

**Urgent Modification Proposal 0202/0202a****Additional Incentive Structure Relating to Implementation of Reconciliation by Difference /  
Implementation of Incentive Mechanisms Associated with Reconciliation by Difference****08 January 1998****Present Position**

Initially, Transco charges shippers on a site by site basis for transporting and balancing a volume of gas that it assumes will be consumed by that shipper's customers. Later, Transco issues a reconciliation invoice to make adjustments to reflect the actual volume of gas consumed. The reconciliation invoice is issued following Transco's receipt of accurate meter readings.

**Proposal**

Modification 0194 is seeking to implement Reconciliation by Difference (RBD) from the next phase of Domestic Competition, due to start on 27 February. Under the RBD proposal, supply points in the domestic market will not have their consumption reconciled to a meter reading but will be reconciled in aggregate by Local Distribution Zone (LDZ).

Due to the reliance of RBD on the accuracy of annual quantity data (AQs) and the accuracy and speed of reconciliations in the industrial and commercial market, shippers believe it is important to have incentives placed on Transco to ensure that shippers to smaller customers will not be exposed to significant costs. Modifications 0202 (proposed by shippers) and 0202a (counter-proposal by Transco) intend to set out the standards of service that must be met before the industry can begin using RBD in the domestic market.

Together, the modifications propose focusing standards of service on Transco's handling of: AQ Appeals; reconciliations; and future AQ reviews. In addition to these, Modification 202 also proposes standards of service for Transco's handling of queries and the size of reconciliations to domestic shippers.

**Possible Impact on Customers**

If either proposal was introduced there would be incentives placed on Transco to facilitate more accurate information and data handling in the industrial and commercial market. If these incentives had the desired effect, customers should experience greater ease in correcting inaccurate AQ information, which customers have previously indicated can cause them considerable inconvenience.

**Further Information**

Urgent Modification 202 and the Transco alternative 202a, are not being treated to the same timetable. The close-out for Modification 202 was on 15 December and the responses to this Modification will be considered alongside the responses to Modification 0194.

The timetable for Modification 202a is:

Close-out for Representations	- Friday 16 January
Modification Report to Ofgas	- Friday 23 January
Ofgas Decision	- Thursday 29 January

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