

## **Mod 0606 legal text and Supply Point Ratchet Charges.**

A question was raised at the 0696 workgroup on 28<sup>th</sup> November 2019 about whether the 0696 text would impact on ratchet charges.

### **0696 legal text**

#### **Transportation Principal Document**

#### **SECTION B – SYSTEM USE AND CAPACITY**

In paragraph 3.12.10(a) delete “Section G5.4.1” and replace it with “Sections G5.4.1 and G5.4.5”

In paragraph 4.6.8(c) delete “Section G5.4.1” and replace it with “Sections G5.4.1 and G5.4.5”

#### **SECTION G – SUPPLY POINTS**

Replace paragraph 5.1.5 with the following new paragraph 5.1.5:

5.1.5 The date under paragraph 5.1.4(d) shall be:

- (a) except in paragraph (b), 5 Supply Point Systems Business Days after the date upon which the application is submitted, subject to paragraphs (b) and/or (c) below; or
- (b) where it will (in accordance with paragraph 5.5) be necessary for the Transporter to assess the feasibility of making gas available for offtake, 21 Supply Point Systems Business Days, after the date upon which the application is submitted; or, if later,
- (c) in the case of a NeXA Supply Meter Point which is an LDZ Supply Meter Point, where the revised Supply Point Capacity specified in accordance with paragraph 5.1.4(c) exceeds any maximum daily rate of offtake specified in the Network Exit Agreement, the date with effect from which the Network Exit Agreement is to be amended so that such maximum rate of offtake is no less than the revised Supply Point Capacity so specified.

Insert the following new paragraph 5.4.5:

5.4.5 A User's Supply Point Capacity in respect of a NeXA Supply Meter Point which is an LDZ Supply Meter Point (including any proposed LDZ Supply Point) at any time shall be no greater than any maximum daily rate of offtake specified in the Network Exit Agreement in respect of such time.

At the end of paragraph 5.4.2 and 5.4.3 insert “or 5.4.5” immediately before the final full stop.

In paragraph 5.4.3 delete the words “in paragraph 5.4.1” and replace them with “in paragraphs 5.4.1 and 5.4.5”.

#### **Transition Document Part IIC**

#### **1 - UNIFORM NETWORK CODE**

Insert the following new paragraphs 1.17.13 and 1.17.14:

1.17.13 Where a Capacity Revision Application has been made in respect of a NeXA Supply Meter Point which is an LDZ Supply Meter Point and, as a consequence of such application, the Supply Point Capacity became, with effect from a date between 1 September 2018 and the implementation date of Modification Proposal 0696, greater than any maximum daily rate

of offtake specified in the Network Exit Agreement, such increase in Supply Point Capacity shall be deemed not to have come into effect until the date with effect from which the Network Exit Agreement is amended so that such maximum rate of offtake is equal to or greater than the Supply Point Capacity which, but for this paragraph 1.17.13, would otherwise have applied.

1.17.14 Where a Supply Point Confirmation in respect of a NeXA Supply Meter Point which is an LDZ Supply Meter Point came into effect on a date between 1 September 2018 and the implementation date of Modification Proposal 0696, and, as a result of such Supply Point Confirmation, the Supply Point Capacity of such NeXA Supply Meter Point became greater than the maximum daily rate of offtake specified in the relevant Network Exit Agreement, then the Supply Point Capacity of such Supply Meter Point shall be deemed to be equal to such maximum daily rate of offtake from the date on which the Supply Point Confirmation became effective until the date with effect from which the Network Exit Agreement is or was amended so as to specify a maximum daily offtake rate which is no less than the Supply Point Capacity specified in such Supply Point Confirmation (at which point the Supply Point Capacity shall increase to the amount which, but for this paragraph 1.17.14, would otherwise have applied).

## **TPD B text**

### **4.7 Supply Point Ratchet**

4.7.1 Subject to paragraph 1.3.2, and paragraphs 4.7.10, 4.7.11 and 4.7.12 and 4.7.14 if for any reason: (a) in respect of a DM Supply Point (other than a Seasonal Large Supply Point) on any Day, other than a Day in the months of June to September inclusive, or (b) in respect of a Seasonal Large Supply Point, on any Day, the quantity of gas offtaken by a User from the Total System at a DM Supply Point exceeds the User's Registered DM Supply Point Capacity (such occurrence being in each case a "Supply Point Ratchet"), then in each such case:

(i) the User's Registered DM Supply Point Capacity at that Supply Point shall automatically be increased with effect from the following Day in accordance with paragraph 4.7.3; and

(ii) subject to paragraph 4.7.11, the User shall pay a charge ("Supply Point Ratchet Charge") in respect of the Capacity Ratchet Amount in accordance with paragraph 4.7.7 or 4.7.8.

