

## Modification Proposal 619A

### Legal Drafting

#### Transportation Principal Document

##### Section B

Delete paragraph 4.7.1(b) and insert the following new paragraph 4.7.1(b) in its place:

- 4.7.1 Subject to paragraph 1.3.2, and paragraphs 4.7.8, 4.7.9 and 4.7.10 and 4.7.12 if for any reason:
- (a) in respect of a DM Supply Point (other than a Seasonal Large Supply Point) on any Day, other than a Day in the months of June to September inclusive, or
  - (b) in respect of a Seasonal Large Supply Point, on any Day, the quantity of gas offtaken by a User from the Total System at a DM Supply Point exceeds the User's Registered DM Supply Point Capacity (such occurrence being in each case a "**Supply Point Ratchet**"),

Then ~~in each such case~~:

- (i) the User's Registered DM Supply Point Capacity at that Supply Point shall automatically be increased with effect from the following Day in accordance with paragraph 4.7.3; and
- (ii) subject to paragraph 4.7.11, in the case of a Larger Supply Point the User shall pay a charge ("Supply Point Ratchet Charge") in respect of the Capacity Ratchet Amount in accordance with paragraph 4.7.6; and
- (iii) in the case of a Smaller Supply Point the User shall pay a Capacity Reconciliation Charge in accordance with Section G 5.1.19.

##### Section G

Insert the following new paragraph 5.1.13(e):

- (e) "Capacity Reconciliation Charge" or "CRC" is a charge determined in accordance with:
  - (i) paragraphs 5.1.15 to 5.1.18, in respect of a Capacity Revision Application which results in a decrease in Registered DM Supply Point Capacity; and
  - (i) paragraphs 5.1.19, in respect of a Supply Point Ratchet in relation to a Smaller Supply Point.

5.1.16 No CRC shall be payable by the User [pursuant to paragraph 5.1.14](#) in respect of any capacity which is in excess of the Registered DM Supply Point Capacity on the Gas Flow Day preceding the Initial Capacity Reduction.

5.1.17 Where, within a Gas Year:

- (a) a User has applied for and the Transporter has approved multiple Capacity Revision Applications reducing the Registered DM Supply Point Capacity, in the event of the Transporter approving a Capacity Revision Application increasing the Registered DM Supply Point Capacity [the CRC payable by the User pursuant to paragraph 5.1.14](#) shall be calculated on a daily basis in respect of each Gas Flow Day following the Initial Capacity Reduction until the Capacity Revision Application increasing the Registered DM Supply Point Capacity. Such daily CRC sums shall be aggregated. No CRC shall be payable [pursuant to paragraph 5.1.14](#) in respect of any Gas Flow Day on which the Registered DM Supply Point Capacity exceeds the increased Registered DM Supply Point Capacity.
- (b) a User applies for and the Transporter approves more than one Capacity Revision Application increasing the Registered DM Supply Point Capacity then on each increase the CRC shall be recalculated on a daily basis in respect of each Gas Flow Day following the Gas Flow Day on which the Initial Capacity Reduction occurred until the most recent Capacity Revision Application increasing the Registered DM Supply Point Capacity. Such daily CRC sums shall be aggregated and any payments already made by the User in respect of CRC for any Gas Days falling within such period shall be deducted from the revised amount due to the Transporter [pursuant to paragraph 5.1.14](#).

Insert the following new paragraphs 5.1.19 and 5.1.20

[5.1.19 In the event that a Supply Point Ratchet occurs in respect of a Smaller Supply Point, the Registered User will pay the Capacity Reconciliation Charge on receipt of an Ad-hoc Invoice in accordance with Section S.](#)

[5.1.20 The Capacity Reconciliation Charge in respect of a Supply Point Ratchet in relation to a Smaller Supply Point shall be calculated as set below.](#)

$$C = E * R * (L + D + Z) - V - W - X - Y$$

Where:

