

Representation - Draft Modification Report UNC 0665

Changes to Ratchet Regime

Responses invited by: **5pm on 14 March 2019**

To: enquiries@gasgovernance.co.uk

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	14 March 2019
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

This modification will ensure an appropriate ratchet regime for Class 2 sites, reflecting the fact that the gas distribution networks are unconstrained after the drop in peak gas demand in recent years. Removal of this unnecessary barrier to sites transitioning to daily metered status will allow the market to take advantage of the rollout of smart meters into the market. The expected increase in the number of sites settled daily will significantly improve settlement accuracy, reducing Unidentified Gas. It will also minimise the level of sterilised capacity in the networks through cautious purchasing of capacity to avoid ratchet charges, reducing the level of unwanted investment.

We support the continuation of the current ratchet regime for the largest sites, and also for any sites identified by the GDNs as representing a significant risk to the network. This strikes an appropriate balance between protecting the network from unexpected increases in gas use, a manageable regime that shippers can operate, and minimising the deterrence to moving customers from Non-Daily Metered to Daily Metered status.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

The penal ratchet charges that a Class 2 customer may incur if they exceed their registered peak capacity is inhibiting the growth of the daily read regime in gas and preventing the benefits of more accurate settlement from these sites being realised. This barrier needs to be removed as soon as possible and certainly before the commencement of the 2019/2020 winter period.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

This modification will remove a barrier to our members utilising the existing daily read service and so no additional costs will be imposed. We expect that shippers will incur modest costs if they choose to move customers to Class 2 in monitoring SOQ demand, but this will be outweighed by the benefits of more accurate settlement. In addition more granular settlement of more sites will reduce UIG volatility. There will be a requirement to manage Class 1 SOQs, but we are confident the current proposals will make the number of customers affected manageable.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

ICoSS representatives have been closely involved in developing the legal text and we believe the legal text delivers the intent of the change.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

None

Please provide below any additional analysis or information to support your representation

We note that work to achieve a reformed ratchet that does not inhibit an increase in daily metering has taken over 3 years and numerous proposals. We hope that Ofgem will take this into account when it decides whether to implement this proposal.