

UNC 0619 Workgroup Minutes
0619 - Application of proportionate ratchet charges to daily read sites; and
0619A - Protection from ratchet charges for daily read customers with an AQ of 732,000kWh and below
Thursday 28 September 2017
at The Arden Hotel and Leisure Club, Coventry Road, Solihull, B92 0ED

Attendees

| | | |
|----------------------------|------|--------------------------|
| Andy Clasper | (AC) | Cadent |
| Bob Fletcher (Chair) | (BF) | Joint Office |
| Carl Whitehouse | (CW) | First Utility |
| Chris Warner | (CW) | Cadent |
| Claire Towler | (CT) | SSE |
| David Addison | (DA) | Xoserve |
| Gareth Evans | (GE) | Waters Wye |
| Hilary Chapman | (HC) | SGN |
| John Welch | (JW) | npower |
| Karen Visgarda (Secretary) | (KV) | Joint Office |
| Kirsty Dudley* | (KD) | E.ON |
| Kully Jones (Observer) | (KJ) | Joint Office |
| Mark Jones | (MJ) | SSE |
| Nicky Rozier* | (NR) | BUUK |
| Penny Garner (Observer) | (PG) | Joint Office |
| Rachel Hinsley | (RH) | Xoserve |
| Richard Pomroy | (RP) | Wales and West Utilities |
| Sam Argent* | (SA) | Good Energy |
| Sean Hayward | (SH) | Ofgem |
| Shanna Key | (SK) | Northern Gas Networks |
| Shiv Singh | (SS) | Cadent |
| Steve Britton* | (SB) | Cornwall Energy |

* via teleconference

Copies of all UNC meeting papers are available at: <https://www.gasgovernance.co.uk/0619/280917>

The UNC Workgroup Report is due to be presented at the UNC Modification Panel by 21 December 2017

1.0 Review of Minutes (24 August 2017)

The minutes of the previous meeting were approved.

2.0 Review Amended Modification 0619

GE explained that the modification had been amended in order to give greater clarification regarding the Ratchet Regime changes proposed. He said that within the Solution Summary the specific schematics had now been included to provide greater detail on the process and how it would be applied. HC said she felt this was an unconstrained network view and that some reference should be made within the modification that there were parts of the network

that would be constrained particularly in colder weather periods. GE agreed that there may be isolated parts of the network that might have specific issues but he felt that rules to protect these areas should be used to the detriment of sites that were located on the major parts of the network which were not constrained.

GE reiterated the overall Ratchet Process as described within the Solution Summary and said that once a site exceeded its booked SOQ, then this would result in a Ratchet, however the charge would not be penal in nature. CW posed the question what would happen if the level could not be set higher? GE stated that there was nothing presently in Code to stop the level from being set higher, with the only result being, if that was the actioned, then it would attract a cost, as the mechanism would not stop this from happening. He also added the other tool that could be used, in extreme circumstances, would be to cut off the supply. HC asked in relation to the PMSOQ whether there was a chance that there could be a double Ratchet charge? GE said no, this was not the case.

A general discussion then ensued regarding capacity available and the maximum SOQ available, in the situation where there was a change to the PMSOQ and the capacity, that was presently available. It was debated under the present regime, whether this was still allowed, where the Cap was not changed, and then when this could still be taken advantage of for free under this proposal. A further general discussion then took place regarding Xoserve removing the SOQ date of the month in relation to the gap from the Ratchet and the date it occurred.

GE then confirmed that the Legal Text had been received and that he thought this was satisfactory for the necessary requirements.

SH said that he wanted further detail to be recorded with regards to the potential opportunity for free capacity to be made available under this proposal, especially in the situation if the booked SOQ was not increased and he felt that this should be noted. GE confirmed that he would make reference to this within the next amended modification.

3.0 Review of ROM

RH overviewed the change to systems in Section 4 of the ROM, with regards to the potential overall costs being between £40,000 and £65,000 and she explained this was to be determined by which specific Release the Modification was allocated to, and that there would be some changes to Service Line 7 concerning the Invoicing Process.

A lengthy general discussion took place regarding who should be paying for this change and RP enquired if the iGT's would be included in the solution from a charging perspective. NR added that the iGT's UNC would be need to be amended to state how they managed ratchets in future as she did not believe there was a similar impact in iGT UNC. BF stated that the associated costing discussion and how it would be apportioned, would be taking place within the relevant DSC Committee.

