

Service Development

31 Homer Road

Solihull

West Midlands B91 3LT

Telephone 0121 626 4431

Direct Line 0121 623 2021

Facsimile 0121 711 1451

To Modifications Distributions List

10th January 1997

Dear Colleague,

RE: Modification 0097, Relief from overrun charges resulting from CVA error

Further to the implementation notice for this modification distributed on the 24th December 1996, this letter sets out additional implementation arrangements which may be helpful to you.

CVA Errors in the Period 1.3.96 to 30.9.96

Any alleged instances of CVA error prior to 1st October 1996 must be notified to TransCo, in line with the implementation arrangements, marked for the attention of Mark Jordan, Credit Management, Shirley, fax. 0121-746-4260, by 24th January 1997. It is also the User's responsibility to inform Claims Validation Services Limited (CVSL) of these alleged CVA errors. Please submit this information in writing to Bob Mortimer of Gas Allocation Systems Limited by 24th January 1997. The information required by both the CVSL and TransCo is set out in the Implementation Terms. Users are advised to send details of alleged errors even where these have already been notified to TransCo or CVSL.

CVA Errors from 1.10.96 to 1.10.97

Alleged instances of CVA error during this period must be notified to TransCo, within 10 business days after the date of submission of the relevant invoice. It is anticipated that the October overrun charges will be included in the January ad hoc invoice. It is the User's responsibility to ensure that CVSL certifies errors to TransCo by the invoice due date.

Implementation Terms

An error in part 1a) of the Implementation Terms has been corrected and a revised version is enclosed. This broadens the definition of allowable CVA errors such that, where a deal was reported incorrectly by a Principal or Principal's counter party and the Agent had details of the deal prior to M+12 but failed to alert the Principals concerned, is classed as an allowable CVA error.

If you have any queries regarding the implementation of this modification please contact either Mark Jordan or myself.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P Carter', written over the typed name.

Dr Phil Carter
Gas Trading Support Manager

MODIFICATION 0097: IMPLEMENTATION TERMS

RELIEF FROM OVERRUN CHARGES RESULTING FROM CVA ERROR

These implementation terms are issued in line with Transition Document Part II paragraph 8 of the Network Code as amended by modification 0097 and they specify the following:

1. classes of CVA error which are admissible in relation to this modification;
2. the required format of CVSL's certificate confirming that an overrun has occurred as a result of a CVA error;
3. the information required in the User's notification to TransCo that the User believes an error has taken place in the User Agent's handling or processing of claims data.

1. Allowable CVA Errors

The following are deemed to be allowable CVA errors:

- i) Agent's incorrect entry onto his own system of data correctly provided by a Principal, whether the error is in the quantity, the description of the quantity (Base Quantity, sale or purchase), the sub terminal of delivery, or the counter-party, where that incorrect entry results in an incorrect validated claim.
- ii) Agent's incorrect entry onto AT-Link of a validated claim, whether that error is in the quantity, the sub-terminal of delivery or involves data entry against the wrong shipper. This includes entering no claim where a positive claim was validated; entering a positive claim where no claim was validated; and entering an incorrect claim.
- iii) Incorrect validation resulting from the Agent not receiving a communication from a Principal or a Principal's counter-party, where the transmitting party can demonstrate that the communication was sent to the Agent (even if the Agent can demonstrate that the communication was not received) and where the communication was clearly routine. Where a deal had been made on many consecutive days, non-receipt of a fax for one of those days would be accepted as an allowable CVA error. Non-receipt of a fax defining an isolated deal on only the day of claimed error would not be accepted as an allowable CVA error.

The following are not allowable CVA Errors:

- a) A Principal's or a Principal's counter-party's failure to report a deal correctly where the Agent did alert the Principals concerned in a timely manner, or where details of an incorrectly reported deal were received by the Agent after M+12 but the Agent did not alert the relevant Principals. This would include deals which were mis-matched or non-disclosed at close-out which defaulted to the seller's figure. It is each Principal's

responsibility to report correctly and to ensure his counter-party's correct reporting but the Agent's reporting will normally identify errors such that corrections can be made.

- b) As noted above, the Agent's non-receipt of a communication that would have changed a Principal's validation would not be accepted if it were a fax defining such as an isolated deal on only the day of the claimed error. Again, the CVA process will have allowed Principals to see their mis-matches and non-disclosures in time to identify any missed communications and resubmit to make corrections.

2. Format of User Agent Notification to TransCo

The following is an example User Agent Notification to TransCo of an allowable CVA error. The example contains the basic information required in such a notification.

From CVSL Director to TransCo (Credit Management, Shirley)
Drafted by Gas Allocations Systems (or alternate).

For the days [dd-mm-yy to dd-mm-yy] at the [name] sub-terminal, [Shipper name] submitted a Daily Activities Log identifying acquisition of a Base Quantity of [abc,def.g] kWh. Probably confused by the abnormal decimal point, the Agent entered this figure as [a,bcd,efg] kWh. Because of the resultant aggregate over-claim of Base Quantities, all Base Quantities were scaled back so that [Shipper name's] claim was validated at [numbers] kWh on the five days, still nearly ten times their real delivery.

This is clearly identifiable as a CVA error. [Shipper name] did not deliver the amount of gas validated. Their real delivery was [abc,def] kWh on each of these days. Any over-capacity charges based on the CVA validation on these five days should be corrected as resulting from an allowable CVA error.

3. Format of User Notification to TransCo

The User's notification to TransCo will include the following details:

1. invoice number and invoice item,
2. date(s) alleged error occurred,
3. sub-terminal affected,
4. description of the nature of the error,
5. original allocation from User Agent,
6. Shippers estimate of allocation.