C is the Capacity Reconciliation Charge

- E is the number of days in the “Capacity Charge Reconciliation Period”, being the period which ends on the first Day of the calendar month immediately after the calendar month in which the Supply Point Ratchet occurred and which commences on the first Day of the current Gas Year or, if no Supply Point Registration was in force in respect of the Supply Meter Point comprised in the Supply Point on the first Day of such Gas Year, the Supply Point Registration Date occurring thereafter in respect of the Supply Point
- R is the Ratcheted Supply Point Capacity
- L is the Applicable Daily Rate of the LDZ Capacity Charge determined by reference to the Ratcheted Supply Point Capacity
- D is the Applicable Daily Rate of the Capacity Variable Component of LDZ Customer Charge determined by reference to the Ratcheted Supply Point Capacity
- Z is the LDZ Exit Capacity NTS (ECN) Charge (in pence per kWh/Day) for the relevant Exit Zone
- V is the total of the LDZ Capacity Charges (excluding any such charges attributable to any CRC), that have, or, as at the Day or the Supply Point Ratchet, are due to, become payable (whether paid or not) in relation to the Supply Point in respect of the Capacity Charge Reconciliation Period
- W is the total of the LDZ Exit Capacity NTS (ECN) Charges (excluding any such charges attributable to any CRC), that have, or, as at the Day or the Supply Point Ratchet, are due to, become payable (whether paid or not) in relation to the Supply Point in respect of the Capacity Charge Reconciliation Period
- X is the total of the Capacity Variable Component of the LDZ Customer Charge excluding any such charges attributable to any CRC that have, or, as at the Day or the Supply Point Ratchet, are due to, become payable (whether paid or not) in relation to the Supply Point in respect of the Capacity Charge Reconciliation Period
- Y is the total of any Capacity Reconciliation Charges in relation to the Supply Point that have, or, as at the Day or the Supply Point Ratchet, are to, become payable in respect of any period or periods occurring prior to the Capacity Charge Reconciliation Period but in the same Gas Year.

| In paragraph 5.5.5, after the words “DM Supply Point” insert the words “which is a Larger Supply Point”.

### **Legal Commentary**

Section B 4.7.1 has been amended to establish that where a Smaller Supply Point (a Supply Point with an AQ no greater than 73,200 kWh) is subject to a Supply Point Ratchet it will not be liable to Capacity Ratchet Charges, but instead a Supply Point Capacity Reconciliation Charge, covering both

the Recovery of Capacity Charge and the Capacity Reconciliation Charge described in the first two business rules of the Modification Proposal).

Section B4.7.4 has been amended so that the LDZ Exit Capacity NTS (ECN) Charge is not increased as result of a Supply Point Ratchet until the first day of the month following the Ratchet, so that this charge as it relates to the remainder of the month in which the ratchet occurred is not recovered twice, once through reconciliation and once in the normal way,. This change in text impacts on all DM Supply Points, not just ones which are Smaller Supply Points. If in fact at present increased LDZ Exit Capacity NTS (ECN) Charges apply from the day after the Supply Point Ratchet (in contrast to the LDZ Capacity Charge and the Capacity Variable Component of the LDZ Customer Charge, which are only revised at the end of the month) this change would be inappropriate and the formula for determining reconciliation charges would need to be adjusted so as to exclude LDZ Exit Capacity NTS (ECN) Charges for the balance of the month in which the ratchet occurs.

A definition of Capacity Reconciliation Charge is added to Section G5.1.13 to enable a distinction to be drawn between the way this charge is calculated for Smaller Supply Points which have been subject to a Supply Point Ratchet as described in the Modification Proposal and the calculation of the charge under existing provisions of the Code, which only applies if the same User makes both Capacity Revision Applications. New section G5.1.19 imposes an obligation on the Registered User of a Smaller Supply Point to pay the Capacity Reconciliation Charge if it is subject to a Supply Point Ratchet and section G1.1.20 provides for the calculation of the charge.

The Capacity Reconciliation Charge is the amount by which the Capacity Charges which would have been payable if the Ratcheted Supply Point Capacity had applied from the beginning of the Gas Year (or for a new Supply Point the Supply Point Registration Date) until the end of the month in which the Ratchet occurred exceed the amount of capacity charges that have already or will become due in respect of that period. The charge calculation takes into account any previous Capacity Reconciliation Charge paid in respect of the same gas year, which is not explicitly addressed by the Modification Proposal, but which is consistent with the concept of a reconciliation charge

Capacity Charges for the period between the Day of the ratchet and the end of the month are recovered as provided by the business rule on invoicing of excess capacity but through the Capacity Reconciliation Charge. The existing code processes and section B4.7.3 provide that the revised capacity charges only become payable with effect from the month following the ratchet. Charges for the ratcheted capacity in the months after the ratchet will be charged in the normal way under existing Code provisions.

Section G5.5.5 is amended so that, as provided by the fourth business rule, the requirement for the transporter to assess whether it is feasible for it to provide the ratcheted level of capacity does not apply in the case of Smaller Supply Points.