the local network such as with a Network Sensitive Load (NSL). It was noted that large sites also had 'domestic meters' serving, for example, onsite canteens, etc.

2.0 Initial Discussion

2.1. Initial Representations

None received.

2.2. Question from Panel

Consider inclusion of Class 2 sites

The UNC Modification Panel had requested the Workgroup to consider if any Class 2 sites should also be included. This was discussed.

Class 2 may include a wider variety of customer types in the future, with dynamic temperature sensitive loads. Were there particular loads that should be mandatorily classed as Class 1 (DM) and keep Class 2 'clean'? Should Class 2 be segmented? What is the relevance of ratchet charges for this type of customer in this sort of Class; does the ratchet protect against other types of adverse behaviours?

Ratchets reset the capacity of the site when the amount of booked capacity is exceeded. SM wished to reflect the increase and reset the capacity each time but not apply the ratchet charge to Class 2. It was questioned what other types of adverse behaviour did ratchet charges offer protection against that might then surface and become problematic if the charge was not applied - should ratchets continue to be applied, removed entirely, or be replaced by some other mechanism to address other problematic behaviour (if identified), in which case why remove an effective tool in the first place?

There would be some large sites in Class 2. The need for a baseline SOQ and appropriate parameters was discussed, together with the potential application of DM charging methodology. Would there be a neutral position for some sites in Class 2 or 3? SM explained the principle of treating a Class 2 site as if it were Class 3 in terms of calculation.

MJ explained that the SOQ cannot be lowered if a site moves into Class 2; there is a minimum SOQ as derived under Class 3, but if exceeded does not ratchet, but the SOQ will move in line with the ratchets themselves as this is aimed to prevent gaming. However, at some point if the site continues to ratchet siteworks may be need to investigate the physical capacity.

CB believed that constraints on Networks might have to be more closely monitored, as the ratchet regime helps to manage this. It was questioned if NSL sites become mandatory DM and Class 1; CW agreed to confirm the definition, rules and treatment.

HC expressed concerns regarding potential changes to Classes, pointing out that this should be avoided at this time because of the ramifications for Project Nexus, and CW counselled keeping any proposed changes as simple as possible. HC asked, if the ratchet requirement is removed from Class 2, what other mechanisms or methodology could be put in its place? It was observed the Class 2 population will be changing and it could be questioned that it was no longer appropriate to apply ratchets to this 'new' population or certain parts of it. Would a domestic site be Class 2 and attract a ratchet charge? SM gave some examples of sites that may fall into Class 2.

It was questioned what arrangements would need to be in place to protect the market; should there be different tolerances? Should a review of the methodology be carried out separately? HC reiterated that implementation of any this would be of great concern to Xoserve given the existing Project Nexus delivery priorities. CW commented that suppressing charges for certain categories of customer might create an issue of

unreasonably low SOQs. GE asked if it was possible to carry out a manual process (no system process).

Action 0101: Network Sensitive Load sites (NSLs) - CW to confirm the definition of an NSL and the rules/treatment applied to these sites.

Action 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.

Action 0103: Xoserve to (a) assess impacts on Project Nexus; and (b) consider what extra tests to apply for differentiation in Class 2.

Action 0104: Alternative Approaches - All parties to consider alternative approaches for discussion at the next meeting.

SM reiterated that he was open to any suggestions and confirmed he will not be making any amendments to the modification until after the discussions at the next meeting.

3.0 Next Steps

At the next meeting, it is anticipated that the Workgroup will continue to assess the modification in light of information to be provided in response to the actions, and consider any alternative approaches put forward.

4.0 Any Other Business

None.

5.0 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
Thursday 25 February 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
Thursday 24 March 2016	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> • <i>To be confirmed</i>

Action Table (28 January 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	28/01/16	2.2	<i>Network Sensitive Load sites (NSLs)</i> - CW to confirm the definition of an NSL and the rules/treatment applied to these sites.	National Grid Distribution (CW)	<i>Due at 25/02/16 meeting</i> Pending
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	<i>Due at 25/02/16 meeting</i> Pending
0103	28/01/16	2.2	Xoserve to (a) assess impacts on Project Nexus; and (b) consider what extra tests to apply for differentiation in Class 2.	Xoserve (HC)	<i>Due at 25/02/16 meeting</i> Pending
0104	28/01/16	2.2	<i>Alternative Approaches</i> - All parties to consider alternative approaches for discussion at the next meeting.	ALL Parties	<i>Due at 25/02/16 meeting</i> Pending