

Change Proposal

UNC Modification 619A Protection from ratchet charges for daily read customers with an AQ of 73,200 kWh and below

Mod Reference: 619A

CDSP Reference:

Document Stage	Version	Date	Author	Status
ROM Request / Change Proposal	v1	07-11-17	Steve Ganney	Draft
ROM Response	V2		Steve Ganney	Draft
Change Management Committee Outcome				Choose an item.
EQR				Choose an item.
Change Management Committee Outcome				Choose an item.
BER				Choose an item.
Change Management Committee Outcome				Choose an item.
CCR				Choose an item.
Change Management Committee Outcome				Choose an item.



Document Purpose

This document is intended to provide a single view of a change as it moves through the change journey. The document is constructed in a way that enables each section to build upon the details entered in the preceding section. The level of detail is built up in an incremental manner as the project progresses.

The template is aligned to the Change Management Procedures, as defined in the CDSP Service Document. The template is designed to remove the need for duplication of information. Where information is required in one section but has been previously captured in a previous section, the previous section will be referenced.

The summary table on the front page shows the history and the current status of the Change Proposal.

Section	Title	Responsibility			
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A1	Glossary of Key Terms	N/A			



Section 1: Proposed Change

This Proposal section has been drafted on Joint Office's behalf by Xoserve and any views expressed in them are the Proposer's (and not Xoserve's).

Originator Details			
Drafted (on Behalf of Joint	Steve Ganney	Contact Number	0121 623 2075
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Customer Shipper			
Class	□ National Grid Transmission		
	☐ Distribution Network Operator		
□ IGT			



Overview of proposed change

Change Details

The proposal seeks to restrict the charging element of the DM ratchet regime to customers with an AQ of 73,200kWh or above, therefore offering protection from ratchet charges for customers under this threshold who opt to become DM.

To assess optimal scope and rules for the MOD, costs for the following requirements are requested...

Requirements core to MOD 0619A (for which a single cost is required)

Suppress Ratchet Charges: Enable the industry to maintain an applicable AQ threshold for suppressing ratchet charges and for SMPs below that threshold do not apply charges to any Ratchets

Capacity Reconciliation (CRC) charges: For SMPs below the threshold for applying Ratchet charges apply CRC charges to capacity increases due to a Ratchet that follows a capacity reduction in the same gas year.

<u>Requirements potentially included in MOD 0619A</u> (for which incremental costs are required)

- 1. Add ECN charge type to those included in Ratchet charges
- 2. **Equitable Recovery of Capacity Charges:** Enable the industry to maintain an applicable AQ threshold for Equitable Recovery of Capacity Charges and for SMPs below that threshold recover capacity charges (at M+2) for all days between the effective date of Ratcheted SOQ and the end of the relevant billing month (inclusive).
- 3. **Capacity Ratchet Capping:** Enable the industry to maintain an applicable AQ threshold for suppressing Ratchet capping and at SMPs with an AQ below that threshold do not cap capacity increased imposed via a Ratchet.

Assumptions:

To avoid the scenario where the capacity of a SMP has been capped following a ratchet and continues to offtake above that level but ratchet charges are not applicable it assumed that...

- The prevailing AQ for suppressing Ratchet Charges (in an LDZ) will not be higher than the prevailing AQ set for suppressing Ratchet Capping and
- The same threshold AQ values above will apply to DNO SMPs, IGT SMPs and CSO SMPs.



The Proposer's Reason(s) for the proposed service change

Industry Developments:

Project Nexus has recently introduced four new SMP classes which market participants can select if they wish to provide more granular consumption (read) data into central systems. Classes 1 and 2 are subject to the DM regime that includes Ratchets.

The industry is rolling out Smart and Advanced metering across the entire market allowing Shippers, Suppliers and Customers ready access to more granular consumption information remotely, creating greater opportunities for Small SMPs to be classified as Class 2. As such these SMPs would be subject to the DM regime and would benefit from daily settlement, but would also be subject to Ratchet rules designed to apply to those SMPs that pose a significant risk to network management. It is widely agreed that it is not appropriate, nor the intention, for the full extent of the ratchet regime to apply to small consumers.

However, it is important that the existing regime is retained for those SMPs which, if capacity and consumption are not actively managed, are considered to potentially create some risk to network management procedures.

This proposal therefore seeks to exclude these customers from the charging elements of the regime. For the avoidance of doubt, it is the intention of this proposal that the re-setting of the Supply Offtake Quantity

(SOQ) is maintained for all customers, including those below the threshold.

