

CONCLUSIONS REPORT

GB ECM-05

Modification Proposal to the Transmission Network
Use of System charging methodology to cater for
manifest data errors in the calculation of TNUoS tariffs

September 2006

Table of Contents

1	INTRODUCTION	3
2	TERMS OF THE ORIGINAL PROPOSED MODIFICATION.....	3
3	RESPONSES TO THE MODIFICATION PROPOSAL.....	5
4	CHANGES TO THE PROPOSAL IN LIGHT OF REPRESENTATIONS MADE	10
5	HOW THE PROPOSED MODIFICATION BETTER MEETS THE RELEVANT LICENCE OBJECTIVES	11
6	TIMETABLE FOR IMPLEMENTATION	11
	APPENDIX 1 – PROPOSED DRAFTING OF THE STATEMENT OF USE OF SYSTEM CHARGING METHODOLOGY.....	12
	APPENDIX 2 – CUSC RECONCILIATION PROCESS	14

1 Introduction

This conclusions report sets out National Grid's proposals for modifying the Transmission Network Use of System (TNUoS) charging methodology to provide a mechanism by which TNUoS charges can be reconciled in the event of a manifest error which results in a material change to a User's annual TNUoS charge.

2 Terms of the original proposed modification

Explanation of the issue

The 2005/06 charging year saw the implementation of the British Electricity Trading and Transmission Arrangements (BETTA) and the calculation of TNUoS tariffs for Great Britain (GB) for the first time, based on a network dataset provided by each of the three Transmission Licensees.

Some time following the publication of TNUoS tariffs for 2005/06, it was brought to the attention of National Grid that the data used in the Direct Current Load-Flow (DCLF) Transport Model to calculate the tariffs contained a significant error.

The Transport Model used to calculate tariffs contained two composite 275kV circuits between Dalmally and Cruachan, comprising 8.1km of 275kV cable and 0.4km of 275kV overhead line per circuit. Further data was subsequently provided by the relevant Transmission Owner (TO) however, which indicated that the two circuits are actually made up of 8.1km of 275kV overhead line per circuit, and 0.4km of cable per circuit.

The impact of including cable lengths in the DCLF Transport Model instead of overhead line is to effectively 'stretch' the length of the circuit by the higher expansion factor used for 275kV cable and this results in a significantly higher marginal km figure for the relevant node. In this instance, the effect was so significant that generation at Cruachan was allocated a TNUoS generation charging zone of its own for 2005/06 in order to meet the generation zoning criteria set out in the Statement of the Use of System Charging Methodology.¹ Had the correct data been used, Cruachan would have been incorporated into an alternative TNUoS generation charging zone with a lower £/kW TNUoS generation tariff.

The current TNUoS charging methodology does not provide a mechanism by which TNUoS charges can be reconciled in the event that a manifest error in the calculation of tariffs is identified and results in charges that may no longer be viewed as cost reflective and in accordance with National Grid's relevant licence obligations.

¹ <http://www.nationalgrid.com/uk/Electricity/Charges/chargingstatementsapproval/>

Description of proposed modification to the Use of System Charging Methodology

National Grid is proposing to modify the Use of System charging methodology to include a mechanism by which TNUoS charges can be reconciled in the event of a manifest error which results in a material discrepancy in a Users TNUoS charge.

Definition of a manifest error

National Grid proposed that a manifest error shall be defined as any one of the following:

1. An error in the transfer of relevant data between the Transmission Licensees.
2. An error in the population of the Transport Model with relevant data.
3. An error in the function of the Transport Model.
4. An error in the population of the inputs, or function of the Tariff Model.

Materiality

In the event of a manifest error, National Grid proposed that a User's TNUoS charge shall be reconciled if the impact is considered material. National Grid proposed that the test of materiality be:

1. An error in a User's TNUoS tariff of +/-£0.50/kW or greater; **or**
2. An error in a User's TNUoS tariff which results in an error in the annual TNUoS charge of +/-£250,000 or greater.

