

**Change Proposal**

**UNC Modification 619B**

Application of proportionate ratchet charges  
to daily read sites

**Mod Reference: 0619B**

**CDSP Reference: xrn4545**

Document Stage	Version	Date	Author	Status
ROM Request / Change Proposal	V1	30-11-17	Steve Ganney	Draft
ROM Response	V2		Steve Ganney	Draft
Change Management Committee Outcome				Choose an item.
EQR				Choose an item.
Change Management Committee Outcome				Choose an item.
BER				Choose an item.
Change Management Committee Outcome				Choose an item.
CCR				Choose an item.
Change Management Committee Outcome				Choose an item.

## Document Purpose

This document is intended to provide a single view of a change as it moves through the change journey. The document is constructed in a way that enables each section to build upon the details entered in the preceding section. The level of detail is built up in an incremental manner as the project progresses.

The template is aligned to the Change Management Procedures, as defined in the CDSP Service Document. The template is designed to remove the need for duplication of information. Where information is required in one section but has been previously captured in a previous section, the previous section will be referenced.

The summary table on the front page shows the history and the current status of the Change Proposal.

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## Section 1: Proposed Change

This Proposal section has been drafted on Joint Office's behalf by Xoserve and any views expressed in them are the Proposer's (and not Xoserve's).

Originator Details			
<b>Drafted and Submitted (on Behalf of Joint Office) By</b>	Murray Thomson	<b>Contact Number</b>	0121 623 2092
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		<b>Email Address</b>	Richard.Pomroy@w wutilities.co.uk
<b>Customer Class</b>	<input checked="" type="checkbox"/> Shipper <input type="checkbox"/> National Grid Transmission <input checked="" type="checkbox"/> Distribution Network Operator <input type="checkbox"/> IGT		
Overview of proposed change			
<b>Change Details</b>	<p>The proposer summarised the change in the modification as follows...</p> <p>This modification proposes to change the ratchet charge calculation so that a site that does breach its supply point offtake incurs the same transportation charges for that higher capacity, without being unduly penalised.</p> <p>The intention of the modification is to ensure that customers who ratchet do not benefit from having not set their SOQ appropriately but are not unduly penalised either.</p>		
<b>The Proposer's Reason(s) for the proposed service change</b>	<p>The proposer summarised their reasons for change in the modification as follows...</p> <p>“ If the ratchet charge regime is not reformed so that the ratchet costs levied are proportionate then...</p> <p>[a] The number of SMPs that may elect to become DM will be severely limited, reducing settlement accuracy and hampering the development of innovative granular market products.</p> <p>[b] For those sites that do elect to become daily read, Shippers are likely to continue to have to over-estimate peak capacity needs, resulting in an inflated and distorted view of peak system requirements.[c] More granular data will be available to assist DNOs with their network planning.</p> <p>The Alternate seeks to remove a penalty charge, to better improve Transportation cost reflectivity, whilst also seeking to ensure an incentive exists, which drives appropriate SOQ booking behaviour to ensure the network is protected, whilst not penalising end consumers.</p>		
<b>Status of related UNC Mod</b>	At the time of writing this Change Proposal, the status of the Modification is 'Allocated to Workgroup'		

<b>Full title of related UNC Mod</b>	<b>UNC Modification 0619B</b> - Application of proportionate ratchet charges to daily read sites
<b>Benefits of change</b>	NA
<b>Required Change Implementation Date</b>	The Proposer of the MOD has requested an implementation date of October 2018
<b>Please provide an assessment of the priority of this change from the perspective of the industry.</b>	<input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low Rationale for assessment:

## Section 2: Initial Assessment / ROM Request / Change Proposal

This ROM Request section has been drafted on Joint Office's behalf by Xoserve and any views expressed in them are the Proposer's (and not Xoserve's).

