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www.centrica.com

1<sup>st</sup> November 2010

Dear Colin,

**RE: National Grid's Consultation on BSUoS – Removing End of Scheme Year Reconciliation Process**

Thank you for the opportunity to respond to your consultation on removing of the End of Scheme Year Reconciliation process.

Centrica believes that volatile BSUoS costs can be problematic for generators and suppliers. We are of the opinion that whilst the End of Scheme (EoS) Reconciliation reflects real costs closer to the time of event when compared with the final reconciliation, it can result in an unforeseen spike to the Users' cash flows and hence contribute to the issue of volatility.

We believe that the removal of the EoS will be beneficial for all Users, and in Centrica's view, presents no material process or IS issues. In this respect, we welcome the change that would be brought through option 1 – the removal of the EoS and passing these payments through the RF settlement, although we would also note that the outcome of TransmiT, the ongoing Ofgem-led charging review, could introduce further change.

Whilst we believe that a process of reconciliation is required as part of the current BSUoS charging regime, we do not believe that the End of Scheme (EoS) Reconciliation adds significant value for Users. The EoS is a consolidated reconciliation, over all days of a year, and the result can in some cases have a negative impact on Users' cash flow. We would welcome the removal of this settlement and the spreading of charges over the daily settlements, thereby avoiding the annual reconciliation.

Centrica concurs with National Grid that the removal of one of the three financial settlement stages should improve the efficiency of the BSUoS charging process and could result in a slight decrease of administration costs to both National Grid and Users.

I hope these comments have been useful. If you want to discuss any element of this response, please do not hesitate to contact me on 07789 579169 or at [Ricky.Hill@centrica.com](mailto:Ricky.Hill@centrica.com).

Yours sincerely,

Ricky Hill  
Industry Development Analyst  
Centrica Energy

**Kirk-Wilson, William**

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**From:** Jones, Paul [Paul.Jones@eon-uk.com]  
**Sent:** 18 October 2010 11:31  
**To:** Williams, Colin  
**Subject:** GB ECM-27 Removing End of Scheme Reconciliation Process

Colin,

Having reviewed the above proposals, we do not believe that removal of the EOS Reconciliation Run presents us with any particular issues. Therefore, we are content for it to be removed, starting with the run planned for charging year 2010/11 as proposed.

Regards

Paul Jones  
Trading Arrangements  
E.ON UK

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1 November 2010

Dear Colin,

### **GB ECM-27 BSUoS – Removing End of Scheme Year Reconciliation Process**

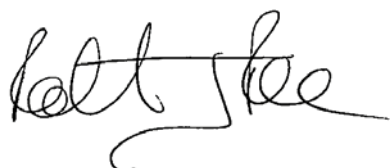
Thank you for the opportunity to comment on these proposals. Our key points are as follows:

- **We support your proposal option 1 to remove the BSUoS End of Scheme Year reconciliation process (“EOS”) altogether, leaving only the Initial Settlement (SF) and Final Reconciliation (RF) settlement processes.**  
This would simplify our BSUoS settlement compared with current processes (option 2, no change). We accept that if reconciliation occurs only at RF, it may take longer than present to settle some potential Income Adjusting Events.
- **We would still expect visibility of potential or actual Income Adjusting Events at the earliest opportunity.**
- **Provided confirmation is received with at least 3 months notice, we have no objection to removal of the process so that it does not occur next June, 2011.**
- **Changes to our internal processes and software to support option 1 should be straightforward and low cost.**
- **Option 3, replacement of End of Scheme Year Reconciliation with additional Settlement Run, might have some small benefits in simplifying our settlement processes in principle and allowing earlier intermediate reconciliation, but the costs to amend our systems and processes to accommodate this change would be higher.**
- **We note that removal of the next EOS would constitute a special retrospective revision of the 2010/11 charging methodology, but only in relation to settlement of charges, not the amount of the charges.**

Further detail is set out in the attachment to this letter.

Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Martin Mate on 01452 654366, or myself.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Rob Rome".

**Rob Rome**  
**Head of Transmission & Trading Arrangements**  
**Corporate Policy and Regulation**

## **Attachment**

### **GB ECM-27 BSUoS – Removing End of Scheme Year Reconciliation Process**

#### **EDF Energy response to your questions**

##### *What impact would the removal of End of Scheme Year Reconciliation have on you?*

We incur costs validating, settling and recording the End of Scheme Year reconciliation (“EOS”) using a semi-manual internal process. Removal of the EOS process would eliminate these costs going forward.

There would be some small one-off costs to remove the EOS from internal systems and processes, but provided sufficient notice is given, say 3 months; these should be straightforward and low cost.

The amounts reconciled for each day in EOS are relatively small compared with the initial rolling settlement at SF, and yet still leave further small amounts to be reconciled in the rolling RF approximately 14 months after each day.

EOS delivers a one-off intermediate reconciliation for a whole year, and reduces the amount subsequently reconciled in the daily settlement process at RF for each day. However, the benefit of this early reconciliation is small compared with its administrative costs, noting that all reconciliations are made with allowance for interest and that reconciliation amounts at RF without EOS would be much less than the initial amounts at SF which are invoiced at the same time.

Charts 6 and 10 of the consultation document show surprisingly large potential RF settlement amounts on some days, in some cases similar to EOS amounts for a whole year. We suspect these are due to changes in costs associated with particular events, or step changes in costs being recovered, and would welcome more explanation from National Grid. However, these are generally still relatively small compared with initial settlement amounts invoiced at the same time.

