Stage 01: Modification

At what stage is this document in the process?

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0551:

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

The disaggregation process under Modification 0428 has created "new" Single Metered Supply Points some of which will fall within scope of the Ratchet regime this Winter. This modification proposes to provide transitional protection for customers from Ratchet charges for Winter 2015/16.

The Proposer recommends that this modification should be:

- Issued to consultation

High Impact:
Shippers

Medium Impact:
None

Low Impact:
None

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About this document:

This modification will be presented by the proposer to the panel on 20 August 2015.

The panel will consider the proposer's recommendation and agree whether this modification should be:

- issued to consultation.

The Proposer recommends the following timetable:	
Modification issued for consultation	21 August 2015
Consultation Close-out for representations	11 September 2015
Final Modification Report produced for Panel	14 September 2015
UNC Modification Panel decision	17 September 2015 (short notice)

Any questions?

Contact:
Code Administrator
enquiries@gasgovernance.co.uk
0121 288 2107

Proposer:
Steve Mulinganie
Steve.mulinganie@gazprom-mt.com
0845 873 2284

Transporter:
Northern Gas Networks
jferguson@northerngas.co.uk
07883 099616

Systems Provider:
Xoserve
commercial.enquiries@xoserve.com

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1 Summary

Is this a Self-Governance Modification?

Self-Governance is not proposed as the changes in this modification relate to the application of Ratchet Charges and therefore potentially have a material impact on existing consumers.

Is this a Fast Track Self-Governance Modification?

This is not a Fast Track Self-Governance modification, as it is not proposing a house keeping change.

Why Change?

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.

Recognising that Modification 0428 has introduced a “step change” in market arrangements we believe 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.

For the avoidance of doubt we have waited until after the close out for amendments window under Modification 0428 to raise this proposal to avoid any risk of parties seeking to rely on this remedy when considering the information they submit under Modification 0428.

Solution

All single metered supply points created as a result of the implementation of Modification 0428 – Single Meter Supply Points would be exempt from Ratchet charges for winter 2015/16. As this is a Transitional proposal we would not propose changing the existing process but instead would see any Ratchet charges generated being supressed.

Relevant Objectives:

This modification has positive impact on Relevant Objective d) by allowing customers and shippers the benefit of a soft landing when booking capacity for a single supply meter point (where previously this had been part of an aggregation), appropriate warning would be given to the shipper and customer as to the potential impact of ratchets for the following year for any unintended error if the capacity is not accurately amended. This would provide accurate information of the site characteristics to the customer, incumbent shipper and any potential new shipper, therefore benefiting competition.

Implementation

No implementation time-scales are proposed. However, should Ofgem direct implementation of this modification due to its transitional nature and the limited time available prior to winter 2015/16, we would like to see the effects of this modification applying from 1st October 2015.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts are anticipated

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2 Why Change?

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.

Although not intrinsically linked the proposal was scheduled to be implemented in line with the Project Nexus Go Live date of October 2015. Under project Nexus supply points switching class into Class 1 or 2 are afforded a degree of protection from Ratchet charges. By rescheduling Nexus delivery to October 2016 this protection is no longer available for winter 2015.

Of the circa 90,000 MPRN’s affected by Modification a proportion will remain in scope of the ratchet regime for this winter. Despite the use of reasonable endeavours by both Shippers and Consumers to establish the correct capacity information many of these affected Meter Points have been aggregated for some time. In fact greater than 97% were being created before 2000. As such the ability to determine the correct capacity data for these complex configurations has not been straightforward.

As such and recognising that Modification 0428 has introduced a “step change” in market arrangements we believe consumers should be provided with a soft landing from ratchet charges for winter 2015.

For clarity we have waited until after the close out for amendments window under Modification 0428 to raise this proposal to avoid any risk of parties seeking to rely on this remedy when considering the information they submit under Modification 0428.

Current Process Overview

When a Shipper takes ownership of a supply point they must nominate a Daily Supply Point Offtake Quantity (SOQ), which must not be less than the Bottom Stop SOQ (BSSOQ), the maximum daily amount off-taken in the previous winter period. Should the User Daily Quantity Off-Take (UDQO) exceed the booked capacity, a ratchet will occur. The ratchet acts as both a commercial incentive as well as increasing the SOQ to the new peak off-take, subject to the provisional maximum SOQ for the Supply Point.

Ratchets are applicable to Daily Metered Supply Points, or the Daily Metered component within a mixed Supply Point.

Ratchet Calculation

In the case where the UDQO exceeds the DM SOQ, the difference is used to calculate the ratchet charge. UNC Section B4.7.6:

- The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:
    - (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge; and
    - (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge

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3 Solution

All single metered supply points created as a result of the implementation of Modification 0428 – Single Meter Supply Points would be exempt from Ratchet charges for winter 2015/16. As this is a Transitional proposal it is not proposed to change the existing process but instead would see any Ratchet charges generated being supressed for applicable Meter Supply Points.

The transitional arrangements in this modification would be applicable from 01 October 2015 and cease to be effective on 01 April 2016.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	This is a User Pays Modification as it amends an existing service for a transitional period.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	TBC
Proposed charge(s) for application of User Pays charges to Shippers.	TBC
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	TBC

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant	Positive

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shippers.	
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

By allowing customers and shippers the benefit of a soft landing when booking capacity for a single supply meter point (where previously this had been part of an aggregated Supply Point), appropriate warning would be given to the shipper and customer as to the potential impact of ratchets for the following year for any unintended error if the capacity is not accurately amended. This would provide accurate information of the site characteristics to the customer, incumbent shipper and any potential new shipper, therefore benefiting competition.

5 Implementation

No implementation time-scales are proposed. However, should Ofgem direct implementation of this modification due to its transitional nature and the limited time available prior to winter 2015/16, we would like to see the effects of this modification applying from 1st October 2015.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts have been identified or are anticipated should this modification be implemented.

7 Legal Text

Text

To be provided by Transporters.

8 Recommendation

The Proposer invites the Panel to:

- AGREE that this modification should be issued to consultation; and
- consider the Final Modification Report at short notice at the September 2015 Panel meeting.

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