

## Variation Request

### **0551 - Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges from Ofgem's decision date of 25<sup>th</sup> July 2013 up to and including Winter 2015/16**

**Date:** 11 January 2016

The Proposer, Gazprom, requests a variation to this modification, pursuant to UNC Modification Rules Section 6.5.1(c) of the UNC.

#### **Reason for Variation**

Gazprom have considered the issue of the effective date to qualify for ratchet relief raised Ofgem's "send back" letter and following discussions at the Distribution Workgroup, agreed to amend the qualifying date to align with the decision date for Modification 0428 - Single Meter Supply Points which should remove any potential issues of possible discrimination.

Whilst Ofgem's send back letter does not provide any volumetric information the risk of introducing potential discrimination means that it is prudent to address this concern within our modification.

#### **Nature of Variation**

Why Change

Ofgem's send back letter basically poses the challenge that by setting an eligibility window starting from October 2014 we may "miss" consumers who disaggregated after the decision date of 25<sup>th</sup> July 2013 and upto October 2014. This could be considered to discriminate between those consumers and consumers who disaggregate after October 2014. Our intention in raising the modification was to afford a degree of protection to all consumers affected by the implementation of Modification 0428 and therefore we need to avoid any potential discrimination between affected consumers.

For clarity we waited until after the close out of the 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. However, this has meant that there has been insufficient time to take this modification through the modification process prior to the 01 October 2015 date for completing disaggregations, 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.

It should be noted that we considered raising an Urgent Modification to seek an implementation date nearer to 01 October 2015, however it was felt that the modification would benefit from wider industry discussion to allow the development of an optimum solution and suitable eligibility criteria, which the Urgent process would not have facilitated, therefore we consider retrospective implementation has been justified on these grounds.

We feel this view has been vindicated by the recent discussion concerning the eligibility window issue raised in the Ofgem sendback letter and the proposed change to the solution to ensure there is no potential discrimination between consumers. It should also be noted, that information may now be available on how ratchet charges have been applied during the 2014/15 Winter and first three months of the 2015/16 Winter to sites, that were previously disaggregated and may provide additional evidence supporting this modification which would favour retrospective implementation.

### Section 3 Solution

All single metered supply points created as a result of the implementation of Modification 0428 – Single Meter Supply Points would be, subject to meeting the eligibility criteria, exempt from relevant Ratchet charges for the relevant period. The scope of this proposal relates to the period from Ofgem's decision date of 25<sup>th</sup> July 2013 up to and including winter 2015/16. For the avoidance of doubt the protection afforded by this modification relates to the first winter period (the relevant period) occurring either during the initial disaggregation i.e. if the disaggregation takes place between 1<sup>st</sup> October and 31<sup>st</sup> May then it applies to that winter period or if the disaggregation occurs between 1<sup>st</sup> June and 30<sup>th</sup> September then it is the subsequent winter period to which the protection applies.

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 relevant period from 25<sup>th</sup> July 2013 to 31<sup>st</sup> May 2016.

Any Multi Metered Supply Point that existed as at the 25<sup>th</sup> July 2013 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 the relevant period.

The relief from ratchet charges is applicable to Daily Metered (DM) 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 1<sup>st</sup> October of the preceding Winter before the relevant period.

## Business Rules

### Business Rule 1

A Candidate MPRN is any DM Supply Meter Point which comprised part of an aggregated configuration as at 25<sup>th</sup> July 2013 and which was subsequently disaggregated under UNC Mod 0428 requirements and remained as DM.

Excludes any SMP confirmed as DM after 25<sup>th</sup> July 2013 which did not previously comprise part of an aggregated configuration.

Applicable to the relevant period (Winter) only. The protection afforded by this modification relates to the first winter period (the relevant period) occurring either during the initial disaggregation i.e. if the disaggregation takes place between 1<sup>st</sup> October and 31<sup>st</sup> May then it applies to that winter period or if the disaggregation occurs between 1<sup>st</sup> June and 30<sup>th</sup> September then it is the subsequent winter period to which the protection applies.

### Examples.

If the De-aggregation occurred (i.e. by reference to the new Supply Point Registration date) on the 1<sup>st</sup> August 2013 then the relevant winter period would be Winter 2013

If the De-aggregation occurred on the 10<sup>th</sup> October 2013 then the relevant winter period would be Winter 2013

If the De-aggregation occurred on the 10<sup>th</sup> June 2014 then the relevant winter period would be Winter 2014

If the De-aggregation occurred on the 10<sup>th</sup> November 2014 then the relevant winter period would be Winter 2014

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.

Note: We will need to verify that by extending the scope for eligibility this rule is still effective

### Business Rule 5:

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

## **Proposer's Representative**

Steve Mulinganie

## **Proposer**

Gazprom