Stage 04: Final Modification Report

At what stage is this document in the process?

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0551:

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

The disaggregation process under Modification 0428 has created "new" Single Metered Supply Points some of which will fall within scope of the Ratchet regime this Winter. This modification proposes to provide transitional protection for customers from Ratchet charges for Winter 2015/16.

	The Panel recommends implementation
	High Impact: Shippers
	Medium Impact: None
	Low Impact: None

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About this document:

This Final Modification Report was reconsidered by the Panel on 18 February 2016.

[The Panel determined that this modification should be implemented.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.]

The Workgroup recommends the following timetable:

Initial consideration by Workgroup	27 August 2015
Amended Modification considered by Workgroup	24 September 2015
Workgroup Report presented to Panel	15 October 2015
Draft Modification Report issued for consultation	15 October 2015
Consultation Close-out for representations	05 November 2015
Final Modification Report produced for Panel	06 November 2015
UNC Modification Panel decision	19 November 2015
UNC Modification Panel consideration of send back letter	21 January 2016
Consideration of send back criteria by Workgroup	28 January 2016
Supplemental Workgroup Report presented to Panel	18 February 2016
UNC Modification Panel to confirm its decision	18 February 2016

Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have material effect on gas consumers. The changes in this modification relate to the application of ratchet charges and therefore potentially have a material impact on existing consumers.
The Workgroup agreed with the Modification Panel that this modification is not a self-governance modification as it is likely to have a material impact on consumers.

Why Change?

The introduction of Modification 0428 - Single Meter Supply Points has led to the creation of a large number of "new" single metered supply points and some of these will fall within scope of the Ratchet regime for winter 2015/16.

Recognising that Modification 0428 has introduced a "step change" in market arrangements we believe affected consumers should be provided with a "soft landing" from ratchet charges for winter 2015/16 for those new individual meter supply points created as a result of the implementation of Modification 0428.

For the avoidance of doubt we have waited until after the close out for amendments window under Modification 0428 to raise this proposal to avoid any risk of parties seeking to rely on this remedy when considering the information they submit under Modification 0428.

Solution

All single metered supply points created as a result of the implementation of Modification 0428 – Single Meter Supply Points would be exempt from Ratchet charges for winter 2015/16.

As this is a Transitional proposal we would not propose changing the existing process but instead would see any Ratchet charges generated being retrospectively adjusted.

For the avoidance of doubt and to protect against unreasonable offtake the relief is subject to a cap, which is set out in Business Rule 2 below but which effectively limits relief.

Relevant Objectives:

This modification has positive impact on Relevant Objective d) by allowing customers and shippers the benefit of a soft landing when booking capacity for a single supply meter point (where previously this had been part of an aggregation), appropriate warning would be given to the shipper and customer as to the potential impact of ratchets for the following year for any unintended error if the capacity is not accurately amended. This would provide accurate information of the site characteristics to the customer, incumbent shipper and any potential new shipper, therefore benefiting competition.

Implementation

No implementation time-scales are proposed. However, should Ofgem direct implementation of this modification due to its transitional nature and the limited time available prior to winter 2015/16, we would like to see the effects of this modification applying from 1st October 2015.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts are anticipated.

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2 Why Change?

The introduction of Modification 0428 - Single Meter Supply Points has led to the creation of a large number of “new” single metered supply points and some of these will fall within scope of the Ratchet regime for winter 2015/16.

Although not intrinsically linked the proposal was scheduled to be implemented in line with the Project Nexus Go Live date of October 2015. Under project Nexus supply points switching class into Class 1 or 2 are afforded a degree of protection from Ratchet charges. By rescheduling Nexus delivery to October 2016 this protection is no longer available for winter 2015/16.

Of the circa 90,000 MPRN’s affected by Modification a proportion will remain in scope of the ratchet regime for this winter. Despite the use of reasonable endeavours by both Shippers and Consumers to establish the correct capacity information many of these affected Meter Points have been aggregated for some time (In fact greater than 97% were being created before 2000) and are part of complex downstream interconnected networks. As such the ability to determine the correct capacity data for each disaggregated meter has been challenging. Finally some customers have not been actively engaged in the process and have thus become subject to Xoserve determining the details of the de-aggregation.

As such and recognising that Modification 0428 has introduced a “step change” in market arrangements we believe consumers should be provided with a “soft landing” from ratchet charges for winter 2015/16.

