

UNC Workgroup 0619 Minutes
Application of proportionate ratchet charges to daily read sites
Thursday 25 May 2017
at Consort House, 6 Homer Road, Solihull. B91 3QQ

Attendees

Andrew Margan	(AM)	British Gas
Andy Clasper	(ACI)	Cadent
Bob Fletcher (Chair)	(BF)	Joint Office
Chris Warner	(CW)	Cadent
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye
Gavin Anderson*	(GA)	EDF Energy
John Welch	(JW)	npower
Karen Visgarda (Secretary)	(KV)	Joint Office
Kelly Docherty*	(KD)	British Gas
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve
Robert Wigginton*	(RW)	Wales & West Utilities
Shanna Key	(SK)	Northern Gas Networks
Shiv Singh*	(SS)	Cadent
Steven Britton*	(SB)	Cornwall

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0619/250517>

The Workgroup Report is due to be presented at the UNC Modification Panel 17 August 2017.

1.0 Outline of Modification

GE explained that the aim of this modification would be to set the multiplier used to determine the Supply Point Ratchet Charge for daily read sites to one, this would be set out in a table listed by EUC Band. The table would allow different multipliers to be used against different EUC Bands in future should there be a need demonstrated to do so.

The Supply Point Ratchet Charge would be reflective of the capacity charges the site would have incurred if it had not breached its supply point offtake and it was felt this was a pragmatic approach particularly in the situations where there were no risks placed on the network. He added that this process proposed to change the ratchet charge calculation so that a site that would not breach its supply point offtake incurred the same transportation charges for that higher capacity, without being unduly penalised.

GE then overviewed the Multiplier formulas examples for the specific EUC Bands and explained the 'Netting of Charges Paid' process. A lengthy discussion took place in relation to the Ratchet Charges and the of the Netting of Charges paid. DA said that the proposed process that GE overviewed was not as the procedure worked currently, and that this new

proposal was very complex and had several cost implications regards to the required system delivery options.

CW enquired if the Workgroup were aware of how a ratchet charge was calculated. He gave an example which was as follows: *'If an SOQ of 100 ratcheted the SOQ would then become 110, with the ratcheted quantity of 10, which would mean the new SOQ would be 110 x 10 giving the daily ratcheted charge x the number of days in the next 2 years.'*

GE moved on to say he was not in agreement with the 30 days requirement, as the consumer would pay for LDZ capacity over a 2 year period and that this charge appears to be prospective. A further discussion took place surrounding the overall booking of capacity, especially in relation to incurring the 365 day charge, the potential risks to network integrity, inefficient networks reinforcement due to the over booking of capacity to avoid ratchets and regarding the allocation of costs both pre and post the event. FM and CB both said that the modification was based on the premise regarding if a customer was to go over their load capacity. FM said that it would be helpful to see the data of sites who had ratcheted previously to then assess these examples of how it had affected the consumption levels. GE agreed to provide some worked examples for discussion at the next meeting of the Workgroup.

New Action 0501: Waters Wye Associates (GE) to provide worked examples by EUC Band.

DA said that Xoserve would also contact the Demand Estimation Sub-Committee (DESC) in relation to the data recorders, where they may be able to derive the SOQ for examples of current NDM profiles, and if cold weather would be likely to trigger SOQ breaches and ratchets for NDM sites.

New Action 0502: Xoserve (RH) to contact the Demand Estimation Sub-Committee (DESC) to gain example data of instances where recorded values would have meant individual sites have breached the derived SOQs and been ratcheted.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

1. Consider any related Safety Case impacts? FM explained this area was still currently being investigated and was work in progress.
2. Define what "relevant period" what it means in the solution? GE said this was under discussion at the present time.

New Action 0503: Scotia Gas Networks (FM) to provide an update on any related Safety Case impacts of this modification.

New Action 0504: Waters Wye Associates (GE) to provide a definition in relation to what 'relevant period' means in the context of the solution.

2.2. Initial Representations

BF advised participants that a number of comments had been provided for discussion. It was .

- The supply point ratchet charge is only concerned with the LDZ Capacity Charge and Capacity Variable Component of the Customer Charge. Notably, it does not seek to recover the NTS Exit Charge ("ECN") - we previously noted that whilst this is a Transmission Cost, it is a Distribution Charge;

GE advised that they consider amending the modification to include the ECN to ensure the charges were reflective.

- Following a supply point ratchet, network charges for that supply point do not increase until the start of the following month, potentially allowing non-recoverable underpayment for up to 30 days.

GE asked for this item to be reconsidered at the next meeting. He did not feel this was a significant issue but would like time to reflect on the potential impact.

2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at <http://www.gasgovernance.co.uk/mods>

3.0 Next Steps

BF confirmed that the requested data in relation to ratchet charges and SOQs would be discussed at the next meeting, together with continuing the development of the Workgroup Report.

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
10:30 Thursday 22 June 2017	Elexon 350 Euston Road London Lon NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • <i>Amended Modification</i> • <i>Review of data analysis</i> • <i>Consideration of Business Rules</i> • <i>Review of Impacts and Costs</i> • <i>Review of Relevant Objectives</i> • <i>Consideration of Wider Industry Impacts</i> • <i>Consideration of Legal Text</i>

Action Table (as at 25 May 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	25/05/17	1.0	Waters Wye Associates (GE) to provide worked examples by EUC Band.	Waters Wye Associates (GE)	Pending
0502	25/05/17	1.0	Xoserve (RH) to contact the Demand Estimation Sub-Committee (DESC) to gain example data of instances where recorded values would have meant individual sites have breached the derived SOQs and been ratcheted.	Xoserve (RH)	Pending

Action Table (as at 25 May 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0503	25/05/17	2.1	Scotia Gas Networks (FM) to provide an update on any related Safety Case impacts of this modification.	Scotia Gas Networks (FM)	Pending
0504	25/05/17	2.1	Waters Wye Associates (GE) to provide a definition in relation to what 'relevant period' means in the context of the solution.	Waters Wye Associates (GE)	Pending