

Distribution Network Operator Designated Class 1 ~~Ratchet Charge~~ Guidance Document

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Version 5.0

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July 21

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Revision History

<u>Version</u>	<u>Date</u>	<u>Review Frequency</u>	<u>Reason for Update</u>
<u>1.0</u>	<u>01 July 2019</u>	<u>Periodic</u>	<u>Initial Version</u>
<u>2.0</u>	<u>23 June 2020</u>	<u>-</u>	<u>Inclusion of IGT Supply Points as approved by UNCC vote on 20 August 2020.</u>
<u>3.0</u>	<u>15 April 2021</u>	<u>-</u>	<u>Document renamed "Distribution Network Operator Designated Class 1 Guidance Document".</u>
<u>4.0</u>	<u>16th June 2021</u>	<u>-</u>	<u>Revision History Added, plus various updates to address lessons learn from using the process.</u>
<u>5.0</u>	<u>19th July 2021</u>	<u>-</u>	<u>Updated with comments to the introduction and appeals process.</u>

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Introduction

This document sets out the circumstances whereby the Distribution Network Operator (DNO) may designate a Supply Point, which would otherwise be a Class 2,3 or 4 Supply Point, as Class 1 include a Supply Point in the Supply Point Ratchet Charging arrangement to ensure the safe and efficient operation of the network. All Class 1 Daily Metered (DM) Supply Points are eligible for Supply Point Ratchet Charges to be applied in accordance with UNC TPD Section B4.7.

This document also sets out the associated appeals process in the event a Shipper User wishes to challenge this designation.

For the avoidance of doubt all Class 1 Daily Metered (DM) Supply Points are subject to Class 1 ratchet charges in the relevant period in accordance with UNC TPD Section B4.7. For the avoidance of doubt Sites designated as Class 1 will not have ratchet charges applied for the first 12 months from the product Class 1 effective date.

Sites that have a Network Exit Agreement in place may also be included in this process.

These are the circumstances in which the relevant DNO may designate a Supply Point as Class 1:

For Supply Points currently in Class 2

- Class 2 Supply Points where the DNO can demonstrate that an increase in its Annual Quantity (AQ), Supply Point Daily Capacity (SOQ) or Supply Hourly Quantity (SHQ) is likely to have a material effect on the operation of the DNO's System under those conditions described in the DNO Gas Transportation Licence Condition A9 2 (b) (1 in 20 conditions).
- Where there are existing System capacity constraints, a Class 2 Supply Point may be designated as Class 1 until relevant capacity is available (see Annex 1).

Examples of System impacts and constraints:

1. Impacts on System pressures that effect the capacity and operation of DNO assets such as Pressure Reduction Installations, where pipeline capacity is limited and where any above ground asset may be operating close to capacity.
2. Parts of a System where a network reinforcement requirement (as determined by the DNO) has been identified to ensure maintenance of adequate pressures and the safe operation of the System.
3. Physical constraints such as limited capacity in the form of asset and offtake flow limitations.

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Note the above is not an exhaustive list.

- Class 2 Supply Points having a disproportionately high peak instantaneous demand which could cause associated pressure management problems.
- Class 2 Supply Points which consistently exceed their pre-booked SOQ but only if there is a potential impact to the safe operation of the System as a result.

For Supply Points currently in Class 3 and 4

Class 3 and Class 4 Supply Points where:

- the DNO can demonstrate that increases in consumption or usage over and above what may reasonably be expected under normal winter conditions are likely to have a material effect on the operation of the DNO's System.
- the network may operate close to capacity outside the normal winter period.

Examples include:

1. sites with seasonal contracts, with interruptible contracts
2. Networks with a disproportionate level of sites operating with atypical demands.

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- ~~Class 2 Supply Points having a disproportionately high peak instantaneous demand which could cause pressure management problems.~~
- ~~Class 2 Supply Points which consistently exceed their pre-booked SOQ, if there is a potential impact to the safe operation of the System.~~
- ~~Class 3 and Class 4 Supply Points may be designated to Class 1, if:

 - ~~the DNO can demonstrate that increases in consumption or usage over and above what may reasonably be expected under normal winter conditions is likely to have a material effect on the operation of the DNO's System.~~
 - ~~The above condition may extend to a wider period than in the case of those grids where the network may operate close to capacity outside the normal winter period. Examples of such networks may include those featuring sites with seasonal contracts, with interruptible contracts, or grids with a disproportionate level of sites operating with atypical demands.~~~~
- ~~Independent Gas Transporters (IGT's) Supply points may be designated to Class 1 if:~~
 - ~~the DNO has a Network Entry Agreement (NExA) in place with the IGT that specifically references the site, and the site is the sole site on the CSEP offtake.~~

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Transporter Notification process to Shippers

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Following the period set out in UNC TPD B 4.7.17(a), the CDSP will issue a communication (Notification) to the relevant Shipper User's detailing all sites within their portfolio that are Distribution Network Operator Designated Class 1 Supply Points and subject to Class 1 ratchet charges for the relevant period.

