

**UNC Workgroup 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 26 October 2017**

**at Elexon 4th Floor, 350 Euston Road, London, NW1 3AW**

**Attendees**

|                         |       |                          |
|-------------------------|-------|--------------------------|
| Andy Clasper            | (AC)  | Cadent                   |
| Andrew Margan           | (AM)  | Centrica                 |
| Angela Love             | (AL)  | Scottish Power           |
| Bob Fletcher (Chair)    | (BF)  | Joint Office             |
| Carl Whitehouse         | (CWh) | First Utility            |
| Charles Ruffell         | (CR)  | RWE                      |
| Chris Warner            | (CWa) | Cadent                   |
| Claire Towler           | (CT)  | SSE                      |
| Darren Lond             | (DL)  | National Grid            |
| David Addison           | (DA)  | Xoserve                  |
| David Mitchell          | (DM)  | SGN                      |
| David Reilly*           | (DR)  | Ofgem (UNC 0619/0619A)   |
| Emily Wells             | (EW)  | Corona Energy            |
| Frasier Mathieson       | (FM)  | SGN                      |
| Gareth Evans            | (GE)  | Waters Wye               |
| Hilary Chapman          | (HC)  | SGN                      |
| John Burke*             | (JB)  | Cadent (AOB only)        |
| John Welch              | (JW)  | npower                   |
| Jon Dixon               | (JD)  | Ofgem                    |
| Karen Visgarda          | (KV)  | Joint Office             |
| Kathryn Turner*         | (KT)  | Good Energy              |
| Kirsty Dudley           | (KD)  | E.ON                     |
| Kully Jones (Secretary) | (KJ)  | Joint Office             |
| Lorna Lewin             | (LL)  | DONG Energy              |
| Mark Jones*             | (MJ)  | SSE                      |
| Nicky Rozier*           | (NR)  | (BUUK)                   |
| Rachel Hinsley          | (RH)  | Xoserve                  |
| Richard Pomroy          | (RP)  | Wales and West Utilities |
| Shanna Key              | (SK)  | Northern Gas Networks    |
| Shardul Pandit*         | (SP)  | Wales and West Utilities |
| Steve Britton           | (SB)  | Cornwall Insight         |
| Steve Mulinganie        | (SM)  | Gazprom                  |
| Tim Hammond             | (TH)  | Corona Energy            |

\* *via teleconference*

Copies of all UNC meeting papers are available at: <https://www.gasgovernance.co.uk/0619/261017>  
The UNC Workgroup Report is due to be presented at the UNC Modification Panel by 21 December 2017

## **1.0 Review of Minutes (28 September 2017)**

The minutes of the previous meeting were approved subject to an amendment to correct the spelling of Shanna Key's surname which was mis-spelt as Shanna Kay.

## **2.0 Review Final Amended Modification 0619**

SM confirmed the modification was sufficiently developed and unlikely to change and he was aiming for completion of the Workgroup Report at the next meeting.

RP confirmed that there have been no changes since the last meeting other than a minor change to the legal text, although he would confirm if further changes were needed.

## **3.0 Review of Alternate Modification 0619A**

FM provided a summary of the changes made to the modification since the last meeting. In particular, he stated that the original proposal within the modification to restrict the charging regime to sites with an AQ of 732,000kWh and above has now been reduced to 73,200kWh and above. This change will protect customers below this threshold as it was never intended for the ratchet regime to apply to small consumers as they do not pose a significant risk to network management. In response to a concern raised by AM about the use of industry derived SOQ and the subsequent impact on consumers, FM confirmed that the modification addresses this concern for domestic and micro business customers in terms of not applying ratchet charges. He also added that this change to the modification would result for example in 5.82m of SGNs customers being protected who account for approximately 60% of consumption from the charging elements of the ratchet regime.

A general discussion then ensued regarding the rationale for changing the threshold and whether sufficient data analysis had been undertaken for the new figure to demonstrate it was fair. AM sought justification for why these customers are protected as it was not as clear to see the justification as with the previous higher threshold – how could the impact be demonstrated to ensure there was no undue discrimination?

HC confirmed that initial discussion with Xoserve had taken place in respect of how to handle PMSOQ invoicing which they were looking at applying from the following month. A pragmatic approach with minimal change is the desired solution. It is hoped that this information will be mapped for the next meeting.