<b>Service Level of Quote/Estimate Robustness Requested</b>	<b>Evaluation Services</b> <input type="checkbox"/> Initial Assessment <input checked="" type="checkbox"/> ROM estimate for Analysis and Delivery <b>CDSP Change Services</b> <input type="checkbox"/> Firm Quote for Analysis <input type="checkbox"/> Firm Quote for both Analysis and Delivery
<b>Has any initial assessment been performed in support of this change?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

<b>Is this considered to be a Priority Service Change?</b>	<input checked="" type="checkbox"/> Yes (Mod Related) <input type="checkbox"/> Yes (Legislation Change Related) <input type="checkbox"/> No
<b>Is this change considered to relate to a 'restricted class' of customers?</b>	<input checked="" type="checkbox"/> Yes (please mark the customer class(es) to whom this is restricted) <input type="checkbox"/> No <hr style="border-top: 1px dashed black;"/> <input checked="" type="checkbox"/> Shippers <input type="checkbox"/> National Grid Transmission <input checked="" type="checkbox"/> Distribution Network Operators <input type="checkbox"/> IGTs
<b>Is it anticipated that the change would have an adverse impact on customers of any other customer classes?</b>	<input type="checkbox"/> Yes (please give details) <input checked="" type="checkbox"/> No

**General Service Changes Only (please ensure that either A or B below is completed)**

A) Customer view of impacted service area(s)

Service Area 7.

Note: The funding default percentages for Service Area 7 may not necessarily reflect the funding percentages that may be agreed at The Change Management Committee.

B) If the change is anticipated to require the creation of a new service area and service line please give further details stating proposed name of new service area and title of service line:

NA

**Specific Service Changes Only:**

Please detail the proposed methodology (or amendment to the existing methodology) for determining Specific Service Change Charges.
NA
Please detail the proposed basis (that is, Charging Measure and Charging Period) for determining Specific Service Change Charges in respect of the Specific Service.
NA
<b>Impacts to UKLink System or File Formats</b>
<b>Impacts UKL Manual Appendix 5b</b>
<b>Impacts to Gemini System</b>
<b>Please give any other relevant information.</b>

Please send the document to the following:

<b>Recipient</b>	<b>Email</b>
Xoserve Portfolio Office	changeorders@xoserve.com
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk

**Section 3: ROM Request Acceptance**

Is there sufficient detail within the ROM Request to enable a ROM Analysis to be produced?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If no, please define the additional details that are required.	

If the ROM Request is not accepted. Please forward this document to the Portfolio Office for onward transmission to the Change Management Committee

## Section 4: ROM Analysis

This ROM is Xoserve's response to the above Evaluation Service Request. The response is intended to support customer involvement in the development of industry changes. Should the request obtain approval for continuance then a Change Proposal must be raised for any further analysis / development.

### Disclaimer:

This ROM Analysis has been prepared in good faith by Xoserve Limited but by its very nature is only able to contain indicative information and estimates (including without limitation those of time, resource and cost) based on the circumstances known to Xoserve at the time of its preparation. Xoserve accordingly makes no representations of accuracy or completeness and any representations as may be implied are expressly excluded (except always for fraudulent misrepresentation).

Where Xoserve becomes aware of any inaccuracies or omissions in, or updates required to, this Report it shall notify the Network Operators' Representative as soon as reasonably practicable but Xoserve shall have no liability in respect of any such inaccuracy or omission and any such liability as may be implied by law or otherwise is expressly excluded.

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### ROM Analysis

#### Change Assessment

The modification proposal states that if ratchet charges remain disproportionate...

[a] The number of SMPs that may elect to become DM will be severely limited, reducing settlement accuracy and hampering the development of innovative granular market products.

[b] Shippers are incentivised to be risk averse and over-book their capacity resulting in an inflated and distorted view of peak system requirements with potential denial of constrained capacity to those who need it.

To make ratchet charges proportionate the proposer wishes to implement the principle that DNOs only recover the capacity revenue that would have been payable had the quantity offtaken been the booked SMP capacity from the start of the period that ratchets apply (i.e. since the most recent Oct 1<sup>st</sup>). Where the SMP was not registered on Oct 1<sup>st</sup> the period will start on the first registration after that date. For Seasonal SMPs the period will start from the Seasonal Contract start date.

Essentially; for each capacity charge type included in ratchet charges, which must now include the ECN charge type, the following daily ratchet charge must be billed for each day (inclusive) from the preceding October 1st to the last day the pre-ratchet SOQ was applicable for capacity charging.

Daily Ratchet Charge =

$$\begin{aligned} & \text{( Quantity offtaken * Relevant Rate for Quantity offtaken )} \quad \text{minus} \\ & \text{( Pre-ratchet SOQ * Relevant Rate for Pre-ratchet SOQ )} \end{aligned}$$

The above rule must also apply to Seasonal SMPs. Note: The rules relating to Seasonal SMPs have been revised in the latest version of the MOD but too late to be the basis of cost estimation.