Network Management Requirements:

The forecasting of demand is a critical network management activity. Robust empirical modelling enables the accurate forecasting of consumption for the majority of consumers with an AQ of 73,200kWh and below and this modelling can be validated to a high level of surety as the consumption is predominantly based on weather conditions. Contrastingly, the consumption of large sites with an AQ of 73,200kWh and above is predominantly based on customer behaviour and the commercial goals of the site in question. Such consumption cannot be modelled in an economically feasible way by the Transporter and there is a reliance on the Shipper making "all appropriate enquires of the consumer" and exercising "reasonable skill and care" in estimating the maximum offtake rate in accordance with UNC TPD Section G 5.3.3.

Uncertainty in forecasting rests in the DM market and in particular, in large DM sites. Therefore, obtaining appropriate market signals is essential as this directly affects the Transporter's ability to accurately forecast demand in the network.

Standard Condition A16 of the Transporter Licence requires Transporters to ensure that adequate arrangements are in place to satisfy "the peak aggregate daily demand which is likely to be exceeded only in 1 year out of 20 years". The existing methodology for satisfying this licence condition has been developed and applied on the basis of the ratchets regime being in place.

The booking of SOQs by Shippers is a key market indicator to inform Transporters of capacity requirements at any point in the network. This is especially important on single-fed lines such as those commonly seen on the Scottish distribution network.

Occurrences of Ratchets:

Data analysis (of ratchets on Scottish networks) suggests that the larger consuming sites continue to occasionally under-estimate their SOQs. Given that ratchets continue to occur at the level and frequency (as shown in the MOD), the proposer considers that it is appropriate to maintain the regime in relation to higher consuming sites, whilst offering protection to those smaller consuming sites which were not previously subject to the regime.

Status of related UNC Mod

At the time of writing this Change Proposal, the status of the Modification is "Allocated to Workgroup"

Full title of related UNC Mod

UNC Modification 0619A: Protection from ratchet charges for daily read customers with an AQ of 73,200 kWh and below



Benefits of change	See proposer reasons above.
Required Change Implementation Date	No formal timescales are proposed for implementation; however we would encourage implementation as soon as reasonably practicable in order to protect any smaller consumers whom may already have elected to become DM.
Please provide an assessment of the priority of this change from the perspective of the industry.	□High ☑Medium □Low Rationale for assessment:



Section 2: Initial Assessment / ROM Request / Change Proposal

Note: This ROM Request section has been drafted on Joint Office's behalf by Xoserve and any views expressed in them are the Proposer's (and not Xoserve's).

Service Level of Quote /	Evaluation Services			
Estimate Robustness Requested	□Initial Assessment			
•	⊠ROM estimate for Analysis and Delivery			
	CDSP Change Services			
	□Firm Quote for Analysis			
	□Firm Quote for both Analysis and Delivery			
Has any initial assessment	□Yes			
been performed in support of this change?	⊠No			
Is this considered to be a Priority Service Change?	⊠Yes (Mod Related)			
Thomy dervice change:	□Yes (Legislation Change Related)			
	□No			
Is this change considered to	⊠Yes (please mark the customer class(es) to whom this is restricted)			
relate to a 'restricted class' of customers?	□No			
	⊠Shippers			
	□National Grid Transmission			
	⊠Distribution Network Operators			
	⊠IGTs			
Is it anticipated that the change	□Yes (please give details)			
would have an adverse impact on customers of any other	⊠No			
customer classes?				
General Service Changes Only				
A) Customer view of impacted service area(s)				
CDSP Service Area 7.				
Note: The funding default percentages for CDSP Service Area 7 may not necessarily reflect the funding that may be agreed at The Change Management Committee.				
B) If the change is anticipated to require the creation of a new service area and service line please give further details stating proposed name of new service area and title of service line:				
NA				



Specific Service Changes Only: NA
Please detail the proposed methodology (or amendment to the existing methodology) for determining Specific Service Change Charges.
Please detail the proposed basis (that is, Charging Measure and Charging Period) for determining Specific Service Change Charges in respect of the Specific Service.
Impacts to UK-Link System or File Formats
Impacts UKL Manual Appendix 5b
Impacts to Gemini System
Please give any other relevant information.

Recipient	Email
Xoserve Portfolio Office	changeorders@xoserve.com
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk



Section 3: ROM Request Acceptance

Is there sufficient detail within the ROM Request to enable a ROM Analysis to be produced?	⊠Yes □No
If no, please define the additional details that are required.	

If the ROM Request is not accepted. Please forward this document to the Portfolio Office for onward transmission to the Change Management Committee



Section 4: ROM Analysis

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

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

Disclaimer:

This ROM Analysis 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).

