We discussed the options in length again and came up with the following options

1. Minimum SOQ (no lower than that derived by Class 3 &4)
2. Ratchets without penalties (speed of correction)
3. Ratchets with sliding penalties (only applies to larger customers)

Options	Benefits	Drawbacks
1. Apply a minimum SOQ as derived in Class 3&4	1. Approach is consistent with methodology used elsewhere 2. Simple 3. Concept of minimum SOQ has existed before	1. System changes may be needed to facilitate
2. Apply Ratchets without penalties	1. As MPRN's are daily read the correction would occur dynamically (little lag) 2. Simple	1. No penalties
3. Apply Ratchets with sliding penalties	1. Targets penalties	1. Proportionally risk is same for all customers 2. Will need to determine ranges for penalties

A concern remains that the Ratchet regime protects against "optimisation" i.e. under booking of the SOQ

However it is worth noting that Ratchets do not apply in the summer and thus if the Ratchet was to protect against optimisation we may expect to see wholesale under booking of SOQ during the summer as these customers are not seasonal users albeit there base loads may be impacted by ambient temperatures to a certain extent.

The fact that the Ratchet regime only operates in the winter clearly identifies its purpose as managing over utilisation of capacity when the system is more likely to be constrained and not addressing the risk of optimisation.

It is also worth noting that only sites whose AQ is greater than 2m therms per annum are mandated to be daily read (Class 1) and thus must fall within the scope of the Ratchet regime. All other sites can be non-daily metered were Ratchets do not apply.

If parties optimise the SOQ in Class 2 then the daily read requirement for such sites would mean any "benefit" would be effectively [1] day as the SOQ will always ratchet up to the actual SOQ

Any error arising out of the under booking of the SOQ would create issues in terms of balancing and imbalance risk and charges and ultimately the disconnect would be corrected at reconciliation