The resultant charges would be then uplifted by an amendable multiplier that would initially set to 1.1

An annual Ratchet Performance report will be available

**Change Impact:**

- Changes to the charging of existing ratchet charge types would be required.
- A new ECN ratchet charge type would need to be charged.
- No changes to file formats are anticipated.
- Initial analysis indicates that the change would only impact DSC BCM Service Area 7

**Change Costs (implementation):**

The solution will cost at least **£75,000**, but probably not more than **£115,000** to develop.

The high end cost includes development of an additional interim operational solution that may be needed to bridge the gap from October 2018 to delivery of the enduring automated solution. Note: This accounts for only a portion of the difference between low and high end costs.

**Change Costs (on-going):****Ratchet query management**

The cost of operational management of ratchet queries will depend on ratchet frequencies after MOD 619 is implemented.

Assuming historic ratchet query and resolution rates, ongoing costs to manage queries resulting from 100 ratchets would cost approximately £650.

Actual ongoing costs will vary from the above depending on...

- Changes in the size of the DM SMP population,
- Changes in capacity booking behaviour and the effect this has on ratchet frequencies,
- Shipper query behaviour in response to such ratchets.

**Cost of operating an interim solution (if needed)**

**£12,000 to £24,000** for every 100 ratchets that incurred charges under pre-MOD 619 rules.

**Timescales:**

The strategy adopted for Post Nexus change is a Release strategy (changes grouped and implemented together at a set date) and it is expected that this change would form part of a Release.

The desire for an implementation in time for the ratchet period starting in October 2018 is understood.

Whilst the change will be targeted at a release to achieve that aim, a target release ((or target release date) cannot be specified until a Change Proposal for delivery has been prioritised and agreed by the DSC Change Committee.

Note: Since ROMs are requested some way in advance of releases being scoped, costs quoted in a ROM are based on implementing the solution in isolation. When the change is implemented a portion of the relevant release costs will be attributed to this change and in doing so reflect the costs from implementing the change as part of a release.

**Assumptions:**

- The change applies to all DM SMPs, i.e. including Class 1 SMPs.
- The change will be implemented within the new UK Link SAP system
- The uplift in charges as a result of the applying the ratchet multiplier value of 1.1 will be billed as an increase to the charge amount for each charge type included in ratchet charges, i.e. the uplift will not be billed as a separate charge amount(s) or via new charge type(s).

**Dependencies:**

- No material dependencies have been identified at this time.

**Constraints:**

- It has not been possible within the timescales of ROM analysis to determine if there is a frequency of ratchets which would result in higher system operation costs and/or the need for performance improvement measures.

**Observations:**

- None

Please send the document to the following:

<b><i>Recipient</i></b>	<b><i>Email</i></b>
Xoserve Portfolio Office	changeorders@xoserve.com
Requesting Party	As specified in ROM Request

## Section 5: Change Proposal: Committee Outcome

The Change Proposal is approved. An EQR is requested			
Approved Change Proposal version			
The change proposal shall not proceed			
The committee votes to postpone its decision on the Change Proposal until a later meeting		Date of later meeting	
The committee requires the proposer to make updates to the Change Proposal:			
Updates required:			

## Section 6: Evaluation Quotation Report (EQR): Change Proposal Rejection

### Change Proposal Rejection

	<b>Yes</b>		<b>No</b>	Is there sufficient detail within the Change Proposal to enable an EQR to be produced? If no, please provide further details below.
Further details required:				

Please send the document to the following:

<i><b>Recipient</b></i>	<i><b>Email</b></i>
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk

## **Section 7: Evaluation Quotation Report (EQR): Notification of Delivery Date**

<b>Notification of EQR Delivery Date</b>	
Original EQR delivery date:	
Revised EQR delivery date:	
Rationale for revision of delivery date:	

Please send the document to the following:

<b>Recipient</b>	<b>Email</b>
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk

## Section 8: Evaluation Quotation Report (EQR)

Project Manager		Contact Number	
		Email Address	
Project Lead		Contact Number	
		Email Address	

