

Terms of Reference – V1.0
UNC Modification Reference Number 0158
Review of User Suppressed Reconciliation Values' incentive arrangements

Purpose

A Uniform Network Code Review Group is required to review the current UNC incentives in respect of User Suppressed Reconciliation Values.

Background

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 UNC Reconciliation Suppression Guidelines and are subsequently termed User Suppressed Reconciliation Values (USRVs).

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

Following the implementation of Modification Proposal 0637, the number of outstanding USRVs initially reduced. However, this trend was short lived with USRV levels soon returning to and passing the pre Modification Proposal 0637 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 standard which might reasonably be expected if the incentives were working effectively.

It is, therefore, 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 - which significantly scales down and so devalues the level of the incentive liability payments. Modification Proposal 0141 was raised on 30th April 2007. This is seeking to reduce the scaling down of the liability payments by increasing the value of the monthly cap.

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 is required. to ensure that they remain fit for purpose, and adequately mitigate the financial risk that unresolved USRVs present to Reconciliation by Difference (RbD).

Further, discussions have taken place under the remit of Review Group 0126, that have potential implications for the existing USRV process and which would benefit from being understood and considered.

Scope

Identifying and considering high level options for regime change which could incentivise timely resolution of USRVs..

Deliverables

The Group is asked to consider the existing USRV arrangements and recommend revised arrangements, which will:

- Ensure that appropriate incentives are in place to encourage timely resolution of USRVs.
- Ensure that appropriate measures are introduced to remove the existence of any potential perverse incentives for Users not to undertake resolution activity.
- Be expected to reduce RbD from the existing levels of financial uncertainty.
- Safeguard RbD from any financial exposure related to the outcome of Review Group 0126.
- Identify any changes required to the UNC Reconciliation Suppression Guidelines.
- Identify how USRVs should be reported in future (on an anonymous basis, or by User).

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above, and may include a draft UNC Modification Proposal.

Limits

The Review Group will restrict its considerations to changes required to the Uniform Network Code

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Composition

The Review Group will comprise the following members:

Name	Organisation
Julian Majdanski (Chair)	Joint Office
Helen Cuin (Secretary)	Joint Office
Mitch Donnelly	British Gas Trading
Alistair Watson	Scottish Power
Bali Dohel	Scotia Gas Networks
Brian Durber	E.ON UK
Chris Warner	National Grid Distribution

Karen Kennedy	Scottish Power
Linda Whitcroft	Xoserve
Mark Jones	Scottish and Southern
Richard Street	Statoil
Sally Harling	Corona Energy
Samuel Lydgate	Total Gas & Power
Scott Miller	Scottish Power
Sham Afonja	RWE Npower
Simon Trivella	Wales & West Utilities
Stefan Leedham	EDF Energy
Sue Davies	Wales & West Utilities
Tim Davis	Joint Office

Others may attend any meeting subject to the agreement of the Chair, consistent with the Chairman's Guidelines.

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

Information Sources

- Uniform Network Code – Section E8.
- UNC Reconciliation Suppression Guidelines
- GT, Shipper and Supplier Licences.
- Gas Act.
- Various Industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations.
 - Gas Safety (Management) Regulations.
 - Industry Codes of Practice as relevant.

Timetable

It is proposed that a maximum period of six months be allowed to conclude this review, with a final Review Group Report presented to the UNC Modification Panel no later than January 2008.

Note:

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.