RH explained that when the modification was formally approved, a discussion and decision would need to be made as to which Release it would be assigned to. She said that Release 3 would be in November 2018 and that Release 4 would be in 2019. A transitional approach might be needed which may include higher costs, due to the need for manual suppression of the Ratchets. GE said that he understood, from previous conversations with Xoserve, that this could be manually un-wound. RH said that there were differences with the pre and post Nexus Ratchet process, and DA added, that in the new process was an automatic process and not designed for manual intervention as it was intended for appealed Ratchets to be managed through the billing process. GE and RP then suggested that this previous 'old World' unit price and the 'new World' unit price should be further explained and clarified. RP said this was the reason why more detail was required surrounding the area of Ratchet Query Management, especially regarding the interim solution and DA agreed that he would provide more information and an explanation regarding the process.

New Action 0901: Xoserve DA to provide clarification with the ROM regarding the on-going costs for the Ratchet Charging process and interim approach.

DA reiterated that the Change Managers and the Change Management Committee would have to agree which Release this modification would be allocated to and he felt that from a timing perspective, that it might preclude it from Release 3. BF also noted that if the modification was sent Ofgem for an Authority Decision and they then directed the date, this would have to be taken into consideration by the DSC Change Management Committee.

4.0 Consideration of Legal Text

RP confirmed that the Legal Text had been updated with regards to the calendar month calculation and the adjustment aspect up to the end of the month, in line with the Ratchet charge. GE said he had studied the Legal Text was happy with the content and context of how the Ratchet and charging was defined.

5.0 Outline of Modification 0619A

HC explained that SGN had raised the Alternate Modification in order to protect any daily metered customer with an AQ of 732,000kWh and below from the charging elements of the existing ratchets regime. She said that SGN had concerns with the changing regime, specifically in relation to smaller sites with Smart Meters being in Class 2 and caught up in the ratchet arrangements which not the intention. While still allowing the network to be protected by the existing ratchet scheme.

HC drew attention to the schematic tables within Section 3 'Why Change' of the Alternate Modification and explained that Table 1, was in relation to national thresholds, and that the other tables, provided an illustration of only SGN Networks. She talked through each table and explained that the Ratchets occurred at the higher end of the EUC's. GE said it would be interesting to see a more detailed break-down of sites and Ratchets to see how many times they Ratcheted, as some sites may Ratchet multiple times and others just once. HC said presently the data only showed the Ratchet against the number of sites only. She further explained that in Table 3, it showed 31 sites against 293 DM sites and that the proportion of Ratchets had increased, which did suggest the current regime should stay as it was, however, she agreed to supply more data in relation to the differences in consumption pre/post Ratchet against these sites.

New Action 0902: SGN, HC to provide more data in relation to site consumptions pre and post Ratchet.

A lengthy general discussion took place regarding the issue of moth-balled sites and the fact that they would still have daily read equipment on site and how would these be captured should they start to use gas again. DA said if they had a consumption lower than 2, then there would be an AQ correction at Capacity level and this would not retain capacity while that site was moth-balled – the Shipper would need to consider requesting capacity for the site. RP said that in this scenario, it was important that the Shippers ensured the SOQ's were correct, as an accurate SOQ would prevent a Ratchet risk while ensuring unused capacity is kept to a minimum. GE enquired if SGN had performed any other data analysis on Customer Ratchets and Capacity at times when the capacity was refused? HC said the analysis had been undertaken on the raw data only and she said she would discuss internally if it was possible to see if the Ratchets were constrained alongside the Customers behaviour, and she added that there might be some potential confidentiality issues.

New Action 0903: SGN, HC to discuss internally to see if SOQs resulting from Ratchets were constrained and if the Customers exceeding capacity had a 'knock on effect'.

HC then overviewed Table 4 which was a comparison by DN Portfolios and she explained that this was not proportionate to the DN Portfolio in its entirety. GE said it would be useful to understand how the costs would be 'passed through' and what would happen if the SOQ was not correct and a site kept on Ratcheting. HC said this was managed via the PMSOQ. MJ wanted to know how Threshold Crosses would be dealt with and addressed? and RP said that

previously, it was the SOQ on the day the Ratchet had occurred. HC agreed to supply further information regarding Threshold Crossers.