For clarity we have waited until after the close out for amendments window under Modification 0428 to raise this proposal to avoid any risk of parties seeking to rely on this remedy when considering the information they submit under Modification 0428.

For the avoidance of doubt and to protect against unreasonable offtake the relief is subject to a cap, which is set out in below but which effectively limits relief.

What is a Ratchet?

Put simply a ratchet is a commercial penalty charge applied to any daily metered meter which during the Winter Period (October to May) exceeds its agreed Daily Capacity (SOQ). This commercial penalty exists to deter parties from setting their daily capacity requirements below what is actually needed during the winter when demand is at its highest.

Current Process Overview

When a Shipper takes ownership of a supply point they must nominate a Daily Supply Point Offtake Quantity (SOQ), which must not be less than the Bottom Stop SOQ (BSSOQ), the maximum daily amount off-taken in the previous winter period. Should the User Daily Quantity Off-Take (UDQO) exceed the booked capacity, a ratchet will occur. The ratchet acts as both a commercial incentive as well as increasing the SOQ to the new peak off-take, subject to the provisional maximum SOQ for the Supply Point.

Ratchets are applicable to Daily Metered Supply Points, or the Daily Metered component within a mixed Supply Point.

Ratchet Calculation

In the case where the UDQO exceeds the DM SOQ, the difference is used to calculate the ratchet charge. UNC Section B4.7.6:

- The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:

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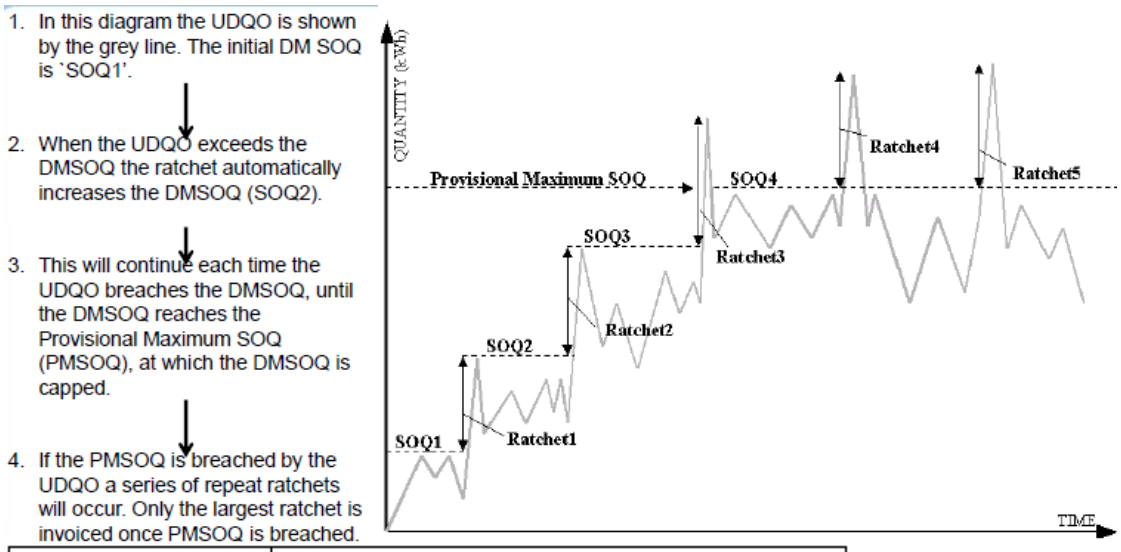
- (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge; and
- (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge



Abbreviation	Definition
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

3 Solution

All single metered supply points created as a result of the implementation of Modification 0428 – Single Meter Supply Points would be exempt from Ratchet charges for winter 2015/16. For the avoidance of doubt and to protect against excessive offtake the relief is subject to a cap which is set out in Business Rule 2 below but which effectively caps relief.

As this is a Transitional proposal it is not proposed to change the existing process but instead would see any Ratchet charges generated being refunded for the applicable Meter Supply Points.

The transitional arrangements in this modification would be applicable to eligible MPRNs subject to a ratchet within the period 01 October 2015 to 31st May 2016.