Period eligible for reconciliation

National Grid proposed that a Users annual TNUoS charge will be eligible for reconciliation in the event that a material manifest error has been identified within the charging year in which the error occurs. Any subsequent identification of a manifest error which has a material impact on a Users TNUoS tariff beyond the charging year in which this occurs, will not be considered as eligible for reconciliation.

Mechanics of reconciliation

National Grid proposed that the appropriate mechanism for a reconciliation process in the event of a material manifest error be that of the existing reconciliation process which prevails for demand and generation Users where this is practicable. This reconciliation process is set out in the revised methodology drafting contained in Appendix 1, whilst Appendix 2 outlines the reconciliation process as set out in the CUSC. Only Users who are eligible under the definition of materiality, would have their charges reconciled based on a recalculated tariff.

Where reconciliation within the framework of the current TNUoS reconciliation process is not practicable for any reason, a post-year reconciliation in the form of a one-off payment was proposed as the most suitable solution.

Regardless of the mechanism for reconciliation, National Grid proposed that it will be appropriate for all variances in allowed revenue resulting from the reconciliation of TNUoS tariffs as a result of a manifest error, to be included within the calculation of any under/over recovery of income for that year.

<p>Justification for proposed modification</p> <p>National Grid's proposal to modify the Use of System charging methodology to implement a mechanism by which TNUoS charges can be reconciled in the event of a manifest error in the calculation of tariffs, better meets the relevant objectives in Licence Conditions C5 5(b) and C5 5(c). Namely to ensure National Grid applies charges which reflect, as far as reasonably practicable, the costs incurred by transmission licensees in their transmission businesses and properly takes account of the developments in transmission licensees' transmission businesses.</p>
<p>Suggested alternatives</p> <p>None.</p>
<p>Implementation date</p> <p>National Grid is seeking to implement this modification proposal prior to 01 April 2007 and facilitate a mechanism by which 2006/7 TNUoS charges can be reconciled in the event that a manifest error which results in a material impact on a User's TNUoS charge is identified in the current charging year. The proposed implementation date for the modification will be 20 October 2006, subject to non-veto by the Authority.</p> <p>In the specific case of Cruachan, it is no longer practicable to reconcile TNUoS charges in line with the timescales involved with the current process for reconciling TNUoS generation charges. As such, in this particular case, National Grid is proposing to apply the proposed modification subject to non-veto by the Authority, retrospectively by reconciling the User's 2005/6 TNUoS charges in the form of a one-off payment.</p>
<p>Proposed changes to the Statement of the Use of System Charging Methodology</p> <p>It is proposed that Chapters 4 and 5 of the Statement of the Use of System Charging Methodology will be amended as per Appendix 1.</p>
<p>Impacts on other Industry Documents</p> <p>There are no impacts on other industry documents.</p>

3 Responses to the modification proposal

National Grid published a pre-consultation document in June 2006, to which three written responses were received. A consultation document was subsequently published in August 2006 inviting comments and views by Friday 08 September 2006, to which six written responses were received. The pre-consultation document, consultation document, and industry responses to both, can be viewed on the National Grid charging website.²

² <http://www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/>

All six responses to the consultation document were supportive of the proposals to develop a mechanism by which charges can be reconciled in the event of a manifest error in the calculation of TNUoS tariffs, and were broadly in agreement with the specifics of the proposal.

Two respondents did not agree that the period eligible for reconciliation should be limited to a single financial year and subject to identification of a manifest error within the charging year in which it occurs, whilst one respondent did not agree with the proposed definition of materiality.

Definition of a manifest error

Four respondents were in full agreement with National Grid's proposed definition of a manifest error, whilst none of the respondents commented to the contrary.

One responded noted that they did not consider that an error in a User's demand forecast should be excluded from the process and where a mistake in a User's forecast was to have a material effect on other Users, it would seem appropriate for those Users that are disadvantaged by the error of another User, to be able to benefit from the reconciliation mechanism if the amount satisfies the definition of materiality.