Please provide an indicative assessment of the impact of the proposed change on: <ul style="list-style-type: none"> <li>i. CDSP Service Description</li> <li>ii. CDSP Systems</li> </ul>	
Approximate timescale for delivery of 'business evaluation report' (N.b this is from the date on which the EQR is approved.)	
Estimated cost of business evaluation report preparation This can be expressed as a range of costs i.e. 'at least £xx,xxx but probably not more than £xx,xxx'.	
Does the CDSP agree with the 'Restricted class change' assessment (where provided)? Please refer to detail provided in the Change Proposal	<input type="checkbox"/> Yes <input type="checkbox"/> No (please give detail below)
Does the CDSP agree with the 'Adverse Impact' assessment (where provided)? Please refer to detail provided in the Change Proposal	<input type="checkbox"/> Yes <input type="checkbox"/> No (please give detail below)
Does the CDSP agree with the 'Priority Service Change' assessment (where provided)? Please refer to detail provided in the Change Proposal	<input type="checkbox"/> Yes <input type="checkbox"/> No (please give detail below)
<b>General service changes</b>	
Does the CDSP agree with the assessment made in the Change Proposal regarding impacted service areas?  This should refer to whether the proposing party	<input type="checkbox"/> Yes <input type="checkbox"/> No (please give detail below)

<p>considers the service change to relate to an existing service area or whether it constitutes a new service area.</p>	
<p><b>Specific service changes</b></p>	
<p>Does the CDSP agree with the proposal made in the Change Proposal regarding specific change charges?</p> <p>This should refer to the proposed methodology (or amendment to existing methodology) for determining the specific service charges and the proposed basis for determining the specific service change charges.</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please give detail below)</p>
<p>Please provide a draft amendment of the Specific Service Change Charge Annex setting out the methodology for determining Specific Service Change Charges proposed in the Change Proposal</p>	
<p>EQR validity period:</p>	

Please send the document to the following:

<b>Recipient</b>	<b>Email</b>
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk

## Section 9: Evaluation Quotation Report: Committee Outcome

The EQR is approved			
Approved EQR version			
The Change Proposal shall not proceed. The Change Proposal and this EQR shall lapse			
The committee votes to postpone its decision on the EQR until a later meeting		Date of later meeting	
The committee requires updates to the EQR:			
Updates required:			
<b>General service changes only</b>			
<i>(The detail upon which the response will be based is originally defined in the change proposal and potentially commented upon in the subsequent EQR)</i>			
1.) Does the committee agree with the assessment of the service area(s) to which the service line belongs and the weighting of the impact?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
2.) If no, please enter the agreed service area(s) and the weighting:			
<b>Specific service changes only</b>			
<i>(The detail upon which the response will be based is originally defined in the Change Proposal and potentially commented upon in the subsequent EQR)</i>			
1.) Please confirm the methodology for the determination of Specific Service Change charges			
2.) Please confirm the charging measure and charging period for the determination of Specific Service Change charges			

## Section 10: Business Evaluation Report (BER)

### Change Implementation Detail

1.) Detail changes required to the CDSP Service Description

2.) Detail modifications required to UK Link

3.) Detail changes required to appendix 5b of the UK Link Manual

4.) Detail impact on operating procedures and resources of the CDSP

5.) Implementation Plan

6.) Estimated implementation costs

6a.) How will the charging for the costs be allocated to different customer classes?  
(General Service Changes only)

Please mark % against each customer class:

- |  |  |
|--|--|
|  | National Grid Transmission               |
|  | Distribution Network Operators and IGT's |
|  | DN Operator                              |
|  | IGT's                                    |
|  | Shippers                                 |

**100%**

7.) Estimated impact of the service change on service charges

8.) Please detail any pre-requisite activities that must be completed by the customer prior to receiving or being able to request the service.

### Implementation Options

Please provide details on any alternative solution/implementation options:

This should include:

- (i) a description of each Implementation Option;
- (ii) the advantages and disadvantages of each option
- (iii) the CDSP preferred Implementation Option

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**Restricted Class Changes only**  
Is there any change in the view of the CDSP on whether there would be an 'Adverse Impact' on customers outside the relevant customer class(es)?