Any Multi Metered Supply Point that existed as at the 1st October 2014 and which was subsequently reconfirmed as a Daily Metered Single Metered Supply Point are in scope of this proposal and subject to Business Rule 2 would be exempt from Ratchet Charges for Winter 2015/16

The relief from ratchet charges is applicable to Daily Metered (DM) [2] Supply Points where the registered Supply Point Capacity for the 'new' DM Supply Point is exceeded but the **total registered Supply Point Capacity** following the ratchet for all disaggregated DM Supply Points relevant to the site is not higher than the previous aggregated Supply Point Capacity for the DM component as at 1st October 2014 '."

Business Rules

Business Rule 1

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A Candidate MPRN is any DM Supply Meter Point, which comprised part of an aggregated configuration as at 1st October 2014 and which was subsequently disaggregated under UNC Modification 0428 requirements and remained as DM.

Excludes any SMP confirmed as DM after 1st October 2014, which did not previously comprise part of an aggregated configuration.

•Applicable to Winter 2015/2016 only

•NDMs are excluded

Business Rule 2:

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.

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

Business Rule 3:

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

Business Rule 4:

Xoserve will identify those SMP's that qualify for exemption and will notify the Shipper accordingly as per current process to enable the relevant Shipper to raise a valid query with Xoserve within the relevant window.

Shippers must raise a valid query with Xoserve within the prevailing process and associated deadline in order to be eligible for relief.

Business Rule 5:

Ratchets will continue to be applied on an individual SMP basis, as per existing processes.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	This is a User Pays Modification as it amends an existing service for a transitional period.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	100% to Shipper Users with a DM portfolio as this service impacts DM Supply points.
Proposed charge(s) for application of User Pays charges to Shippers.	Minor development costs would be incurred to develop the DM ratchet report. On going transactional costs associated with running the report and notifying impacted Shipper Users.
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	TBC

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4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

By allowing customers and Shippers with relevant DM supply points the benefit of a soft landing (that is, an exemption from Ratchet Charges for the coming winter period) for a single supply meter point where previously this had been part of an aggregated Supply Point, appropriate notice would be provided to the Shipper and customer as to the potential impact of ratchets for the following year if the capacity requirement is not accurately recorded. Experience and data acquired during this period would provide accurate information of the site characteristics to the customer, incumbent Shipper and any potential new Shipper, increasing the accuracy of future capacity information resulting in more-accurate transportation charges. This benefits competition, furthering Relevant Objective d).

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5 Implementation

No implementation time-scales are proposed. However, should Ofgem direct implementation of this modification due to its transitional nature and the limited time available prior to winter 2015/16, the Proposer would like to see the effects of this modification applying from 01 October 2015.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts have been identified or are anticipated should this modification be implemented.

There was an assumption that all queries would need to be raised within the 5 day query window and that it may not be possible for Shipper Users to do so. However, the process developed allows for queries to be raised outside this window.

7 Legal Text

Text Commentary

Commentary has been published alongside this report.

Text

Text has been prepared by Northern Gas Networks and has been published alongside this report.

8 Consultation Responses

Of the 15 representations received 11 supported implementation, 2 offered qualified support, and 2 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	d) positive	• Provides a level of protection for customers that could be adversely affected due to disaggregation under Modification 0428. • Early implementation would provide certainty to the process.
Corona Energy	Support	d) positive	• Supply Points that have been recently disaggregated as a result of Modification 0428 will, unless they have kept detailed daily meter reading information for each meter, have very little information on which to base their new peak capacity requirements. Without this information customers will either submit a peak capacity value which will be too high (resulting in

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			sterilised capacity and causing errors in demand forecasting) or set it too low and exposed to ratchet charges. • With the difficulties of splitting expected demand among disaggregated meters, Corona felt it is unfair to penalise customers by levying ratchet charges during a period where the focus should be on establishing new/revised offtake patterns for new individual meter points. • It is reasonable to allow these customers to have sufficient time to gain a comprehensive set of meter readings to allow an accurate SOQ to be derived without paying crippling penalty charges. As a minimum, ratchet charges should not apply to such sites for winter 15/16 and consideration should also be given for a longer period, possibly into winter 16/17 to ensure an accurate picture of site consumption can be gained. • The modification should apply to all sites that may incur ratchet charges this winter as a result of disaggregation, and should apply from 1 October 2015. • The modification will reduce operating costs, as firstly it will reduce the amount of work that each SOQ submission for a customer entails and secondly will reduce the likelihood of a ratchet charge being incurred and so reduce the resulting administration of such a breach. • Clarification was sought on how ratchet charges would be refunded.
E.ON	Support	d) positive	• Ratchet charges are used to incentivise customers to book the correct capacity at a site, so that the networks have an accurate forecast of required capacity and can manage demand. • Modification 0428 was not introduced to address any concerns that aggregated customers were underestimating their overall site's capacity needs (causing problems for the networks), but to facilitate the replacement of UK Link Systems which required a single meter to be associated to a supply point. • This modification addresses customer concerns that for previously aggregated sites, while they have taken reasonable steps to break down the capacity requirements at a meter point level for the first time, historic information may be unreliable in helping a customer accurately predict their future meter point