National Grid response

National Grid agrees with the respondent regarding a mistake in a User's demand forecast. Whilst such a mistake is extremely unlikely to impact on a User's TNUoS tariff or annual charge to the extent that it is considered material under the terms proposed in this report, National Grid believes that it would be appropriate for a User to be able to benefit from the reconciliation mechanism in the event that they are materially effected by an error of another User. This is reflected in Section 4 of this conclusions report.

Materiality

One respondent believed that an absolute value of +/-£0.25/kW of a User's TNUoS tariff, with a de minimis level of +/-£100,000 of a User's annual TNUoS charge would be more appropriate than the proposed levels of +/-£0.50/kW and £250,000.

Five respondents however, agreed that National Grid's proposed definition of materiality was suitable on the grounds that it ensures that no classes of User are discriminated against, achieves a balance between the overall size of the TNUoS charge payable by a User and is proportionate to the nature of errors likely to occur.

One respondent did not agree that the proposals for materiality would work adequately should more than one error occur during the same year. The respondent considered that the draft legal text considered manifest errors individually for the purposes of meeting the materiality threshold and noted that were two or more errors to occur during the same charging year, it is the aggregate effect that should be considered important. Otherwise, a User could be affected to a combined extent which is higher than the materiality threshold and not be reconciled because the individual effects of each error did not meet the criteria. Likewise, two errors could negate each other to the extent that the net error did not meet the threshold, but two reconciliations would have to be undertaken because each individual error was sufficiently material in its own right to trigger the process.

National Grid response

In the pre-consultation document, National Grid put forward a figure of +/-£1.00/kW of a User's TNUoS tariff as a starting point for discussion, in line with the existing criteria used to determine generation charging zones.

In the subsequent consultation document, National Grid proposed that a better approach to defining materiality might be that of determining an acceptable tolerance in the measurement of circuit data which is used in the DCLF Transport Model. By using 1km as an acceptable tolerance, the largest discrepancy which could occur in the calculation of a User's tariff would be that which includes an error in the measurement of 132kV cable, in a Scottish TO region. For 2006/7, 132kV cables in these regions have the highest expansion constant of 27.85. An error in the measurement of this type of circuit of 1km, would result in a discrepancy in the locational element of the annual TNUoS charge of a User of approximately £0.50/kW.

National Grid therefore proposed that an absolute value of +/-£0.50/kW should be used as the threshold when determining whether a manifest error is sufficiently material to undergo a reconciliation process.

Whilst National Grid believed the use of an absolute value of +/-£0.50/kW to be appropriate, it was recognised that there are limitations of using a single criteria for determining materiality particularly when considering larger generators. If a 2,000MW power station for example, were to be subjected to an increase in the TNUoS generation tariff of £0.49/kW as a result of a manifest error in the calculation of the charges, the generator would be liable for an additional £980,000 in TNUoS charges with no mechanism for reconciliation.

In consideration of this, National Grid proposed that it would be appropriate to use an additional criterion to determine whether or not a manifest error should be considered as material. National Grid proposed that this should take the form of a de minimis value of +/-£250,000 of a User's annual TNUoS charge, which represents a discrepancy of +/-£0.50/kW for a typical power station of 500MW.

National Grid acknowledges that one respondent considered a smaller absolute threshold of +/-£0.25/kW and a de minimis value of +/-£100,000 as a more appropriate threshold for determining materiality, on the grounds that +/-£0.50/kW would represent an error of £1m for a 2GW plant. Having considered all of the responses to the consultation document however, National Grid continues to believe that the primary criteria of +/-£0.50/kW of a User's TNUoS tariff for determining materiality is an appropriate and proportionate measure which does not discriminate between classes of User and is equally applicable for generation and demand Users of all sizes.