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ROM Analysis

Change Impact

- DSC BCM Service Areas: Initial analysis indicates that the change will impact the generation of LDZ capacity charges and the maintenance of DM LDZ capacity as a result of a daily offtake exceeding the (aggregate) booked Supply Point capacity at a DM LDZ SMP, and consequently impact the following service areas...
 - 10% Service Area 1 Maintain Supply Point Register (if removal of the cap on relevant ratchets is included)
 - 90% Service Area 7 NTS Capacity, LDZ Capacity, Commodity Reconciliation, Adhoc Adjustments and Balancing Invoices
- **Optimisation:** The change will create capabilities to maintain parameters used in these processes to provide flexibility that will enable the industry to optimize the balance of risk and benefit.
- Capacity effective date: If the Equitable Recovery of Capacity Charge element is implemented the effective date of the Ratcheted SOQ for Capacity charging in Ratchet Notifications will change (to be the same as that for Commodity charges).
- A new charge type will be required for including ECN charges in Ratchet charges.
- Removing the cap on Ratchets could increase the number of SMPs with SHQ ratios greater than 24.
- **No retrospective capping:** Once a SMP's AQ increases above the relevant Threshold and capping at 16 times SHQ applies, the SMP's SOQ could already be above 16 times SHQ. There is no requirement to retrospectively impose a cap on a ratcheted SOQ.
- CSEP SMPs: The change will remove capping of Ratchets at Class2 LDZ CSEP SMPs with an AQ below the relevant AQ Threshold.



Change Costs (implementation)

- Requirements core to MOD 0619A: The solution to Suppress Ratchet Charges and apply Capacity Reconciliation (CRC) charges for Ratchets at SMPs with an AQ below the relevant AQ Threshold will cost at least £85,000, but probably not more than £140,000 to develop.
- The high end cost includes development of an additional interim operational solution that may be needed to bridge the gap from October 2018 to delivery of the enduring automated solution. Note: This accounts for only a portion of the difference between low and high end costs.
- Additional functional changes could be included for the following additional costs:
 - 1. Add ECN charge type: at least £30,000, but probably not more than £55,000
 - 2. Equitable Recovery of Capacity Charges: at least £35,000, but probably not more than £65,000
 - 3. Capacity Ratchet Capping: at least £30,000, but probably not more than £55,000

Change Costs (on-going)

Ratchet query management:

The cost of operational management of ratchet queries will depend on ratchet frequencies after MOD 619 is implemented.

Assuming historic ratchet query and resolution rates, ongoing costs to manage queries resulting from **100** ratchets would cost approximately **£650**.

Actual ongoing costs will vary from the above depending on...

- Changes in the size of the DM SMP population,
- Changes in capacity booking behaviour and the effect this has on ratchet frequencies,
- Shipper query behaviour in response to such ratchets.

Cost of operating an interim solution (if needed):

£12,000 to £24,000 for every 100 ratchets that would have incurred different charges under pre-MOD 619A rules.

Timescales:

The strategy adopted for Post Nexus change is a Release strategy (changes grouped and implemented together at a set date) and it is expected that this change would form part of a Release.

The desire for an implementation in time for the ratchet period starting in October 2018 is understood.

Whilst the change will be targeted at a release to achieve that aim, a target release ((or target release date) cannot be specified until a Change Proposal for delivery has been prioritised and agreed by the DSC Change Committee.

Note: Since ROMs are requested some way in advance of releases being scoped, costs quoted in a ROM are based on implementing the solution in isolation. When the change is implemented a portion of the relevant release costs will attributed to this change and in doing so reflect the costs from implementing the change as part of a release.

Assumptions:

To avoid the scenario where the capacity of a SMP has been capped following a ratchet and continues to offtake above that level but ratchet charges are not applicable it assumed that both suppressing Ratchet Charges and suppressing Ratchet Capping will apply to all LDZ SMPs (including those on IGT and CSO networks) below the relevant AQ Threshold.