- Please note, all Supply Points that have previously been designated as a Class 1 Supply Points as well as any new Supply which are proposed to be designated by the Distribution Network Operator using this process for the relevant period will be included within the communication issued to Shipper User's.

For the avoidance of doubt a Shipper User may appeal for the relevant period against either an existing Class 1 Supply Point that was previously designated or a new Supply Point that is proposed to be designated for the relevant period i.e. a Shipper User can object to any Supply Point in the Notification

To aide understanding the Notification will distinguish between a Supply Points that have previously been designated and one that has not

If the Distribution Network Operator deems that a site, no longer needs to be a network designated Class 1 site or has been subject to a successful Shipper User appeal then they will ask the CDSP to remove the flag from the central systems and notify the Shipper User accordingly using the template below.

Example Notification template

An example of the template that Shippers will receive when being notified of the Distribution Network Operator Designated sites is detailed below:

Network Id	Meter Point Reference Number	Post Code	Address	Incumbent Shipper Short Code	Incumbent Supplier Short Code	Confirmation Effective Date	Current Conf Status

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Classified as Internal

Meter Point Status	Current Class	Current Rolling AQ	Daily Read Equipment Present (as per UKL)	Date MPRN was network designated	Justification	Shipper appeal reason	DN response to appeal	Network Designated flag Removed Date

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Please note this is an example template only and is subject to change.

Disputes Appeals Process

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Shippers Users will have 20 Supply Point Business Days to dispute with the relevant DNO a Supply Point which has been designated as Class 1 but which the Shipper User believes should not be so designated.

- ~~identified as being eligible for Supply Point Ratchet Charges but which the Shipper User believes should not be so eligible.~~

If a Shipper User raises an appeal to a Class 1 designation, then they will return evidence for any appeal in the Class 1 Notification template issued to them by the CDSP in a manner that allows the CDSP to communicate this to the relevant DNO without additional input (note Transporters would always welcome a dialogue with the Shipper in such a circumstance).

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- ~~objection to a Supply Point being identified as subject to a Supply Point Ratchet Charge, then they will need to identify and notify the relevant DNO in writing with the reasons why they believe this should not be the case.~~

- ~~The relevant DNO will consider the objection and respond to the Shipper User in 20 Supply Point Systems Business Days The DNO will either uphold or reject the appeal detailing the reason for their decision, stating why the Supply Point has been so elected.~~

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- ~~The relevant DNO will either uphold or reject the appeal detailing the reason for their decision.~~
- Shipper Users can appeal a Supply Point that has been designated as Class 1 Supply Point in a previous Gas Year providing, they are able to provide a material reason for doing so such as a change in demand at the Supply Point. If a Shipper wishes to undertake an appeal, then they should use the existing process to appeal the site

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- ~~If the dispute remains unresolved then the provisions within the Uniform Network Code, General Terms, Section A should be referred to.~~

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Annex 1

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Examples of System impacts and constraints:

- ~~Impacts on System pressures that effect the capacity and operation of DNO assets such as Pressure Reduction Installations, where pipeline capacity is limited and where any above ground asset may be operating close to capacity.~~
- ~~Parts of a System where a network reinforcement requirement (as determined by the DNO) has been identified to ensure maintenance of adequate pressures and the safe operation of the System.~~

- ~~Physical constraints such as limited capacity in the form of asset and offtake flow limitations.~~

~~The above is not an exhaustive list.~~

Annex 2

The following Communication Document template will be submitted to Shippers detailing the sites within their portfolio that will be subject to Class 1 ratchet charges. One Excel template will be issued to the Shippers for each DNO.

MPRN	Distribution Network Operator	Submission Date	Shipper
1234567890	SGN	ddmmyyy	Gazprom

Note this process is subject to change during Xoserve's system development for the solution.

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