**New Action 1001: Joint Office to request a ROM for Modification 0619A following confirmation the modification does not require further amendment.**

SM then sought confirmation of the SGN statement that had been provided to the Workgroup in order to provide an update in relation to safety case discussions with the HSE and as a clarification with regards the ratchet regime. He emphasised that previously Modifications 0571/0571A were proposed as constituting a change to the “adequate arrangements” set out in the SGN Safety Case and as such were withdrawn. He now sought confirmation how Modification 0619A does not constitute a change to the “adequate arrangements” yet the other Modifications do? HC and FM confirmed that this is the case, however they were not in a position to provide details of the Safety Case to the meeting.

A lively and protracted debate took place about the Safety Case issue. The key points of concern were in relation to:

- a. Lack of visibility of the Safety Case. Where there is a material impact can a modification proceed – what is the legal position? If Modification 0619 conflicts with

Safety Case can anything be done to move it forward in the absence of seeing the details of the Safety Case? BF confirmed that Safety Case concerns might be raised through a representation that would subsequently be considered by the Modification Panel who are likely to raise a specific question for investigation including the need for SGN seek clarity from HSE. Workgroup raised concerns that a 'Safety Case' could veto a modification from proceeding when this was a commercial agreement and parties had no visibility of the direct impacts.

- b. What Ofgem's position is with regard to the approval of a modification where this is might have a Safety Case impact? (AL). DR advised that Ofgem were a commercial regulator and unable to make a decision where these may have adverse impacts on a Transporters Safety Case.
- c. SGN stated that an authoritative opinion would be helpful in relation to modifications and safety costs. The AUGÉ modification does not have a safety case impact which is not helpful in this case. SM suggested that an impartial mediator should be used to provide an opinion and inform the discussion on the Safety Case.
- d. Issue about not being able to assess if alternative modification proposals impact a Transporters 'Safety Case' without sharing the details. The need for an impartial mediator (such as Ofgem) in these circumstances was discussed.
- e. BF asked if any other networks are concerned about the impacts on their Safety Case issue or is this issue bespoke to SGN? No other Transporters raised a concern.
- f. GE suggested that concerns could be articulated in a determination letter from Ofgem following discussions with SGN and HSE as in a previous examples.

In response to some of the issues raised above, clarification was sought of Ofgem's role and responsibilities in the context of the Transporters Safety Cases. SM also asked Ofgem if they were going to take up SGN offer to facilitate a bilateral discussion with HSE in relation to this issue. DR emphasised that it is an obligation on network operators to comply with HSE requirements and that Ofgem are not qualified to comment. In response to a comment from GE who stated that SGN were being asked to confirm whether a modification causes a conflict with their Safety Case, DR clarified that the consultation period provides an opportunity to raise any concerns. However, SGN consider that they are not in a position to support Modification 0619 because of the Safety Case impact. DR reiterated Ofgem's position in such a scenario where there is a Safety Case impact would be to seek more information from industry. He emphasised that Ofgem don't have the vires to make judgements on Safety Case issues.

#### 4.0 Completion of Workgroup Report

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

#### 5.0 Review of Actions Outstanding

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

**Update:** DA confirmed that provided the same level of ratchets received there would be no uplift. The scenario where there were more ratchets i.e. more DM sites Class 2 would explain a higher quote, so this action can now be closed. **Closed**

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

**Update:** HC confirmed that this has been dealt with in the modification proposal, so this action can now be closed. **Closed**

**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'.

**Update:** HC clarified that action was to clarify what action SGN undertake and this typically is to make contact with the site directly, so this action can be closed. **Closed**

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

**Update:** HC confirmed that this has been addressed in the modification and that it is measured on the day of ratchet and back dated to the point of ratchet occurring, so this action can be closed. **Closed**

## 6.0 Next Steps

BF confirmed that the proposer for Modification 0619A is going to formally submit amendments to the modification.

He also suggested that there might be the need for 1-2 meetings before submitting the final workgroup report in December.

## 7.0 AOB

None.

## 8.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

| Time/Date                       | Venue  | Workgroup Programme  |
|---------------------------------|--|--|
| 10:30 Thursday 23 November 2017 | Lansdowne Gate (Xoserve)<br>65 New Road<br>Solihull<br>B91 3DL | <ul style="list-style-type: none"> <li>• Standard Agenda items               <ul style="list-style-type: none"> <li>○ Review of Modifications 0619/A/B</li> <li>○ Consideration of legal text</li> <li>○ Development and Completion of Workgroup Report</li> </ul> </li> </ul> |

**Action Table (as at 26 October 2017)**

| Action Ref | Meeting Date | Minute Ref | Action   | Owner   | Status Update  |
|------------|--------------|------------|--|---------|----------------|
| 1001       | 26/10/17     | 3.0        | Joint Office to request a ROM for Modification 0619A following confirmation the modification does not require further amendment. | JO (BF) | <b>Pending</b> |