Dependencies:	
None	



Constraints:
None
Observations:
None

Recipient	Email
Xoserve Portfolio Office	changeorders@xoserve.com
Requesting Party	As specified in ROM Request



Section 5: Change Proposal: Committee Outcome

The Change Proposal is approved. An EQR is requested		
Approved Change Proposal version		
The change proposal shall not proceed		
The committee votes to postpone its decision on the Change Proposal until a later meeting	Date of later meeting	
The committee requires the proposer to make updates to the Change Proposal:		
Updates required:		



Section 6: Evaluation Quotation Report (EQR): Change Proposal Rejection

Change Proposal Rejection				
	Yes		No	Is there sufficient detail within the Change Proposal to enable an EQR to be produced? If no, please provide further details below.
Furth	ner deta	ails red	quired:	

Recipient	Email
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk



Section 7: Evaluation Quotation Report (EQR): Notification of Delivery Date

Notification of EQR Delivery Date				
Original EQR delivery date:				
Revised EQR delivery date:				
Rationale for revision of delivery date:				

I	Recipient	Email	
ſ	Change Management Committee Secretary	dsccomms@gasgovernance.co.uk	



Section 8: Evaluation Quotation Report (EQR)

Project Manager		Contact Nu	mber	
		Email Addre	ess	
Project Lead		Contact Nu	mber	
		Email Addre	ess	
Please provide an	indicative assessmer	nt of the		
impact of the propo	osed change on: vice Description			
evaluation report'	cale for delivery of 'bu			
preparation This can be expres	Estimated cost of business evaluation report preparation This can be expressed as a range of costs i.e. 'at least £xx,xxx but probably not more than £xx,xxx'.			
change' assessme	ree with the 'Restrict nt (where provided)? ail provided in the Ch		□Yes □No (μ	please give detail below)
Does the CDSP ag	ree with the 'Adverse	Impact'	□Yes	
	ail provided in the Ch	ange	□No (Į	please give detail below)
T Topocal				
Change' assessme	Does the CDSP agree with the 'Priority Service Change' assessment (where provided)?			
Please refer to deta Proposal	Please refer to detail provided in the Change		□No (¡	please give detail below)
General service c				
Does the CDSP agree with the assessment made in the Change Proposal regarding impacted service areas?			□Yes □No (¡	please give detail below)
This should refer to	ould refer to whether the proposing party			



considers the service change to relate to an existing service area or whether is constitutes a new service area.	
Specific service changes	
Does the CDSP agree with the proposal made in the Change Proposal regarding specific change charges? This should refer to the proposed methodology (or amendment to existing methodology) for determining the specific service charges and the proposed basis for determining the specific service change charges.	□Yes □No (please give detail below)
Please provide a draft amendment of the Specific Service Change Charge Annex setting out the methodology for determining Specific Service Change Charges proposed in the Change Proposal	
EQR validity period:	

I	Recipient	Email	
ſ	Change Management Committee Secretary	dsccomms@gasgovernance.co.uk	



Section 9: Evaluation Quotation Report: Committee Outcome

The EQR is approved				
Approved EQR version				
The Change Proposal shall not proceed. The Change Proposal and this EQR shall lapse				
The committee votes to postpone its decision on the EQR until a later meeting			Date of later meeting	
The committee requires updates to the EQR:				
Updates required:				
General service changes only (The detail upon which the response with commented upon in the subsequent EC		pased is originally defined in the	e change proposa	l and potentially
1.) Does the committee agree with the assessment of the service area(s) to which the service line belongs and the weighting of the impact?	e	⊒ Yes ⊒No		
If no, please enter the agreed service area(s) and the weighting:				
Specific service changes only (The detail upon which the response windown potentially commented upon in the substitution of th	ill be b	pased is originally defined in the nt EQR)	e Change Proposa	al and
Please confirm the methodolog for the determination of Specific Service Change charges	у			
Please confirm the charging measure and charging period for the determination of Specific Service Change charges	for			



Section 10: Business Evaluation Report (BER)

Change Implementation Detail
1.) Detail changes required to the CDSP Service Description
2.) Detail modifications required to UK Link
3.) Detail changes required to appendix 5b of the UK Link Manual
4.) Detail impact on operating procedures and resources of the CDSP
5.) Implementation Plan
6.) Estimated implementation costs
6a.) How will the charging for the costs be allocated to different customer classes? (General Service Changes only)
Please mark % against each customer class:
National Grid Transmission
Distribution Network Operators and IGT's
DN Operator
IGT's
Shippers 100%
7.) Estimated impact of the service change on service charges
8.) Please detail any pre-requisite activities that must be completed by the customer prior to receiving or being able to request the service.
Implementation Options
Please provide details on any alternative solution/implementation options:
This should include: (i) a description of each Implementation Option;
(ii) the advantages and disadvantages of each option
(iii) the CDSP preferred Implementation Option



Restricted Class Changes only
Is there any change in the view of the CDSP on whether there would be an 'Adverse Impact' on customers outside the relevant customer class(es)?
□Yes (please give detail below)
□No
Dependencies:
Constraints:
Benefits:
Impacts:
Risks:



