

10 February 2016

PROJECT NEXUS - MODIFICATION 0550 - LEGAL DRAFTING - EXPLANATORY TABLE

INCENTIVISING CENTRAL PROJECT DELIVERY

TRANSITION DOCUMENT

Notes

1. This table is based on the legal text for Modification 0550 published on the Joint Office website on 18 February 2016 (*as contained within the Draft Modification Report of that same date*).
2. Modification 0550 relates to incentivising the central project delivery of Project Nexus.
3. The text is to be inserted into Transition Document Part IIC as a new paragraph 22.

Transition Document Part IIC	Topic	BRDs	Explanation
22.1	Delay in implementation of Modifications 0432 and 0440	-	The trigger for payment by Transporters of incentive payments (i.e. daily delay charges) has three elements, (i) a Modification must be made delaying the implementation of Modifications 0432 and 0440 beyond 1 October 2016, (ii) the reason for the delay beyond this date must be caused in part by the actions of the Transporters and (iii) the Authority must make a determination that (ii) is indeed the case. If any element of the trigger is not satisfied then no incentive payments are payable by Transporters.
22.2	Delay period	-	The aggregate incentive payments are capped at £5,000,000 a month for each of October and November 2016. Payments are due for any period of delay between 1 October 2016 and the actual date of implementation of Modifications 0423 and 0440, however, no

			incentive payments are due for any period of delay beyond 30 November 2016.
22.3	Daily delay charge	-	<p>The incentive payments are structured as a daily charge (because we do not know in the event of a delay what the revised implementation date will be). This is calculated as a daily charge, equal to £2,500,000 divided by the relevant number of days in the month. The daily charge is then shared out amongst shippers pro rata their respective share of Supply Point registrations as at 1 October 2016.</p> <p>We use £2,500,000 for this calculation rather than £5,000,000 as it is agreed that the Transporters will make a charitable donation for the amount equal to the payments made to shippers, subject to the overall monthly cap of £5,000,000.</p>
22.4	Adjustment for minimum payment		In the event daily delay charges are payable, each shipper is entitled to receive a minimum payment of £100 for the delay period. In the event a shipper's share for the delay period is less than £100 an adjustment is made; the relevant shipper receives a top up payment, to be shared out by a proportionate reduction in the aggregate delay charges received by those shippers receiving aggregate payments in excess of £100 (so preserving the overall cap on incentives payments to shippers of £5,000,000).
22.5	Charitable donation		Where the Transporters are liable to pay daily delay charges, a sum equal to the aggregate payments paid to shipper will be paid to an agreed charity.
22.6	Invoices and payment		Daily delay charges shall be invoiced and payable in accordance with the usual rules under TPD Section S.
22.7	Not a Compensation Rule		This confirms incentive payments are not to be treated as a Compensation Rule for the purposes of TPD Section V.