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			level capacity requirements. • It offers a time-limited safety net for customers whose overall capacity hasn't changed post disaggregation, but may have been inaccurately apportioned across their meter points following the disaggregation. This is a sensible short-term safeguard to protect customers from an unintentional penalty where overall capacity remains unchanged.
Eni Trading	Support	d) positive	• The objective of the modification provides protection for consumers following the disaggregation exercise. The soft landing provided would allow consumers sufficient time to ensure loads are accurately specified at individual meter points and provide protection for the coming winter for any meter point that has been disaggregated by the Transporter where the loads have not been specified by the consumer.
Gazprom	Support	d) positive	• Will provide an adequate level of protection (soft landing) from Ratchet charges for this winter only for customers being disaggregated under modification 0428. • In response to the modification introducing a degree of retrospection, Gazprom believed it was prudent for the soft landing to be fair and effective to cover the whole of this year's winter period.
GDF SUEZ Solutions Ltd	Support	d) positive	• The relief offered is temporary in nature, and is reasonable given the data available on previous configurations and the modification offers protection against any possible gaming.
Major Energy Users Council (MEUC)	Support	d) positive	• MEUC are already seeing members adversely affected by disaggregation. Until historical data is available to confirm actual AQ and SOQ no penalties should be applied, as this would be an unintended consequence of the original modification.
National Grid Distribution (NGD)	Qualified Support	d) positive	• NGD believe the measures identified within the modification to be reasonable in that they provide a practical, time limited solution to any adverse financial effects impacting on Shipper Users, which may be associated with the implementation of UNC Modification 0428. • The qualification is founded on the position that this modification would if implemented have an element of retrospection given that the proposed relief from Supply Point ratchet charges would apply from 1st October

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			2015. They note that Ofgem has previously expressed its concern regarding such effects although they recognise the process timing challenges faced by the proposer and the time taken for modification assessment. • Notwithstanding the substantial notice period given to parties regarding the disaggregation arrangements under Modification 0428, NGD have some sympathy with the comments in the modification concerning complexities and challenges faced by Shipper Users and their interactions with customers, particularly where aggregated arrangements have been established for some time. They also accept that there was some uncertainty in the industry created with the deferral of the Project Nexus Implementation Date to 1st October 2016 although the contractual definitions in UNC were clear. In this respect they note Ofgem's letter in May 2015, which sought to add clarification with regard to their expectations regarding implementation of Modification 0428.
Northern Gas Networks	Comments	d) positive	• Will provide a 'soft landing' for Shipper Users subject to ratchet charges following disaggregation of their previously collective Multi-Meter Supply Points as a consequence of the implementation of Modification 0428. • While NGN are sympathetic to the complexities of many long-standing downstream arrangements, Modification 0428 was determined for implementation in July 2013 and implemented on 1 April 2014, giving more than two years notice for Shippers to liaise with their customers to discuss disaggregation arrangements. Modification 0428 was developed with such a lead-time precisely to allow Shippers a reasonable amount of time to plan for disaggregation. • Appreciate that this modification is an attempt to provide a reasonable, time-limited solution to the situation some customers find themselves in currently and the development of the solution has been inclusive and amenable to the concerns of other industry parties. • Due to the additional development time this modification required it has now acquired an element of retrospection due to the ratchet charge relief starting on 1 October 2015. Previously Ofgem has expressed concern regarding Modifications that introduce retrospective elements and this will have to be balanced against the proposed benefits.