Assumptions:
Information Security:
Out of scope:
Out of scope.
Please provide any additional information relevant to the proposed service change:

Recipient	Email
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk



Section 11: Business Evaluation Report: Committee Outcome

The BER is approved and the change can proceed			
Modification Changes Only Please ensure that the Transporters are formally informed of the Target Implementation Date			
Approved BER version			
The change proposal shall not proceed and the BER shall lapse			
The committee votes to postpone its decision on the BER until a later meeting	Date of later meeting		
The committee requires updates to the BER:			
Updates required:			



Section 12: Change Completion Report (CCR)

Change Overview		
Please include detail on the following for the chosen implementation option: modifications to UKLink, impact on operating procedures and resources of the CDSP. Actions required of the customer prior to the commencement date		
Please detail any differences between the solution that	was implemented and what was defined in the BER.	
Detail the revised text of the CDSP Service Description	reflecting the change that has been made	
	· · · · · · · · · · · · · · · · · · ·	
Were there any revisions to the text of the UK Link Mar	nual?	
☐Yes (please insert the revised text of the UK Link ma	nual below)	
□No		
Proposed Commencement Date	Actual Commencement Date	
Please provide an explanation of any variance		
Please detail the main lessons learned from the project		



Service change costs			
Approved Costs (£)		Actual Costs (£)	
Reasons for variance b	between approved and actual cos	sts:	

Recipient	Email	
Change Management Committee Secretary	enquiries@gasgovernance.co.uk	



Section 13: Change Completion Report: Committee Outcome

The implementation is complete and the CCR is approved		
Approved CCR version		
The committee votes to postpone its decision on the CCR until a later meeting	Date of later meeting:	
The committee requires further information		
Further information required:		
The committee considers that the implementation is not complete		
Further action(s) required:		
The proposed changes to the CDSP Service Description or UK Link Manual are not correct		
Amendments to CDSP service description / UKLink man	nual required:	



Section 14: Document Template Version History

The purpose of this section is to keep a record of the changes to the overall version template and the individual sections within. It will be updated by the CDSP following approval of the template update by the Change Management Committee.

Version History:

Version	Status	Date	Author(s)	Summary of Changes	
1.0	Approved		CDSP	Version Approved by Change Committee	

--- END OF DOCUMENT ---



Appendix One: Glossary

Term	Definition		
Adverse Impact	A Service Change has or would have an Adverse Impact on Customers of a particular		
	Customer Class if:		
	(a) Implementing the Service Change would involve a modification of UK Link which		
	would conflict with the provision of existing Services for which such Customer Class is a Relevant Customer Class;		
	(b) the Service Change would involve the CDSP disclosing Confidential Information		
	relating to such Customers to Customers of another Customer Class or to Third Parties;		
	(c) Implementing the Service Change would conflict to a material extent with the		
	Implementation of another Service Change (for which such Customer Class is a		
	Relevant Customer Class) with an earlier Proposal Date and which remains Current,		
	unless the Service Change is a Priority Service Change which (under the Priority		
	Principles) takes priority over the other Proposed Service Change; or		
	(d) Implementing the Service Change would have an Adverse Interface Impact for such		
	Customers.		
General Service	A service provided under the DSC to Customers or Customers of a Customer Class on		
	a uniform basis.		
Non-Priority	A Service Change which is not a Priority Service Change		
Service Change			
Priority Service	A Modification Service Change;		
Change	or		
	A Service Change in respect of a Service which allows or facilitates compliance by a		
	Customer or Customers with Law or with any document designated for the purposes of		
	Section 173 of the Energy Act 2004 (including any such Law or document or change		
	thereto which has been announced but not yet made).		
Relevant	A Customer Class is a Relevant Customer Class in relation to a Service or a Service		
Customer class	Change where Service Charges made or to be made in respect of such Service, or the		
	Service subject to such Service Change, are or will be payable by Customers of that		
	Customer Class		
Restricted Class	Where, in relation to a Service Change, not all Customer Classes are Relevant		
Change	Customer Classes, the Service Change is a Restricted Class Change ;		
Service Change	A change to a Service provided under the DSC (not being an Additional Service),		
	including:		
	(i) the addition of a new Service or removal of an existing Service; and (ii) in the case of an existing Service, a change in any feature of the Service specified in		
	the CDSP Service Description,		
	and any related change to the CDSP Service Description		
Specific Service	A service (other than Additional Services) available under the DSC to all Customer or		
	Customers of a Customer Class but provided to a particular Customer only upon the		
	order of the Customer.		