

# UNC Modification 0551

**- Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015/16**

## Distribution Workgroup

4<sup>th</sup> September 2015

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**At Distribution Workgroup on 27<sup>th</sup> August 2015, Xoserve took the following actions:**

Action 0102: Xoserve (HC) to undertake data analysis regarding a suitable date start date for Ratchet charges to be commenced from.

| Date                         | MPRN count | Supply Point Count |
|------------------------------|------------|--------------------|
| 1 <sup>st</sup> January 2014 | 80,880     | 29,773             |
| 1 <sup>st</sup> April 2014   | 78,808     | 28,952             |
| 1 <sup>st</sup> October 2014 | 77,164     | 28,371             |
| 1 <sup>st</sup> January 2015 | 75,926     | 27,958             |
| 1 <sup>st</sup> June 2015    | 45,406     | 16,880             |

The above figures include DM and NDM Supply Meter Points

Action 0103: Xoserve (HC) to investigate the most appropriate and suitable Option to be adopted.

Option 1 – Suppression of Ratchet Charges,

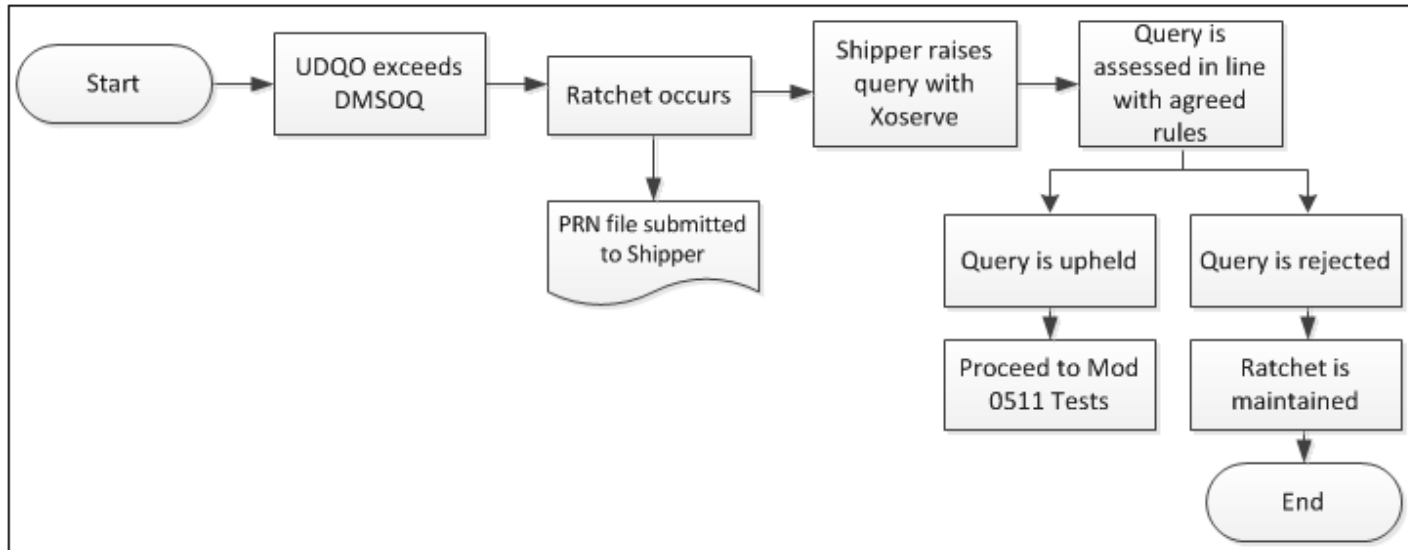
Option 2 – Adjustment of Ratchet Charges.

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# Proposed Solution



- Utilisation of existing processes
- For MPRNs which successfully meet the Modification 0551 criteria, the ratchet will occur, with the incentive charge being invoiced and payable as per the standard terms, with adjustment to follow
- The relevant SOQ increase will be maintained
- Shipper must submit query by D+5 (as per existing processes)
- Portfolio reports will be provided on a monthly basis to assist Shippers in identifying potential candidate MPRNs

Please note that the above process is illustrative only, and given the short timescales associated with its provision, has not necessarily been prepared in line with formal process modelling conventions.

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# Terms and Definitions

Xoserve have provided proposed Business Rules, in line with the proposed solution which has been developed.

For the purposes of this presentation, the following terms are utilised with the below definitions:

| <b>Term / Abbreviation</b> | <b>Definition</b>   |
|----------------------------|---|
| Candidate MPRN             | MPRN eligible for ratchet protection, subject to validation |
| SMP                        | Supply Meter Point  |
| DM                         | Daily Metered   |
| DMSOQ                      | Registered DM Supply Point Capacity                         |
| PMSOQ                      | Provisional Maximum Supply Point Capacity                   |
| UDQO                       | User's Daily Quantity Off-taken                             |
| BSSOQ                      | Bottom Stop Supply Point Capacity                           |

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# Proposed Business Rules Review

## BR1:

- A Candidate MPRN is any DM Supply Meter Point which comprised part of an aggregated configuration as at X date and which was subsequently disaggregated under UNC Mod 0428 requirements and remained as DM.
- Excludes any SMP confirmed as DM after X date which did not previously comprise part of an aggregated configuration.
- Applicable to Winter 2015/2016 only
- NDMs are excluded

## BR2:

- Candidate MPRNs will be subject to two tests, both measured using the combined UDQO of the disaggregated DM SMPs:
  - Against the previously registered aggregated SOQ, and
  - Against the combined registered SOQ of the newly disaggregated SMPs.
- If the combined UDQO is lower than the greater of the two figures, relief from the ratchet incentive charge will be provided.

