

Supply Point Capacity BSSOQ and Supply Point ratchets

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What is the Bottom Stop Supply Point Capacity (BSSOQ)?

- ◆ UNC TPD G5.2.3
- ◆ ...the "Bottom-Stop" Supply Point Capacity in respect of a DM Supply Point Component is...the amount (the "Preceding Year Maximum Capacity") which is the highest User SPDQ for any Day (other than a Day in the months of June to September inclusive) in the Preceding Year..."

What is the Purpose of the BSSOQ?

– Pre 95/5 - Commodity Unit Rate

- ◆ Pre 95/5 (UNC Modification 0210) interruptible Supply Points not subject to Capacity charges
- ◆ Commodity charge **unit rate** for Firm Supply Points determined by Registered Capacity (the higher the Registered Capacity, the lower the **unit rate** charge)
- ◆ Interruptible Supply Points: incentive existed to overstate Registered Capacity to attract a lower **unit rate** charge
- ◆ Resolution:
 - ◆ The **unit rate** charge for Interruptible Supply Points is determined by the Bottom Stop Supply Point Capacity, and not the Registered Capacity
 - ◆ Formerly TPD B4.6.5, now part of transitional Interruption Regime in TD Part IIC 6.1.3
- ◆ Post 95/5, Interruptible Supply Points are subject to Capacity charges therefore the costs of overstating Registered Capacity outweigh any **unit rate** benefit in respect of commodity charges
- ◆ Conclusion: BSSOQ no longer required to determine **unit rate** for Commodity Charges where Registered Capacity is overstated

What is the Purpose of the BSSOQ?

– Registration of Insufficient Interruptible Capacity

- ◆ Prevents prospective registration of insufficient capacity at an Interruptible Supply Point.
 - ◆ Interruptible Supply Points not subject to Supply Point Ratchets
 - ◆ Equivalent incentive not required for Firm Supply Points due to application of Supply Point Ratchet
- ◆ Provides a 'lower limit'.
- ◆ Facilitates predictability of capacity charging (95% of transportation charges).
- ◆ Conclusion: removal of Interruptible Supply Points from 1 October 2011 will remove requirement to prevent understatement of Registered Capacity

Prospective Role of BSSOQ

- ◆ Current BSSOQ cycle can frustrate timely reduction of Registered Capacity where consumption is significantly reduced
- ◆ Original purposes of BSSOQ have been/will be removed:
 - ◆ Capacity charging at interruptible Supply Points has removed the incentive to overstate Registered Capacity
 - ◆ New DN Interruption regime (01/10/2011) removes Interruptible Supply Points and all Supply Points will therefore be subject to Supply Point Ratchets
 - ◆ Transitional application of Supply Point Ratchet to Firm Supply Points only in TD Part IIC 6.1.4

BSSOQ Proposal

- ◆ Remove BSSOQ from the UNC
 - ◆ No requirement to record in the Supply Point Register
 - ◆ No requirement to annually recalculate BSSOQ
 - ◆ Does not constrain Capacity Registration (peak daily load)

Supply Point Ratchet

- ◆ Occurs where daily offtake (UDQO) exceeds Registered Capacity
 - ◆ Where UDQO exceeds Registered Capacity the Registered Capacity will automatically increase to the UDQO value
 - ◆ Ratchet amount (UDQO-Registered Capacity) capacity charges levied at twice 'normal' rate
 - ◆ UNC TPD B4.7 / UNC TD Part IIC 6.1.4
- ◆ Applies for any Day between October and May inclusive
 - ◆ Logic is that capacity is more constrained in the winter period?

Supply Point Ratchet Proposal

- ◆ To incentivise appropriate behaviour year round
 - ◆ Supply Points subject to Supply Point Ratchets on any Day within the Gas Year