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			• Implementation could have an impact on competition, benefiting customers who have failed to disaggregate before the ratchet charges occur.
RWE npower	Support	d) positive	• Allows customers and Shippers with relevant DM supply points the benefit of a soft landing for a single supply meter point where previously this had been part of an aggregated Supply Point. This modification will allow appropriate notice to be provided to the Shipper and customer as to the potential impact of ratchets for the following year if the capacity requirement is not accurately recorded. • The ratchet charges will incentivise customers to book the correct capacity at a site and will also allow the network to book the required capacity and manage demand. • Modification 0428 Single Meter Supply Points has led to the creation of a large number of "new" single metered supply points and some of these will fall within scope of the Ratchet regime for winter 2015/16. This modification will offer a time-limited safety net for customers whose overall capacity hasn't changed post disaggregation, but may have been inaccurately apportioned across their meter points following the disaggregation. • Agree that the implementation date for this modification should be the 1st October 2015
Scotia Gas Networks (SGN)	Comments	d) positive	• SGN is sympathetic towards the intentions of this modification, however they are mindful that Modification 0428 was implemented on the 1st April 2014 with the intention of disaggregating all supply points 3 months prior to the original Project Nexus go live date of 1st October 2015. • The introduction of this modification could mean that those customers who followed the process of disaggregating their sites prior to the delay of Project Nexus could now be penalised unintentionally by this modification, as they will not be afforded the same protection from ratchets that this modification intends to introduce. • SGN are mindful that large sites will be Daily Metered and will most likely have an account manager who will be able to work out the SOQ of the site. This should mean that an accurate SOQ for the supply point can be achieved thus avoiding ratchet charges altogether. • SGN acknowledges that the proposer of the

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			modification has afforded a degree of protection to networks by stipulating that sites that exceed their previous aggregated capacity will be liable for ratchet charges, and is welcomed.
SSE	Support	d) positive	• Will give a 'soft landing' to customers adversely affected by the implementation of Modification 0428. It will prevent penal ratchet charges from being applied to customers who have had Supply Points disaggregated under Modification 0428 and subsequently incurred these charges through no fault of their own. • This modification should be implemented as soon as possible.
Statoil	Support	d) positive	• Addresses concerns that customers are adversely affected due to disaggregation under Modification 0428. Statoil feel it is unfair that customers are penalised and agree with the soft landing concept, which they would like to be implemented from 1st October 2015.
Total Gas & Power Ltd (TGP)	Support	d) positive	• In full support of this soft landing approach to ratchet charges that will benefit the customers that may be adversely affected due to the recent disaggregation under Modification 0428. Implementation will allow time to ensure that consumer loads are accurately reflected at newly disaggregated meter points.
Wales & West Utilities (WWU)	Qualified Support	d) positive	• WWU appreciated the challenges faced by consumers with large interconnected downstream systems in allocating specific Annual Quantities (AQ) to specific meters previously aggregated. However they believed that the lead time provided by Modification 0428 should have been sufficient for sites to achieve an accurate level of disaggregation given each Daily Metered supply point included in the scope of this modification. • WWU believe the modification appears a reasonable request for shippers given: 1. This proposal is limited in scope and is limited to one year; 2. Each aggregated site may otherwise have been afforded protection if Project Nexus had not been delayed until 2016, reducing the risk of any errors causing financial penalty for such sites; and 3. The consideration that has been given to ensure that a site, which would have incurred a ratchet charge prior to disaggregation, continues to receive such a charge post disaggregation.

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			• There will be a cost to Xoserve providing reporting. WWU would receive 10% of any such costs incurred where such costs were not already included in the 2015/16 Xoserve budget. • WWU disagrees with one element of the Workgroup Report, which suggests some customers have not been actively engaged in the process and have thus become subject to Xoserve determining the details of the disaggregation. WWU understand that sites had both the opportunity and time to nominate their own disaggregated capacities. Xoserve have allocated only those who had failed to adhere to the deadlines set out in Modification 0428 (and subsequently clarified by Ofgem following the delay to project Nexus). WWU suggest the report should be updated to make it clear that the intervention by Xoserve was only where customers did not actively engage in the process.

9 Workgroup Supplemental Report

The Workgroup has considered the Authority send-back letter and has provided its views on the two main issues detailed below:

1. Justification of the proposed retrospective implementation date:

The Workgroup has reviewed the criteria used by Ofgem to consider retrospection identified in modifications and have provided views against the criteria impacted by this modification:

i) a situation where the fault or error giving rise to additional costs or losses was directly attributable to central arrangements:
Central arrangements introduced by Modification 0428 did not include provisions for a soft landing to aid customers transitioning from the previous arrangements to the new arrangements. Customers were unable to benefit from a soft landing, which would have aided their understanding of the process and identified the implications of any error in their calculations used to set out their site requirements. This modification would apply for one year and introduce a soft landing, therefore allowing protection for those customers while they gain a better understanding of their site requirements.