##### *Do you agree with the removal of the End of Scheme Year Reconciliation without it being replaced leaving only SF and RF financial settlements?*

Yes, for the reasons given previously.

If the settlement process were being designed from scratch, there might be benefit in including an intermediate BSUoS reconciliation as part of the routine daily process, perhaps at R3. However, given the costs for changes to both EDF Energy systems and National Grid systems to achieve this, we don’t support this option at this time.

*Do you agree with the timescales of the removal of the End of Scheme Year Reconciliation?*

Provided confirmation is received with at least 3 months notice, we have no objection to removal of the process so that it does not occur next June, 2011, or thereafter. Changes to our internal processes and software to support this should be straightforward and low cost.

We note that removal of the next EOS would constitute a special retrospective revision of the 2010/11 charging methodology, but only in relation to settlement of charges, not the amount of the charges.

**EDF Energy**  
**November 2010**

Colin Williams  
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Your ref  
Our ref  
Name Rachel Fowler  
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1<sup>st</sup> November 2010

Dear Colin,

### **GB ECM-27: Removing End of Scheme Year Reconciliation Process**

RWEnpower welcomes the opportunity to comment on these proposals. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

#### **What impact would the removal of the End of Scheme Year Reconciliation have on you?**

We feel that the End of Scheme Year Reconciliation is an unnecessary element of the BSUoS charging regime and removing it will reduce the work of loading the End of Scheme files into systems. We do not have concerns over the potential larger reconciliations that may be seen in the RF run. RWE npower does not support Option 3 as were it to be implemented, the benefit of the reduction in workload would not occur as an addition settlement run would create an extra file on a daily basis which would be required in our systems.

#### **Do you agree with the removal of the End of Scheme Year Reconciliation without it being replaced leaving only SF and RF financial settlements?**

We agree that Option 1 where the End of Scheme Year Reconciliation is removed without it being replaced leaving only the SF and RF financial settlements is the best option. Option 2 does not give the benefits removing the End of Scheme Reconciliation and Option 3 is likely to create more unnecessary work.

#### **Do you agree with the timescales of the removal of the End of Scheme Year Reconciliation?**

If Option 1 was to be implemented we agree with the suggested timescales of removing the End of Scheme Year Reconciliation in time for the scheme year 2010/11 in June 2011. We note however that an early decision on this would be helpful in order to allow a lead time for systems to be changed as a result.

In the case that Option 3 was to be implemented we have concerns that a June 2011 implementation would not allow time for the associated system changes an additional settlement run would require.

Please feel free to contact me if you wish to discuss this response in more detail.

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Yours sincerely,

By email so unsigned

Rachel Fowler,  
Forecasting Senior Analyst- Network Charges

Colin Williams  
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CV34 6DA

01 November 2010

Dear Colin,

**GB ECM-27 Consultation Document  
BSUoS - Removing End of Scheme Year (EOS) Reconciliation Process**

Thank you for the opportunity to respond to this Consultation Document. This response is submitted on behalf of ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Renewable Energy Ltd.

Scottish Power supports Option 1 – removal of the End of Scheme Year Reconciliation Process.

Removing the EOS reconciliation would smooth cashflow throughout the year by removing the single large reconciliation payment associated with the EOS Reconciliation invoice. Removal would also reduce the significant workload in validating, processing and paying the EOS reconciliation invoice against a tight payment timetable, resulting in efficiency and cost savings. In addition, there is currently a charge for obtaining the EOS settlement data in electronic format (£500 per BSC Party?) and parties would be able to avoid this cost. There would be a small cost of reflecting the change in our existing settlement systems.

It is clear from the analysis provided in the consultation and our own experience that there are only minor changes in the BSUoS liability between the EOS Run and the RF Run. As an RF Run is required to reflect the final meter readings, it would therefore be appropriate to remove the EOS Reconciliation Run without replacement.

As the proposed change delivers efficiency benefits for the industry, we would agree that it should be implemented at the earliest opportunity i.e. that there should be no EOS Reconciliation for charging year 2010/11 in June 2011.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

**James Anderson**  
**Commercial and Regulation Manager**

26/10/2010

Response to National Grid's Consultation Document **GB ECM-27 BSUoS – Removing End of Scheme Year Reconciliation Process**

The following is a consolidated response on behalf of SSE Energy Supply Limited, SSE Generation Limited, SSE Renewables Generation (GB) Limited, Keadby Generation Limited, Medway Power Limited, Uskmouth Power Company Limited and Greater Gabbard Offshore Winds Limited.

Using the evidence provided by National Grid and following our own investigations, the changes between SF and EOSR and between EOSR and RF are not significant enough to have a major affect on the cashflow of the company should the EOSR be removed. Furthermore, when looking at the changes between runs any potential gain we have made from the reconciliation has not had a great material impact on us when compared with the resources used to process the additional invoices. Processing of the EOSR is very manually intensive and whilst the removal of the reconciliation does require changes to our IT systems the cost of the change is not significant.

We consider Option 3 to be the most attractive concept of the three given that the reduction in volatility would be evenly spread across Settlement Days. However, we do not feel it would be cost effective to introduce this now due to the major changes that would be required to our IT systems and the additional processing of invoices.

Therefore, we support the removal of the End of Scheme Year reconciliation from the BSUoS invoicing process as the best option for future BSUoS charging as it requires minimal system change and removes a manually intensive process that does not have a significant affect on cashflow.

We are comfortable with the removal of EOSR for the scheme year 2010-2011, however we require a minimum of three months notice in order to implement the required system changes.