New Action 0904: SGN, HC to look at threshold crossers on the day the Ratchet occurred, and the associated impacts.

SH then highlighted and reiterated that he had previously spoken to HC about Modifications 0571 and 0517A in relation to the Safety Case issue raised in their representation, and he noted that this Modification would also have a similar effect and should therefore impact the Safety Case and Ofgem are not able to take a view on Safety Case issues as they are an economic regulator. Why have SGN changed their view on the Safety Case impacts? HC said that SGN were still engaging with the HSE regarding the Safety Case in terms of these Modifications, however the changes proposed did not impact the level of charge for a Ratchet, although it noted that smaller sites do not have the same impact as larger sites on the network. HC agreed to review their 0571(A) representations to clarify SGNs view on the Safety Case impacts of these modifications.

BF said in order for both Modifications to be submitted to the December Panel, it was important that any comments and amendments were forthcoming in order to have a formally amended modification for the October meeting, together with the relevant ROMs with the associated impacts and the draft Legal Text.

HC said she had tried to keep the wording as close to the original Modification 0619 in terms of content and context, apart from the Solution and Relevant Objectives sections, which were unique to Modification 0619A. She confirmed she would supply more information regarding the Relevant Objectives and the Safety Case.

6.0 Completion of Workgroup Report

BF explained that the Workgroup Report would continue to be developed within the subsequent meetings and that both modifications would be developed concurrently in order to be submitted to Panel in December.

7.0 Review of Actions Outstanding

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

Update: RH confirmed that the ROM had now been published, so this action could now be closed. **Closed.**

0801: Waters Wye Associates (GE) to provide clarification around the PMSOQ relationship to TPD Section G, paragraph 5.5.5(b) provisions.

Update: GE confirmed that greater clarification had now been supplied regarding the PMSOQ and had been included in the modification, so this action could now be closed. **Closed**

0802: Gazprom (SM) to investigate what Gazprom has provided to SGN in terms of its Modification 0390 information provision.

Update: HC explained that nothing more had been discussed or requested in relation to this action, so this action could now be closed. **Closed.**

8.0 Next Steps

BF said that his expectation was to further develop the Workgroup Report at the meeting on 26 October 2017 with it being completed at the November meeting, in readiness for Panel submission in December.

9.0 AOB

None.

10.0 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 26 October 2017 | Elexon 350 Euston Road London Lon NW1 3AW UK | <ul style="list-style-type: none"> • Standard Agenda items <ul style="list-style-type: none"> ○ <i>Review of Amended ROM</i> ○ <i>Consideration of legal text</i> ○ <i>Development and Completion of Workgroup Report</i> |

Action Table (as at 28 September 2017)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|--|----------------------------|----------------|
| 0701 | 27/07/17 | 2.0 | To produce a new cost estimate together with a ROM and Change Proposal. | Xoserve (DA) | Closed |
| 0801 | 24/08/17 | 2.0 | To provide clarification around the PMSOQ relationship to TPD Section G, paragraph 5.5.5(b) provisions. | Waters Wye Associates (GE) | Closed |
| 0802 | 24/08/17 | 2.0 | To investigate what Gazprom has provided to SGN in terms of its Modification 0390 information provision. | Gazprom (SM) | /Closed |
| 0901 | 28/09/17 | 3.0 | Xoserve DA to provide clarification with the ROM regarding the on-going costs for the Ratchet Charging process and interim approach. | Xoserve (DA) | Pending |
| 0902 | 28/09/17 | 5.0 | SGN, HC to provide more | SGN (HC) | Pending |

Action Table (as at 28 September 2017)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------------|---------------------|-------------------|--|--------------|----------------------|
| | | | data in relation to site consumptions pre and post Ratchet. | | |
| 0903 | 28/09/17 | 5.0 | SGN, HC to discuss internally to see if SOQs resulting from Ratchets were constrained and if the Customers exceeding capacity had a 'knock on effect'. | SGN (HC) | Pending |
| 0904 | 28/09/17 | 5.0 | SGN, HC to look at threshold crossers on the day the Ratchet occurred, and the associated impacts. | SGN (HC) | Pending |