- Yes (please give detail below)
- No

**Dependencies:**

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**Constraints:**

--

**Benefits:**

--

**Impacts:**

--

**Risks:**

--

Assumptions:
Information Security:
Out of scope:
Please provide any additional information relevant to the proposed service change:

Please send the document to the following:

<b>Recipient</b>	<b>Email</b>
Change Management Committee Secretary	dsccomms@gasgovernance.co.uk

## Section 11: Business Evaluation Report: Committee Outcome

The BER is approved and the change can proceed			
<b>Modification Changes Only</b> Please ensure that the Transporters are formally informed of the Target Implementation Date			
Approved BER version			
The change proposal shall not proceed and the BER shall lapse			
The committee votes to postpone its decision on the BER until a later meeting		Date of later meeting	
The committee requires updates to the BER:			
Updates required:			

## Section 12: Change Completion Report (CCR)

### Change Overview

Please include detail on the following for the chosen implementation option: modifications to UKLink, impact on operating procedures and resources of the CDSP.  
 Actions required of the customer prior to the commencement date

Please detail any differences between the solution that was implemented and what was defined in the BER.

Detail the revised text of the CDSP Service Description reflecting the change that has been made

Were there any revisions to the text of the UK Link Manual?

- Yes (please insert the revised text of the UK Link manual below)
- No

Proposed Commencement Date		Actual Commencement Date	
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Please provide an explanation of any variance

Please detail the main lessons learned from the project

Service change costs			
Approved Costs (£)		Actual Costs (£)	
Reasons for variance between approved and actual costs:			

Please send the document to the following:

<b>Recipient</b>	<b>Email</b>
Change Management Committee Secretary	enquiries@gasgovernance.co.uk

## Section 13: Change Completion Report: Committee Outcome

The implementation is complete and the CCR is approved			
Approved CCR version			
The committee votes to postpone its decision on the CCR until a later meeting		Date of later meeting:	
The committee requires further information			
Further information required:			
The committee considers that the implementation is not complete			
Further action(s) required:			
The proposed changes to the CDSP Service Description or UK Link Manual are not correct			
Amendments to CDSP service description / UKLink manual required:			

## **Section 14: Document Template Version History**

The purpose of this section is to keep a record of the changes to the overall version template and the individual sections within. It will be updated by the CDSP following approval of the template update by the Change Management Committee.

### **Version History:**

<b>Version</b>	<b>Status</b>	<b>Date</b>	<b>Author(s)</b>	<b>Summary of Changes</b>
1.0	Approved		CDSP	Version Approved by Change Committee

--- END OF DOCUMENT ---

## Appendix One: Glossary

Term	Definition
Adverse Impact	<p>A Service Change has or would have an Adverse Impact on Customers of a particular Customer Class if:</p> <p>(a) Implementing the Service Change would involve a modification of UK Link which would conflict with the provision of existing Services for which such Customer Class is a Relevant Customer Class;</p> <p>(b) the Service Change would involve the CDSP disclosing Confidential Information relating to such Customers to Customers of another Customer Class or to Third Parties;</p> <p>(c) Implementing the Service Change would conflict to a material extent with the Implementation of another Service Change (for which such Customer Class is a Relevant Customer Class) with an earlier Proposal Date and which remains Current, unless the Service Change is a Priority Service Change which (under the Priority Principles) takes priority over the other Proposed Service Change; or</p> <p>(d) Implementing the Service Change would have an Adverse Interface Impact for such Customers.</p>
General Service	A service provided under the DSC to Customers or Customers of a Customer Class on a uniform basis.
Non-Priority Service Change	A Service Change which is not a Priority Service Change
Priority Service Change	<p>A Modification Service Change;</p> <p>or</p> <p>A Service Change in respect of a Service which allows or facilitates compliance by a Customer or Customers with Law or with any document designated for the purposes of Section 173 of the Energy Act 2004 (including any such Law or document or change thereto which has been announced but not yet made).</p>
Relevant Customer class	A Customer Class is a <b>Relevant Customer Class</b> in relation to a Service or a Service Change where Service Charges made or to be made in respect of such Service, or the Service subject to such Service Change, are or will be payable by Customers of that Customer Class
Restricted Class Change	Where, in relation to a Service Change, not all Customer Classes are Relevant Customer Classes, the Service Change is a <b>Restricted Class Change</b> ;
Service Change	<p>A change to a Service provided under the DSC (not being an Additional Service), including:</p> <p>(i) the addition of a new Service or removal of an existing Service; and</p> <p>(ii) in the case of an existing Service, a change in any feature of the Service specified in the CDSP Service Description,</p> <p>and any related change to the CDSP Service Description</p>
Specific Service	A service (other than Additional Services) available under the DSC to all Customer or Customers of a Customer Class but provided to a particular Customer only upon the order of the Customer.