

UNC Workgroup 0619 Minutes
Application of proportionate ratchet charges to daily read sites
Thursday 27 July 2017
at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Andrew Margan	(AM)	British Gas
Bob Fletcher (Chair)	(BF)	Joint Office
Carl Whitehouse*	(CW)	First Utility
Angela Love*	(AL)	ScottishPower
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Deborah Brace*	(DB)	National Grid NTS
Eleanor Laurence*	(EL)	EDF Energy
Gareth Evans	(GE)	Waters Wye
John Welch	(JW)	npower
Karen Visgarda (Secretary)	(KV)	Joint Office
Kathryn Turner*	(KT)	Good Energy
Lorna Lewin*	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Rachel Bird	(RB)	Gemserv
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy	(RP)	Wales & West Utilities
Sean Hayward	(SH)	Ofgem
Shanna Key*	(SK)	Northern Gas Networks
Shiv Singh	(SS)	Cadent
Steve Britton	(SB)	Cornwall Energy
Steve Mulingainie	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0619/270717>

The Workgroup Report is due to be presented at the UNC Modification Panel 21 September 2017.

1.0 Review of Minutes (22 June 2017)

The minutes of the previous meeting were approved.

2.0 Review Amended Modification

GE overviewed the proposed amended solution section in respect of when the SOQ would apply for the ratchet period and how the charges would be calculated. DA provided a verbal explanation of the process. A general discussion took place concerning the ratchet charge period and the capacity charge, with regards to date periods and who was liable for those charges. SH proposed that more detail should be added into the 'Why' section, to provide clarity on why the proposer felt the current arrangements were disproportionate and no longer warranted. SH also asked the proposer to check the terminology "Supply Point Capacity Charge" which appears in the "Netting of Charges paid" paragraph of section 5 (specifically, should this read "Supply Point Ratchet Charge"?). GE said he would address these matters.

SH also noted that the mod appeared to aim to replace a 'penal' charge with one which was more concerned with reflective cost recovery. In light of this, SH wondered whether the proposer had considered extending the ratchet regime window from the current October – May (inclusive) period to a full calendar year. GE said he would give this further consideration and would provide clarity within the Workgroup report on why the existing window remained appropriate. He said he would also provide more detail in relation to D+5 and the ratchet day charge, explaining that the SOQ increases the following day, but that the charge itself does not increase, as it does not become applicable until close out.

DA said Xoserve were not expecting a high volume of ratchets being triggered and a general discussion took place about the implementation and the process. DA explained that presently there was no volumetric data available to enable an exact number prediction, and GE said that it would be a fraction of new sites that become daily metered. DA said that the volumetric data was required in order to develop both the solution and implementation plan and he added, that this topic had been discussed within the Change Management Committee and for Class 1, it was in the region of 1,065. DA said he would look at new cost estimate and ROM and produce a Change Proposal and he stated that the ROM would inform people from a business perspective of costings, BF said that the Panel would need to see confirmed costings in order to make an overall decision about the modification.

New Action 0701: Xoserve (DA) to produce a new cost estimate together with a ROM and Change Proposal.

GE confirmed he would make the amendments to the modification as had been discussed and suggested by the Workgroup, in relation to terminology, cut off dates, description of the wider regime, capacity and ratchet amounts.

RP said that the Legal Text was currently being produced and that he would include any appropriate changes that were needed following the Workgroup discussions.

3.0 Review Data Analysis

Not discussed in this meeting.

4.0 Consideration of Business Rules

Not discussed in this meeting.

5.0 Review of Impacts and Costs

Not discussed in this meeting.

6.0 Review of Relevant Objectives

Not discussed in this meeting.

7.0 Consideration of Wider Industry Impacts

Not discussed in this meeting.

8.0 Consideration of Legal Text

Not discussed in this meeting.

9.0 Completion of Workgroup Report

Not discussed at this meeting.

10.0 Review of Outstanding Actions

Action 0503: ~~Scotia Gas Networks (FM) to provide an update on any related Safety Case impacts of this modification. Transporters to provide extracts from their respective safety case which are impacted by this modification”.~~

Update: DM explained that SGN had provided a statement regarding this action which read: *“The introduction to Paragraph 17 of the SGN Safety Case sets out the following requirement: ‘Particulars to demonstrate that the duty holder has established adequate arrangements to ensure that the gas he conveys will be at an adequate pressure when it leaves the part of the network used by him’.*

SGN considers that the existing ratchets regime forms a part of the “adequate arrangements” that are established and in place to ensure that, as far as is reasonably practicable, we are able to fulfil our obligations under the Safety Case; that is to operate our network safely, provide security of supply and to invest efficiently.”

A lengthy discussion then ensued regarding the safety element specifically regarding the response from SGN. DM said that SGN were still in the process of trying to secure a meeting with the Health and Safety Commission about this matter and referenced their previous submissions for Modification 0571. SM challenged the SGN submission advising that the link to their representation made under Modification 0571 was not valid for this modification, as it retained an incentive charge whereas Modification 0571 did not. In addition, the representation did not consider operational factors such as seasonal gas use.

BF advised that the use of ratchets was one of a number of tools which Transporters use to manage their responsibilities for delivering pressure and protecting the system. That said, it was not clear how behaviours would or would not be modified by a reduction in ratchet charges or their total removal as proposed under Modification 0571. Some participants felt it would be beneficial to see some risk analysis around behavioural changes due to ratchet changes. CB was keen to see how the incentive worked in practice, why was the existing value likely to be more of an incentive than that proposed – what was the scaling factor.

SH was keen to understand the level of risk and the weighting given by networks in respect of system protection, what other tools were available. He would also like to understand how the ‘toolset’ works as a package.

RP felt that more was needed to understand the comments around SOQs being overstated to protect consumers from ratchets, as it was not obvious from the information provided this actually happened in practice. He also noted that there was a risk that with a reduction in the effectiveness of ratchets, would require networks to invest in uneconomic reinforcement to mitigate the risk. However, SM felt this was being overstated as consumers who were NDM today could increase their usage without fear of ratchets and networks were prepared for these scenarios – factors such as service and meter size helped networks understand the magnitude of risk they faced and this should feature in their network planning which is pressure and not capacity orientated.

GE said he was not prepared to change the modification based on the comments received, however he said he would add further clarity into the modification regarding the Safety Case and the SOQ’s together with the ratchet process regime and the associated evidence, together with Seasonal Supply Points. **Closed.**

11.0 Next Steps

BF confirmed that his aspiration for the next meeting in August was to further develop the Workgroup Report, review the Legal Text, together with the standard agenda items, in readiness for submission at the September Panel.

12.0 Any Other Business

None.

13.0 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 24 August 2017	Elexon 350 Euston Road London Lon NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • <i>Review Amended Modification</i> • <i>Review 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> • <i>Complete Workgroup Report</i>

Action Table (as at 27 July 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.) New wording as agreed: Transporters to provide extracts from their respective safety case which might be impacted by this modification.	All Transporters	Closed
0701	26/07/17	2.0	Xoserve (DA) to produce a new cost estimate together with a ROM and Change Proposal.	Xoserve (DA)	Pending