

Dear Colleague,

You may be aware that Transco submitted a Final Modification Report with respect to Modification Proposal 0637 'Introduction of a financial incentive performance regime for the resolution of User Suppressed Reconciliation Values' to Ofgem on 8 October 2004.

Unfortunately, Transco subsequently identified a small number of anomalies within the legal drafting which required rectification. Following consultation with Ofgem, Transco reported this to the October 2004 meeting of the Modification Panel and advised that it intended to raise the matter at the October 2004 meeting of the Supply Point and Billing Workstream.

This was duly carried out and meeting attendees approved the three textual changes required. It will be noted that the drafting fully reflects the required regime as developed and agreed within the Workstream. Transco has therefore amended the legal drafting and submitted a revised Final Modification Report (v5.0) to Ofgem.

The drafting changes are explained as follows:

E8.3.4

This paragraph gives "extra time" for USRV resolution where a User sees a sudden increase in the number of their USRVs. At present, the text refers to the "number of USRVs for a User **for an LDZ** in a USRV month". It goes on to specify the revised formula that would apply "in respect of such LDZ".

The reference to LDZ was introduced throughout the text, because the incentives payments are intended to be separable by LDZ for charging and smearing purposes. However, there was no intention to calculate extra time by LDZ: it is presently defined in the Suppression Guidelines as a system-wide calculation. It is important to consider the overall workload, since the User should have consistent processes across all LDZs.

The first sentence should state simply the "number of USRVs for a User in a USRV month" and the sentence which follows sub-clause (ii) has been changed to become "in respect of ~~such~~ **each** LDZ", so that the calculation is performed once for all LDZs and the whole USRV workload receives the benefit where "extra time" applies.

If this error is not corrected, Users could exploit it by manipulating the submission of reads between LDZs to achieve extra time on an almost constant basis, even though their overall workload is not fluctuating.

E8.3.5

The paragraph specifies that "the amount due from all Users ... shall not exceed £100,000 **for each LDZ**". As mentioned above, the term 'LDZ' was introduced throughout the text to ensure that income was separately identified. However, the intention of the cap (as confirmed elsewhere within the Modification Report) was for a system-wide cap of £100,000. If changes were not made, this would be £1,300,000 per month, £15,600,000 per annum, assuming 13 LDZs for USRV purposes.

The text should be amended to say simply "shall not exceed £100,000 and in the event that the aggregate amounts due from all Users for a USRV month exceeds such amount ..."

If this error is not corrected, it would increase Users' potential exposure twelve-fold, based on the number of LDZs, excluding the Scottish Independents.

Please contact Chris Warner on 01926 653541 (e-mail, chris.warner@ngtuk.com) if you have any queries.

Regards

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