For clarity the proposer waited until after the close out of the amendments window under Modification 0428 to raise this modification to avoid any risk of parties seeking to rely on this remedy when considering the information they submit under Modification 0428. However, this has meant that there has been insufficient time to take this modification through the modification process prior to the 01 October 2015, which would potentially mean that some consumers may have faced Ratchet Charges that could have been avoided, should the modification be implemented without a retrospective implementation date.

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ii) combinations of circumstances that could not have been reasonably foreseen;
Not applicable.

iii) or where the possibility of a retrospective action had been clearly flagged to the participants in advance, allowing the detail and process of the change to be finalised with retrospective effect.
Not applicable.

iv) We also consider that in any event, any cost/loss incurred due to the prevailing rules would need to be material in order to warrant a retrospective modification.

The Workgroup noted that the impact of Ratchets Charges incurred by a small number of customers might be considered immaterial when compared against the industry as a whole. However, these would have a material impact on an individual customer basis due to the nature high rates associated with Ratchet Charges. Therefore, the Workgroup considers that this modification is consistent with Ofgem's duty to protect the interests of customers.

2. Potential to discriminate against consumers that may have disaggregated between 25 July 2013 and the proposed application date of 01 October 2015

The Workgroup reviewed information provided by the Transporters Agency, which identified that there were no customers (that could potentially qualify), incurred Ratchet Charges following the implementation of Modification 0428 between 25 July 2013 and 01 October 2015. Although the qualifying period could potentially discriminate against specific customers, there was no evidence provided to show customers had actually incurred Ratchets Charges in the prior winter and therefore there was no undue discrimination.

Recommendations:

1. Information provided by the Transporters Agency is to be published alongside this report confirming that no potentially qualifying customers had been subject to Ratchet Charges between 25 July 2013 and 01 October 2015.
2. Information provided by the Transporters Agency is to be published alongside this report confirming that Ratchet Charges had been incurred by qualifying customers from 01 October 2015 and the value of the charges should be made available to Ofgem.
3. That a Variation Request is not required to be submitted by the proposer because no changes to the Solution have been made to that already consulted upon.
4. Further consultation is not recommended as this Supplemental Report is not likely to change representations received and that the Final Modification Report should be resubmitted to Ofgem.

10 Panel Discussions

The Panel Chair summarised that Modification 0551 would address a situation created by Modification 0428 Single Meter Supply Points, where limited data is available to accurately determine the correct split of capacity for newly-created single supply meter points when previously part of an aggregated supply point. 0551 proposes to suppress any ratchet charges that apply when a consumer's daily offtake quantity exceeds their booked quantity for the coming winter period only. From that point forward it is expected that those consumers will subsequently amend bookings in light of more accurate site data.

Members considered the representations made noting that, of the 15 representations received, 11

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supported implementation, 2 offered qualified support, and 2 provided comments.

Members discussed the comments from Corona Energy and Wales & West Utilities. Corona Energy requested clarification on how ratchet charges would be refunded; Members heard that Xoserve had explained this directly to Corona, who had since confirmed that their issue was now resolved. WWU requested that the report should clearly reflect that Xoserve have only allocated the disaggregated capacities where parties have failed to adhere to the deadlines set out in Modification 0428. Members noted that a number of respondents believed that a substantial lead-time was provided to allow Shippers to plan for the disaggregations and put suitable arrangements in place, however they recognised that determining the correct capacity data for each disaggregated meter had been challenging.

Members heard that Ofgem had concerns about the lack of complete evidence to support the retrospective element of 0551, particularly as it believed there had been no ratchet charges applied to relevant customers since 01 October 2015. After further consideration, Members felt that the question of whether charges had been applied to date was of limited relevance, and that the principle was paramount and had been demonstrated.

Members considered relevant objective (d) and agreed implementation would have positive impact on competition between shippers because the additional opportunity to determine accurate site data would lead to more-accurate transportation charges

Members voted with 10 votes in favour (out of a possible 11), to recommend implementation of Modification 0551.

11 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0551 should be made.

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