## BR3:

- Relief from ratchets will constitute exemption (through retrospective adjustment) of the ratchet incentive charge, but the consequent SOQ increase will be retained.

While the above is provided as a summary of the proposed rules, all parties should satisfy themselves that the proposed rules are acceptable to their own organisation, at their own risk. The above are guidance only and no warranty of accuracy of the above information and terms or acceptability of the guidance or rules is provided by Xoserve.

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# Proposed Business Rules Review - cont.

## BR4 & 5:

- Ratchets will continue to be applied on an individual SMP basis, as per existing processes.
- Shippers must raise a query with Xoserve upon receipt of the ratchet notification in order to be eligible for relief.

## BR6:

- Relief from ratchets will not be provided if the combined UDQO exceeds the values defined in BR2.

## BR7:

- Any SOQ reductions will cease the MPRN from being a candidate for relief.
- All MPRNs in single Shipper ownership – all excluded
- MPRNs owned by different Shippers – only reductions applicable to an MPRN within a given Shipper's ownership will trigger exclusion from relief.

## BR8:

- Relief from ratchets is only provided for a period of 30 business days following notification of the first ratchet, following which Modification 0551 rules will not apply to the same MPRN.

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# Example Scenario 1

| Supply Meter Points                  | A   | B  |
|--------------------------------------|-----|----|
| Previous Aggregated Supply Point SOQ | 100 |    |
| Previous individual Meter Point SOQ  | 70  | 30 |
| Individual disaggregated SOQs        | 80  | 40 |
| Total disaggregated SOQ              | 120 |    |

| SMP UDQOs exceed the DM SMP SOQ<br>Relief from ratchet incentive charge <u>is</u> provided |   |    |
|--|---|----|
| Example UDQO   | 90  | 25 |
| Combined UDQO  | 115   |    |
| Test 1: failed   | Combined UDQO (115) <u>is greater than</u> the previous aggregated Supply Point SOQ (120) |    |
| Test 2: passed   | Combined UDQO (115) <u>is less than</u> the total disaggregated SOQ (120)                 |    |

The above scenarios are examples only, and all parties should satisfy themselves that the proposed rules and consequent scenarios are acceptable to their own organisation, at their own risk. The above are guidance only and no warranty of accuracy of the above information or acceptability of the rules or scenarios is provided by Xoserve.

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# Example Scenario 2

| Supply Meter Points                  | A   | B  |
|--------------------------------------|-----|----|
| Previous Aggregated Supply Point SOQ | 100 |    |
| Previous individual Meter Point SOQ  | 70  | 30 |
| Individual disaggregated SOQs        | 80  | 40 |
| Total disaggregated SOQ              | 120 |    |

| SMP UDQOs exceed the DM SMP SOQ<br>Relief from ratchet incentive charge <u>is not</u> provided |   |    |
|--|---|----|
| Example UDQO   | 95  | 45 |
| Combined UDQO  | 130   |    |
| Test 1: failed   | Combined UDQO (130) <u>is greater than</u> the previous aggregated Supply Point SOQ (120) |    |
| Test 2: passed   | Combined UDQO (130) <u>is greater than</u> the total disaggregated SOQ (120)              |    |

The above scenarios are examples only, and all parties should satisfy themselves that the proposed rules and consequent scenarios are acceptable to their own organisation, at their own risk. The above are guidance only and no warranty of accuracy of the above information or acceptability of the rules or scenarios is provided by Xoserve.

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# User Pays Arrangements

The Modification is proposed as User Pays

Suggested arrangements for discussion:

- Development costs charged on portfolio share at the point the candidate MPRN snapshot is taken?
- Ongoing costs on a transactional basis based on queries submitted, irrespective of outcome?

Xoserve provided the following HLC to UNC Modification Panel on 20<sup>th</sup> August\* and will confirm whether the estimated ranges still apply.

|                | Up to £20k | £20k to £100k | £100k to £300k | £300k to £500k | £500k to £1m | £1m + |
|----------------|------------|---------------|----------------|----------------|--------------|-------|
| Up to 3 months |            | X             |                |                |              |       |
| 3 to 6 months  |            |               |                |                |              |       |
| 6 to 12 months |            |               |                |                |              |       |
| > 12 months    |            |               |                |                |              |       |

*Note: durations are subject to Xoserve resources and priorities at the time that documents are received*

Please note that anticipated costs are likely to be at the lower end of the £20k to £100k range

Monthly on-going costs for the period Oct-15 to May-16 for both Options are as follows: Between £100 to £1300 per month depending on solution Options (Option 1 being Low)

Additional Operational effort to perform the adjustment of Mod 428 ratchet charges - £90 to £150 per adjustment

\* <http://www.gasgovernance.co.uk/panel/200815>

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# Any Questions?

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