The secondary criteria of £250,000 of a User's annual TNUoS charge will come into effect in the event that a User's tariff is not impacted by +/-£0.50/kW, but results in an increase/decrease in the annual TNUoS charge of a User in excess of £250,000 in the relevant charging year. Using the aforementioned example of a 2GW generator provided by the respondent, National Grid would like to reiterate that under these circumstances, such a User would be eligible for reconciliation of their TNUoS charges using the secondary criteria. Whilst it is envisaged that this will only come into play in the case of large generators, the criteria will apply equally to both generation and demand Users.

In the event of multiple manifest errors in any one TNUoS charging year, National Grid is in full agreement with the respondent that it is the aggregate effect of these

errors which should be considered when determining materiality and not, the effect of each manifest error in isolation. This is reflected in Section 4 of this report.

Period eligible for reconciliation

Three respondents supported the proposals to limit the period of reconciliation to those manifest errors which are identified within the charging year in which they occur and that errors beyond this period should not be considered eligible for reconciliation.

Two respondents believed that the period eligible for reconciliation should stretch beyond the proposed timescales. One respondent suggested that the eligible reconciliation period should be as long as possible and believed that a 2-year period should be the minimum for consideration. One respondent suggested that the duration of a price control period might be a more appropriate timescale and noted that National Grid is presently requesting that a significant amount of revenue be retrospectively recovered from gas shippers over a period of greater than one year, following an error in the metering of volumes of gas from the NTS to a LDZ.

National Grid response

National Grid continues to believe that the use of publicly available SYS data in the DCLF Transport Model and the availability of the model itself to CUSC signatories, results in the calculation of TNUoS tariffs in an open and transparent manner and that such transparency significantly enhances the probability that a manifest error will be identified within the charging year in which it occurs.

In consideration of this, National Grid continues to believe that for a reconciliation of TNUoS tariffs to be undertaken due to a manifest error which results in a material impact on a User's TNUoS tariff, the manifest error should be identified within the charging year in which it occurs. National Grid believes that if such an error is not identified in the charging year within which it occurs, it is extremely unlikely that the error will be identified at a later date.

National Grid believes that limiting the period of eligibility to one year is very much in the interests of the User, in terms of providing greater certainty of TNUoS charges. The reconciliation process would be equally applicable to Users that have been both overcharged and undercharged and particularly in the interests of the latter, National Grid do not believe that a User would benefit from the increased uncertainty that may arise as a result of extending the period eligible for reconciliation beyond the proposed timescales. Additionally, when considering that any impact from reconciliation on the recovery of allowed revenue by National Grid will be recovered from User's TNUoS charges in the following year (described below), the timescales proposed would ensure that this is recovered from the vast majority of Users who were subject to TNUoS charges in the year in which the manifest error occurred.

With regard to the gas metering issue raised by a respondent, any equivalent error in the metering of electricity would not be governed by the Use of System charging methodology, but in the disputes process contained in Section W of the Balancing and Settlement Code (BSC). National Grid therefore does not consider this comment to be relevant to this consultation which aims to provide a mechanism by which a User's TNUoS tariff can be reconciled in the event of a manifest error in the calculation of those tariffs.

Mechanics of reconciliation

All six respondents supported National Grid's proposals to implement a mechanism by which a User's TNUoS tariff can be reconciled post-year using the existing reconciliation process for TNUoS charges, in the interests of providing stability of within-year charges for Users.

Two respondents noted their support for the approach to defining materiality such that only those Users that are impacted materially as a result of a manifest error are reconciled, with other Users remaining unaffected.

National Grid response

National Grid note that Standard Licence Condition C4 of the transmission Licence permits National Grid to give less than 150 days notice to the Authority of any proposals to change Use of System charges, where the Authority consents to a shorter period. As such, it is feasible that in the event of a manifest error in the calculation of TNUoS tariffs, a within-year reconciliation process could be facilitated. National Grid does not believe however, that this would be in the interest of Users in terms of providing stability in TNUoS charges.

