

Representation - Draft Modification Report 0571/0571A

Application of Ratchet Charges to Class 1 Supply Points (and Class 2 with an AQ above 73,200kWhs)

Responses invited by: **5pm 24 January 2017**

To: enquiries@gasgovernance.co.uk

Representative:	Shanna Key
Organisation:	Northern Gas Networks
Date of Representation:	20/01/2017
Support or oppose implementation?	0571 - Oppose 0571A - Oppose
Alternate preference:	<i>If either 0571 or 0571A were to be implemented, which would be your preference?</i> 0571A
Relevant Objectives:	a) Negative d) Negative f) Negative

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

Northern Gas Networks believes that the current ratchets regime incentivise Shippers with relevant supply points to nominate realistic peak-day demands. This is important to Gas Distribution Networks (GDNs) for efficiently managing the physical system and for carrying out future demand estimation activities. GDN systems continue to operate with physical constraints in some geographic areas which require active management. Furthermore, under the RIIO incentives, GDNs have been reducing their bookings from the NTS which in turn releases this capacity to other direct NTS users. These lower NTS bookings mean that while in some areas there may be physical capacity in the pipeline, the GDN is not able to offtake unplanned increased capacity from the NTS.

After Project Nexus is implemented, the number of Class 1 sites will be a reduction from the current level of DM sites; therefore, near real time monitoring of larger loads will be for a smaller number of supply points. It will remain important for these larger loads in Class 2 to nominate appropriate and realistic SOQs in order to better facilitate network planning and day to day management. GDNs will not have direct access to Class 2 site data under the revised arrangements, and will therefore need to rely on nominated SOQs for demand signals that feed into our investment programmes.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

We agree that neither modification is subject to self-governance due to the material affect it will have on parties.

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

We believe that the modifications would need to be implemented no earlier than Project Nexus. As there would need to be a lead time for the necessary changes to be made to the central systems a firm timetable is not currently available.

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

Xoserve have provided a High Level Estimate of up £300k for delivery of changes to the central systems. Costs associated with local changes have not yet been assessed, but are not expected to be material.

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

We agree that the legal text provided meets the solution as set out in the Modifications.

Modification Panel Members have requested that the following question is addressed:

Q: Respondents are asked to provide views on who they believe should fund the central implementation costs.

Following the FGO review of Xoserve/Central Data Service Provider, changes to the central systems should be funded by the constituencies who stand to benefit the most from those changes.

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.*

N/A

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

N/A