



**Overview of previous USRV (User  
Suppressed Reconciliation Value)  
Incentive Mechanism  
PAC 25 July 2018**

- Summary of the previous incentive regime – operation and safeguards
- Contents:
  - Background
  - Summary of the arrangements
  - Charging and sharing methodology

- Pre-Nexus obligation on Shipper users to investigate and resolve suppressed meter point reconciliations in a timely manner
  - Only LSPs were subject to meter point rec
  - Actions or inaction of LSP Shippers directly affected SSP Shippers – timeliness of energy flows through Reconciliation by Difference (RbD)
- Incentive regime introduced by Transco Mod 0637 in February 2005
- Aimed to place financial incentives to resolve items in line with obligations
- Any funds collected were shared to the affected Shippers – i.e. SSP
- Many Shippers operated in both markets – could be both paying and receiving a share of the incentive pot

# Overview of the arrangements

- Shipper target was:
  - 95% resolved within 2 months
  - 100% resolved within 4 months
- Incentive charges for below-standard performance
  - $((0.95 * A) - B) * £20 + ((A - C) * £30$
  - E.g. Sent 190, resolved 173 by month 2, incentive  $((.095 * 190) - 173) * 20 = £150$
  - Amounts were the same as the existing GT obligations for resolution of their similar transactions – not specifically cost reflective
  - No credit payment for exceeding target
- Total industry incentives were capped at £100,000 per month – prevented excessive charging
  - All Shipper totals would be scaled down pro-rata to give a total of £100,000 for the month if required – later increased to £500,000

# Charging and Sharing

- Monthly invoices issued to LSP Shippers based on published performance
- Transco collected the invoiced amounts
- Opposite of collected amounts **less a 2% admin charge** was shared out and paid to SSP Shippers each quarter
  - Quarterly process reduced admin burden
  - Sharing of collected amount (rather than invoiced) removed risk of having to claw back uncollected amounts from SSP Shippers later
  - Late paid amounts would be shared out in the following quarter
  - 2% levy designed to fund Transco's additional admin costs