4.7.2 For the purposes of this Section B, subject to paragraph 4.7.11, the "Capacity Ratchet Amount" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point exceeds the User's Registered DM Supply Point Capacity.

4.7.3 Subject to Section G5.5.5, the increased amount (the "Ratcheted Supply Point Capacity") of the User's DM Registered Supply Point Capacity shall 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.

4.7.4 Where the Supply Point Ratchet relates to:

(a) a Class 1 Supply Point a "Class 1" Ratchet Charge shall apply;

(b) a Class 2 Supply Point a "Class 2" Ratchet Charge shall apply.

4.7.5 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 the LDZ Capacity Charge and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point shall 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 Ratcheted Supply Point Capacity).

4.7.6 For the avoidance of doubt the User's Registered LDZ Capacity will be increased so as to be equal to the Ratcheted Supply Point Capacity in accordance with paragraph 4.4.

4.7.7 A Class 1 Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:

(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 the rate in each case being determined (where such rate is a function of LDZ Capacity or Supply Point Capacity) by reference to the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity at the DM and any NDM Supply Point on the Day of the Supply Point Ratchet.

4.7.8 A Class 2 Ratchet Charge shall be calculated as the sum of:  $((A + B + C) * D) - ((E + F + G) * H) * J / 365$  where in respect of the Ratchet Supply Point Capacity;

A the Applicable Annual Rate of the LDZ Capacity Charge;

B the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge;

C the applicable annual rate of the LDZ ECN charge;

D is the Ratcheted Supply Point Capacity;

where in respect of the Registered User's Supply Point Capacity on the Day of the Supply Point Ratchet:

E the Applicable Annual Charge of the LDZ Capacity Charge;

F the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge;

G the applicable annual rate of the LDZ ECN charge;

H is the Registered User's Supply Point Capacity on the Day of the Supply Point Ratchet;  
and

J the number of Days in the period between:

(a) in the case of a Supply Point:

(i) for which the User was the Registered User prior to the start of the Gas Year in which the Supply Point Ratchet occurred, the preceding 1 October;

(ii) for which the User was not the Registered User prior to the start of the Gas Year in which the Supply Point Ratchet occurred, the Supply Point Registration Date;

(iii) which is a Seasonal Larger Supply Point, the first Day of the Restricted LDZ Capacity Period; and

(b) the first Day of the calendar month in respect of which LDZ Capacity Charges, Capacity Variable Component (if any) of the Customer Charges and LDZ ECN charges (being the charges payable pursuant to Section Y, Part B paragraph 9) are determined on the basis of the Ratcheted Supply Point; and where the 'LDZ ECN charge' is the charge payable by Users pursuant to TPD Section Y Part B paragraph 9.  
4.7.9 Subject to paragraph

4.7.13, the Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.

#### **Comments and changes required.**

TPD B 4.7.1 (i) and 4.7.6 should be amended to state that the automatic recalculation of Supply Point Capacity does not apply if TPD G 5.4.5 applies (this restricts Supply Point Capacity to be no more than stated in the NExA)

TPD B 4.7.1 (ii) provides that the Supply Point Ratchet Charge is charged based on the Capacity Ratchet Amount. It does not depend on the recalculation of the Supply Point Capacity from 4.7.1 (i).

Further 4.7.2 states that:

For the purposes of this Section B, subject to paragraph 4.7.11, the "Capacity Ratchet Amount" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point exceeds the User's Registered DM Supply Point Capacity.

This supports 4.7.1 (ii)

4.7.7 (for Class 1) and 4.7.8 (for Class 2) calculate the Supply Point Ratchet Charge based on the Capacity Ratchet Amount.

Therefore, in the case where a site has a NExA and the Supply Point Capacity is equal to the daily offtake rate in the NExA; then if this site ratchets.

- 1) A ratchet charge will be levied
- 2) Subject to the above proposed changes to 4.7.1 (ii) and 4.7.6 then the Supply Point Capacity and the User's Registered LDZ Capacity will not increase but will remain at the level stated in the NExA

Modification 0696 did not envisage this the Supply Point ratcheting because it was based on an implicit assumption that the Supply Point in question was using no capacity but the Shipper was paying transportation charges.