

Topic Discussion Paper on Mod Review Process 643

LDZ RbD Reconciliation Notification Process

Mod review process is a “gentleman’s” agreement created prior to GDN sales, which sought to introduce a notification process for large errors that the Transporter wished to reconcile. The outline of the process is that following the receipt of a Meter Error Report, NGG as Shrinkage Manager will estimate the volume and value of the proposed reconciliation, and if it is greater the 50 GWh or £1m the rules set out in the Mod Review Process 643 (MRP643) will be followed. This requires the Billing Operation Forum (BOF) to notify Shippers via its distribution list and following notification Shippers have five working days to object to this reconciliation, with NGG required to respond within five working days. On receipt of this response Shippers have a further five working days to raise a second objection, with any objections discussed at the next BOF. NGG presents the reconciliation at the BOF, with Shippers able to raise their concerns, with NGG responding to these. Shippers are then required to vote in favour or against the proposed reconciliation, with only those impacted in the LDZ, and present eligible to vote. If there is a unanimous vote opposed to the reconciliation then the issue goes to expert determination who determines whether the error occurred or not and whether the proposed reconciliation is accurate or not. If a single Shipper votes in favour of the reconciliation, or no objections are received, then the reconciliation is automatically invoiced.

To date this Mod review Process has been used twice, with the most recent instance being the Farningham Meter Error. It is apparent from this error, that the process was not designed to deal with an error that spans a significant period – a fact recognised by those who participated in the development of this process – and that the process needs to be reviewed to reflect changes in the industry structure. Issues that EDF Energy has identified as needing resolving, and welcome comments on are:

- **Governance of Document.** Currently the document is held by Operations and Trading (National Grid), and therefore has no legal backing. Should the document be developed and incorporated into the UNC, or sit as an associated document?
- **Trigger for start of LDZ RbD.** The trigger for the start of the process is the receipt of a Meter Error Report (MER) – however it is not clear whether this is receipt of the first MER or Final MER. Should a two stage process be developed so that Shippers are informed of error at receipt of first MER, as currently detailed, but second stage formal objection process should not start until receipt of a Final MER?
- **National Grid Transco.** Currently only NGT is involved in the process – should it be just the relevant Transporters, should NGG always be involved?
- **Threshold.** Is the current threshold of 50 GWh or £1m still acceptable?
- **Facilitation.** MRP643 requires Billing Operations to co-ordinate between Shippers and Operations and Trading – in practice xoserve have facilitated this through the BOF and Joint Office. Are we happy with this arrangement? Role for Joint Office, Ofgem?
- **Notification.** Currently 15 days prior to reconciliation invoice release notification is provided to BOF and NT&T RGTA Workstream (needs updating). Is this the correct list and notification period? Should there be two notification periods to reflect the two stage process – initial notification within 5 days of receiving the first MER or processing the first MER? Second notification on receipt of Final MER? Should notification period be proportionate to time taken between identification of error and production of Final MER, or time taken between initial MER and Final MER, or time taken for upstream Transporter to analyse and accept MER? Minimum of X working days plus X working days dependent on relevant period chosen? Industry agreed period?

- **Information.** Currently information provided to Shippers at initial notification is:
 - The LDZ(s) affected by the reconciliation
 - The total estimated energy value in GWh
 - The total estimated financial value in £m
 - The start and end date of the reconciliation
 - A brief description of the issue
 - An estimate of the invoice processing date

Any additional information required? Estimate of individual Shipper position (to relevant Shipper only), names of Shippers impacted in the LDZ(s)? At second notification – update of the above plus Final MER? Monthly update of this information?
- **Process Following Notification.** Currently 5 business days for Shippers to respond following notification – clearly too short to analyse an issue that has occurred over a significant period. Should the objection process be linked to the notification period – first objection one third of way through notification period, Transporter response two thirds way through and second objection three thirds of way through? Should reconciliation proceed straight to invoice if no objection received at first stage, or could we wait until second objection deadline for automatic progression? Is one objection sufficient to delay invoice, or should it be majority or minimum of X objections?
- **Discussion.** Currently if objection at both stages proceed to next BOF (right forum – see above), within 32 business days. Notification requirement for forum – clearly don't want to be in a position were parts of the industry has 4 working days to prepare for a meeting. Should meeting notification period be of equal length to original notification period, or proportionate to original notification period or X working days?
- **Ability to delay.** No explicit ability to delay or postpone the BOF, but NGG delayed as were not ready to proceed, but inability for Shippers to delay. Is this equitable? No ability to delay – if lead party not in position to proceed process restarted, or reconciliation cancelled? Ability to delay by any party – subject to majority acceptance, or individual right, or unanimous approval?
- **Voting.** Currently Shippers asked to vote in favour or against the reconciliation progressing, with only impacted Shippers who are present eligible to vote. If unanimous decision not to progress then goes to expert determination, however if single vote in favour invoice progressed. Is this satisfactory – ability to vote by e-mail, by proxy? Should it be majority decision or at least X% against progression to go to expert determination?
- **Expert determination.** Currently expert determined by NGT with Shippers able to suggest alternate within 5 business days, and very limited verdict that expert can reach. Should expert be appointed by agreement between interested parties, or by independent authority? Should expert be able to reach a predetermined solution, or able to identify most appropriate solution on grounds of equitability within UNC requirements?
- **Any other issues?**