

Modification Proposal 0619B

Legal Drafting

Transportation Principal Document

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

- (ii) subject to paragraph 4.7.11, the User shall pay a charge ("Supply Point Ratchet Charge") in respect of such exceedance the Capacity Ratchet Amount in accordance with paragraph 4.7.6.

Delete Section B paragraph 4.7.3 and insert the following new Section B paragraph 4.7.3 in its place:

- 4.7.3 Subject to Section G5.5.5, the increased amount (the "Ratchetted Supply Point Capacity") of the User's DM Registered Supply Point Capacity shall (save to the extent provided at paragraph 4.7.6) be the sum of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount

Delete Section B paragraph 4.7.4 and insert the following new Section B paragraph 4.7.4 in its place:

- 4.7.4 Notwithstanding paragraph 4.7.3, and unless the User's Registered Supply Point Capacity is increased other than pursuant to the Supply Point Ratchet, until the last Day of the calendar month in which the Supply Point Ratchet occurred:
 - (a) the LDZ Capacity Charge and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point; and
 - (b) the LDZ Exit Capacity NTS (ECN) Charge for the relevant Exit Zone, insofar as it is determined by reference to the Supply Point,shall all be determined on the basis of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet (and not on the basis of the Ratchetted Supply Point Capacity).

Delete Section B paragraph 4.7.6 and insert the following new Section B paragraph 4.7.6 in its place:

- 4.7.6 The Supply Point Ratchet Charge shall be calculated as set below, save that where the figure so determined is negative the Supply Point Ratchet Charge shall be zero.

$$C = 1.1 * E * R * (L + D + Z) - (H * (K + B + Z))$$

Where:

C is the Supply Point Ratchet Charge

E is the number of days in the relevant 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:

(a) in the case of a Seasonal Large Supply Point, the first Day of the current SLSP Annual Period;

(b) in the case of any other Supply Point the later of the First Supply Point Registration Date and 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 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

H is the User's Registered DM Supply Point Capacity on the Day on which the Supply Point Ratchet occurs

K is the Applicable Daily Rate of the LDZ Capacity Charge determined by reference to the Registered DM Supply Point Capacity on the Day on which the Supply Point Ratchet occurs

B is the Applicable Daily Rate of the LDZ Customer Charge (if any) determined by reference to the Registered DM Supply Point Capacity on the Day on which the Supply Point Ratchet occurs

And where, for the purposes of this paragraph 4.7.6, references to the Ratcheted Supply Point Capacity are references to what the Ratcheted Supply Point Capacity would have been as a consequence of the Supply Point Ratchet, were it not limited as a result of the application of Section G 5.5.5

In Annex S-1 to Section S, delete “and” at the end of paragraph 3(d); replace the full stop at the end of paragraph 3(e) with “; and”, and insert the following new paragraph 3(f):

(f) Supply Point Ratchet Charges – LDZ Exit Capacity NTS (ECN) Charge.

Insert the following new Section B paragraph 4.7.14

4.7.14 The Transporters shall publish each month report specifying, for each Shipper User, but without naming them:

- (a) the number of DM Supply Points of which that Shipper User was the Registered User at any point in the previous month ;
- (b) the number of Supply Point Ratchets occurring in respect of Supply Points on Days in that previous month on which the Shipper User was the Registered User of the Supply Point; and
- (c) the sum of the Capacity Ratchet Amounts in respect of such Supply Point Ratchets.

General Transition Document Part IIC – Transitional Rules

Insert the following new Section 1.1.10:

1.1.10 Section B paragraph 4.7.14 shall come into effect on the later of:

- (a) 1st October 2018; and
- (b) the date on which Modification Proposal 619B becomes effective.

Legal Commentary

The existing Section B4.7.6, which establishes the basis for calculating the Supply Point Capacity Ratchet Charge, is replaced by a new B4.7.6, which provides that the replacement Charge discounts the LDZ Capacity Charges, LDZ Customer Charges and LDZ Exit Capacity NTS (ECN) Charges attributable to the relevant Supply Point that will have accrued or will accrue in the Gas Year up to the point at which the ongoing Charges are increased due to the ratchet taking effect, based on the assumption that there has been no change in the capacity or status of the Supply Point earlier in the Gas Year. The formula at B4.7.6 applies a multiplier of 1.1 to the Ratchet Charge prior to the deduction of charges already paid. In contrast to the legal text for Mod 619, the Ratchet Charge as determined under the revised B4.7.6 is not capped by reference to the cap on the Ratcheted Supply Point Capacity that would otherwise apply due to G5.5.5. The definition of Ratcheted Supply Point Capacity at B4.7.3 is modified to take account of the change

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 it is consistent with the new way of calculating the Supply Point Ratchet Charge.

A minor change has been made to section B 4.7.1(b)(ii) to reflect the fact that B4.7.6 no longer applies the Supply Point Ratchet Charge directly to the Capacity Ratchet Amount.

For consistency a reference to the element of the Supply Point Ratchet Charges that is calculated by reference to underpaid LDZ Exit Capacity NTS (ECN) Charges is added to the Invoice Items specified in Annex S-1 to Section S as being specified in an LDZ Capacity Invoice.

A transitional document provision has been inserted to address the requirement that the monthly report “is to be created before the 2018 gas year”.

The proposer has indicated that it is not intended that this aspect of the Modification Proposal requires retrospective monthly reporting if the modification proposal is not implemented until after October 2018, so it must mean that the monthly reporting

requirement does not come into effect until October 2018 at the earliest: If the obligation to publish the report in respect of the previous month comes into effect on 1st October, the report must be compiled in the course of September, prior to the start of the 2018 Gas Year.

The Transitional Document text will not be required if the implementation date is after 1st October 2018.

The Transitional Document text could be avoided altogether if the Modification Proposal requested an implementation date of 1st October 2018 (but not earlier).