

Initial considerations for Workgroup - Issues related to Modifications 0571 and 0571A

The Modification does not appear to correct what is perceived to be two existing shortcomings in the ratchet regime which came to light during UNC Mod 0571 development, namely:

- The supply point ratchet charge is only concerned with the LDZ Capacity Charge and Capacity Variable Component of the Customer Charge. Notably, it does not seek to recover the NTS Exit Charge (“ECN”) - we previously noted that whilst this is a Transmission Cost, it is a Distribution Charge;
- Following a supply point ratchet, network charges for that supply point do not increase until the start of the following month, potentially allowing non-recoverable underpayment for up to 30 days.

The implementation of UNC Modification 0619 may increase the exposure of these shortcomings (and associated avoided charges) since it removes a disincentive to under-book supply point capacity. Any avoided network charges would be picked up by other Users.