National Grid accepts that where a User is over-charged as a result of a manifest error, it could be considered unfair to continue to levy the erroneous charge for the entirety of the charging year, although the converse is true in the event that a User has been under-charged, which is equally likely. National Grid therefore believes that within-year reconciliation of TNUoS charges in the event of a manifest error in the calculation of charges is not the most satisfactory solution for both National Grid and the User and that any required reconciliation should take place post charging year.

National Grid believes that the most appropriate option for post-year reconciliation is to undertake a reconciliation process for eligible Users (as defined previously) using recalculated tariffs, similar to that which currently prevails for demand and generation Users, where this is practicable. The process for this is set out in the Statement of the TNUoS Charging Methodology (included as Appendix 1) and Section 3 of the CUSC (included as Appendix 2).

For eligible demand Users, this would involve an initial reconciliation stage for both HH and NHH demand, followed by a final reconciliation using the final demand reconciliation data taken from the final reconciliation settlement run or the final reconciliation volume allocation run. For materially affected generation Users, as TNUoS tariffs are calculated based on TEC, not metered volumes, a single reconciliation could take place in line with the timescales involved in the current generation reconciliation process.

Where reconciliation due to a manifest error within the framework of the current TNUoS reconciliation process is not practicable, a post-year reconciliation in the form of a one-off payment is proposed as the most suitable solution.

National Grid proposes that it would be appropriate for all variances in allowed revenue resulting from the reconciliation of TNUoS tariffs as a result of a manifest error, to be included within the calculation of any under/over recovery of income for the year.

Cruachan

One respondent noted that National Grid is proposing to reconcile Users' 2005/6 TNUoS charges in the form of a one-off payment, and requested to be informed of the materiality that the Cruachan reconciliation will have on other Users. The respondent also requested greater visibility of the reconciliation and questioned whether it will take the form of a separate invoice or an addition to the total TNUoS bill.

National Grid response

Under the proposals, only Cruachan will be subject to reconciliation of 2005/6 TNUoS charges as it is the impact on the tariff and consequential TNUoS charge for Cruachan only, which meets the proposed definition of materiality.

It is no longer practicable to reconcile TNUoS charges for Cruachan in line with the timescales involved with the current process for reconciling TNUoS generation charges. As such, in this particular case, National Grid is proposing to apply the proposed modification subject to non-veto by the Authority, retrospectively by reconciling the User's 2005/6 TNUoS charges in the form of a one-off reconciliation. For transparency, National Grid is proposing that this reconciliation will take the form of a separate invoice.

Having reconciled the 2005/6 TNUoS charges for Cruachan, the relevant amount of revenue will be passed through and recovered in 2007/8 TNUoS charges via the 'K_t' term contained in section AA5A of National Grid's Transmission licence, which represents the correction factor to deal with the over/under recovery of maximum allowed revenue. Whilst allowed revenues have not yet been determined for 2007/8, National Grid anticipates that the effect of passing through the costs of reconciliation to other Users will be in the order of less than 0.1% of total allowed revenue. It should be noted that this is proportionate to the reduced TNUoS tariffs levied on all other Users in 2005/6, resulting from the increased tariff levied on Cruachan.

4 Changes to the proposal in light of representations made

In light of the representations made in the responses to the consultation document, National Grid proposes to make the following minor changes to the original proposal:

Definition of a manifest error

Considering that demand forecasts used in the calculation of TNUoS tariffs are received from the Distribution Network Operator, in order to facilitate the reconciliation of a User's TNUoS charge in the event that an error in the demand forecast has a material impact on a User, National Grid proposes that the definition of a manifest error shall take the form of:

1. Any error in the transfer of relevant data between the Transmission Licensees or Distribution Network Operators.
2. Any error in the population of the Transport Model with data.
3. Any error in the function of the Transport Model.
4. Any error in the inputs or function of the Tariff Model.

Materiality

In the event of multiple manifest errors in any one TNUoS charging year, National Grid proposes that it is the aggregate effect of these errors which should be considered when determining materiality, not the effect of each manifest error in isolation. This is reflected in the proposed drafting of the Statement of Use of System Charging Methodology included in Appendix 1.

