

# High Level Cost estimate (HLC)

for

## UNC Modification 0551 Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015

This Cost Estimate is Xoserve's response to the above Evaluation Service Request. The response is intended to support Networks involvement in the development of industry changes.

Should the request obtain approval for continuance then a Change Order must be raised for any further analysis / development.

<b>Network Lead:</b>	NA
<b>Network reference:</b>	NA
<b>Xoserve reference:</b>	NA
<b>Xoserve Lead:</b>	David Addison
<b>Document Author:</b>	Murray Thomson
<b>Evaluation Service Date Received:</b>	18 <sup>th</sup> August 2015
<b>Evaluation Service Date Provided:</b>	20 <sup>th</sup> August 2015

**Disclaimer:**

*This High Level Cost estimate has been prepared in good faith by Xoserve Limited but by its very nature is only able to contain indicative information and estimates (including without limitation those of time, resource and cost) based on the circumstances known to Xoserve at the time of its preparation. Xoserve accordingly makes no representations of accuracy or completeness and any representations as may be implied are expressly excluded (except always for fraudulent misrepresentation).*

*Where Xoserve becomes aware of any inaccuracies or omissions in, or updates required to, this Report it shall notify the Network Operators' Representative as soon as reasonably practicable but Xoserve shall have no liability in respect of any such inaccuracy or omission and any such liability as may be implied by law or otherwise is expressly excluded.*

*This Report does not, and is not intended to, create any contractual or other legal obligation on Xoserve.*

© 2015 Xoserve Ltd

All rights reserved.

**Change Driver / Origin:**

The introduction of Modification 0428 - Single Meter Supply Points has led to the creation of a large number of “new” single metered supply points and some of these will fall within scope of the Ratchet regime for winter 2015 / 16. UNC Modification 0551 proposes that affected consumers should be provided with a “soft landing” from ratchet charges for winter 2015 / 16 for those new individual meter supply points created as a result of the implementation of Modification 0428.

**Options:**

To ensure that UNC Modification 0428 disaggregated supply points do not incur Ratchet incentive charges as required by UNC Modification 0551, two options have been identified:

- Option 1 – Suppression of Ratchet charges.
- Option 2 – Adjustment of Ratchet charges.

Either option could be accompanied by SOQ changes.

**High Level Cost estimate & Timescales:**

*Note: High Level Cost estimate information is not based on any systems analysis and should be used with caution.*

High Level Cost estimates and timescale include EQR, BER, Development, User testing and Post implementation support for both options.

	Up to £20k	£20k to £100k	£100k to £300k	£300k to £500k	£500k to £1m	£1m +
Up to 3 months		X				
3 to 6 months						
6 to 12 months						
> 12 months						

*Note: durations are subject to Xserve resources and priorities at the time that documents are received*

Please note that anticipated costs are likely to be at the lower end of the £20k to £100k range

Monthly on-going costs for the period Oct-15 to May-16 for both Options are as follows: Between £100 to £1300 per month depending on solution Options (Option 1 being Low)

Additional Operational effort to perform the adjustment of Mod 428 ratchet charges - £90 to £150 per adjustment

**Funding assumptions:**

Development and ongoing costs for the period October 2015 to May 2016 relating to this change will be recovered via User Pays charges.

**Analysis****Assumptions:**

1. This 'Soft Landing' only refers to sites that have been disaggregated as part of Mod 0428.
2. Changes to the existing Ratchet datafix process may be required to ensure that the SOQ is corrected to reflect the new position.
3. DNs pre agree to suppression of all Disaggregated (Mod 428) ratchet charges.
4. Costs quoted include the 6% User pays uplift charge.

**Concerns:**

1. A soft landing may incentivise Shippers to not let SOQs rise and therefore cause operational issues as the volumes of ratchets rise.
2. The numbers of Ratchets would be manageable under normal or comparatively warm winters, however cold winters may cause issues with the capability of the current team being unable to process items within expected timescales.
3. There may be further solution options, however due to the time available for analysis it is not possible to perform this investigation.
4. Clarity is required regarding the User Pays charge arrangements, for example how the charges should be split.
5. Clarity is required regarding the treatment of SOQ.

**Impacts to Distribution Networks**

1. Ratchets may be referred to DNs to decide whether the Ratchet stands or not, it is expected that there will be an increase in these referrals.