

**REVIEW GROUP TERMS OF REFERENCE**  
**CODE REVIEW PROPOSAL No 0272**  
**Mod 640 Validation Arrangements for when a Change of Shipper has occurred**  
**Version 0.1**

**Date:** 01/12/2009

**Nature and Purpose of Proposal**

Network Code Modification Proposal 0640 was implemented with effect from 28 June 2004. This proposal was designed to place an incentive on Shippers to actively manage their SSP-LSP portfolio during the year to ensure that energy was correctly allocated. Subsequently UNC Modification Proposal 0095 was implemented in October 2006, this enables Mod 640 charges to be targeted at SSP-LSP crossers even when a change of registered Shipper has occurred during the year, applied in proportion to the duration of ownership in the period impacted.

Modification Proposal 0094 was also implemented in October 2006, this allowed Mod 640 charges to be applied to sites where the Q had changed by less than 20% or 15,000 kWh. This therefore increased the number of sites that were close to the threshold and so would be exposed to Mod 640 charges. Modification Proposal 0136V was implemented in August 2007, this amended the UN so that if a SSP site had been appealed to LSP between October and March 90% of the Mod 640 charges would apply, whilst SSP-LSP appeals outside of this window would be exposed to 100% of Mod 640 charges.

The mod 640 invoice is issued in March each year. However when this invoice is issued Shippers have no way of validating the invoice for SSP-LSP crossers that were no longer in their ownership when the annual AQ review took place, and in some cases all the data held by the old Shipper suggests that the site was, and should have remained as a SSP site and so Mod 640 invoices should not have been incurred.

**Review Group Terms of Reference**

The following items are included within scope of the group and should be considered within the Terms of Reference:

1. Information Provision to previous Shippers to validate Mod 640 invoices
  - What information should be made available to validate the Mod 640 invoice
  - When this information should be provided
  - Whether this is a User Pays service and what the funding arrangements should be if it is a User Pays service
  - Any other issues that relate to the provision of information to previous Shippers to validate Mod 640 invoices
2. Whether a disputes mechanism for Mod 640 invoices is required, when there is information to suggest that the Supply Meter Point crossed the SSP-LSP threshold during a particular Shipper's ownership is an inter-Shipper dispute mechanism required to ensure costs are correctly targeted?

- Whether a disputes mechanism is required
  - Which parties should be involved in a disputes mechanism
  - When this should occur – start and end dates
  - What would the rules of any dispute mechanism be
  - What should the governance of such disputes mechanism be
  - Whether this is a User Pays service and what the funding arrangements should be if it is a User Pays service
  - Any other issues that relate to the arrangements to dispute a Mod 640 invoice were a change of supplier has occurred
3. Consider how best to implement the outcome of this review and whether a modification proposal should/could be raised prior to the review group concluding

### **Suggested Aims and Outputs**

It is envisaged that this Review Group will produce a report recommending any necessary changes to the UNC, any other industry code or organisation working practices. It is recommended that the Review Group completes its work within a six month period. If necessary this could be extended by seeking agreement of the Modification Panel.

The Review Group should also look to include any draft Modification Proposals as part of the final report (this does not prevent related Modification Proposals being raised during the period of the Review Group).

### **Scope and Deliverables**

The Review Group shall focus on changes to the UNC, but also identify where improvements could also be made to areas of governance outside of the UNC.

### **Limits**

The Review Group will focus on developing recommendations and UNC Modification Proposals that efficiently address any issues identified in a proportionate and cost effective manner. The Review Group will consider changes required to procedures and processes within UNC, however it will not develop changes for non code processes but will requests reports from review group members who can influence changes with the appropriate industry body.

The Review Group is to be mindful of related industry obligations, processes and previous reports:

1. UNC;
2. Flow of information between UNC parties;

3. Licence and Legal obligations.

**Composition of Review Group**

This review group is open to all Transporters and their agents, Code Users and consumer representatives.

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

**Timetable**

It is proposed that a period of six months be allowed to conclude this review, however given the complexity of the issues this may need to be extended depending on how this review develops.

Although the frequency of meetings will be subject to review and potential change by the Review Group it is suggested that the initial frequency of the meetings be monthly.

Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.