

CODE REVIEW PROPOSAL No 0158
“Review of User Suppressed Reconciliation Values' incentive arrangements”
Version 1.0

Date: 10th July 2007

Nature and Purpose of Proposal

Reconciliation validation 'filter' failures are generated from financial adjustments, resulting from the submission of meter readings, which are deemed to be out of tolerance under the current process as defined by the Uniform Network Code Reconciliation Suppression Guidelines and are subsequently termed as User Suppressed Reconciliation Values (USRV's).

In February 2005, Modification Proposal 0637 implemented a regime to incentivise Users to process and clear all USRV's in an efficient and timely manner.

Following the implementation of modification proposal 637, the number of outstanding USRVs initially reduced, however this trend was short lived with USRV levels soon returning to and passing original levels.

Information issued by xoserve identifies that there is currently a significant backlog of outstanding USRV items and that the general level of current performance in this area is consistently below the expected standard.

It is evident from this data that the incentive regime in its current form is not proving to be effective, with one element being the effect of the monthly cap has significantly scaled down and devalued the level of the incentive liability payments.

Modification Proposal 141 was raised on 30th April 2007 and simply seeks to address the effect of the scaling down of the liability payments by amending the value of the monthly cap and ensuring that the process is, in future, operated in accordance with the original intentions of modification proposal 637.

However, in addition to the measures sought by modification proposal 0141, there is a general industry consensus that a wider review of the existing USRV incentive arrangements are required, to ensure that they remain fit for purpose and adequately mitigate the financial risk that unresolved USRV's present to Reconciliation by Difference (RbD).

Further, discussions have taken place under the remit of modification review group 126, that have potential implications to the existing USRV process and which need to be understood and considered.

This review proposal seeks to review the existing USRV arrangements and recommend revised arrangements, which will:

- a) ensure that appropriate incentives are in place to ensure timely resolution of USRV's.
- b) ensure that appropriate measures are introduced to remove the existence of any potential perverse incentives for Users not to undertake resolution activity.

- c) reduce RbD from the existing unacceptable levels of financial uncertainty.
- d) safeguard RbD from any financial exposure related to the outcome of modification review group 126.

Any other information (Optional)

The volume of outstanding USRV's have steadily increased since the introduction of Modification Proposal 637 regime in February 2005.

Without review, the existing regime will continue to operate in an ineffective manner and RbD Users will continue to suffer from the current level of financial uncertainty which is created by unresolved items.

Further, without reform of the existing arrangements, it is likely that the number of outstanding USRV items will continue to increase in volume and increase the level of risk to RbD.

Code Concerned, sections and paragraphs

Uniform Network Code Transportation Principal Document TPD Section E and the Uniform Network Code Reconciliation Suppression Guidelines.

Proposer's Representative

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