5 How the proposed modification better meets the relevant licence objectives

National Grid's proposal to modify the Statement of the Use of System Charging Methodology better meets the Relevant Objectives in Licence Conditions C5 5(b) and C5 5(c). Namely to ensure National Grid applies charges which reflect, as far as reasonably practicable, the costs incurred by transmission licensees in their transmission businesses and properly takes account of the developments in transmission licensees' transmission businesses.

6 Timetable for implementation

Subject to the Authority's power to veto this modification proposal, National Grid intends to make the proposed changes to the Use of System charging methodology for implementation on 20 October, 2006.

APPENDIX 1 – Proposed drafting of the Statement of Use of System Charging Methodology

Chapter 4: Demand Charges

Reconciliation of Demand Charges

- 4.16 The reconciliation process is set out in the CUSC. The demand reconciliation process compares the monthly charges paid by Users against actual outturn charges. Due to the Settlements process, reconciliation of demand charges is carried out in two stages; initial reconciliation and final reconciliation.

Initial Reconciliation of demand charges

- 4.17 The initial reconciliation process compares Users' demand forecasts and corresponding monthly charges paid over the year against actual outturn data (using latest Settlement data available at the time) and corresponding charges. Initial reconciliation is carried out in two parts; Part 1 deals with the reconciliation of half-hourly metered demand charges and Part 2 deals with the reconciliation of non-half-hourly metered demand charges.

Initial Reconciliation Part 1– Half-hourly metered demand

- 4.18 National Grid will identify the periods forming the Triad once it has received Central Volume Allocation data from the Settlement Administration Agent for all days up to and including the last day of February. Once National Grid has notified Users of the periods forming the Triad they will not be changed even if disputes are subsequently resolved which would change the periods forming the Triad.
- 4.19 Initial outturn charges for half-hourly metered demand will be determined using the latest available data of actual average Triad demand (kW) multiplied by the zonal demand tariff (£/kW) for each zone for that Financial Year. These actual values are then reconciled against the monthly charges paid in respect of half-hourly demand.

Initial Reconciliation Part 2 – Non-half-hourly metered demand

- 4.20 Actual payments for non-half-hourly metered demand will be determined using the latest available actual energy consumption data (kWh) for the period 16:00 hrs to 19:00 hrs inclusive (i.e. settlement periods 33 to 38) over the year multiplied by the energy consumption tariff (p/kWh) for each zone. These actual values are then reconciled against the monthly charges paid in respect of non-half-hourly energy consumption.

Final Reconciliation of demand charges

- 4.21 The final reconciliation process compares Users' charges (as calculated during the initial reconciliation process using the latest available data) against final outturn demand charges (based on final settlement data).
- 4.22 Final actual charges will be determined using the final demand reconciliation data taken from the Final Reconciliation Settlement Run or the Final Reconciliation Volume Allocation Run.

Reconciliation of Manifest Errors

4.23 In the event that a manifest error, or multiple errors in the calculation of TNUoS tariffs results in a material discrepancy in a Users TNUoS tariff, the reconciliation process for all Users qualifying under Section 4.25 will be in accordance with Sections 4.16 to 4.22. The reconciliation process shall be carried out using recalculated TNUoS tariffs. Where such reconciliation is not practicable, a post-year reconciliation will be undertaken in the form of a one-off payment.

4.24 A manifest error shall be defined as any of the following:

- a) an error in the transfer of relevant data between the Transmission Licensees or Distribution Network Operators;
- b) an error in the population of the Transport Model with relevant data;
- c) an error in the function of the Transport Model; or
- d) an error in the inputs or function of the Tariff Model.

4.25 A manifest error shall be considered material in that event that such an error or, the net effect of multiple errors, has an impact of the lesser of either:

- a) an error in a User's TNUoS tariff of at least +/-£0.50/kW; or
- b) an error in a User's TNUoS tariff which results in an error in the annual TNUoS charge of a User in excess of +/- £250,000.

4.26 A manifest error shall only be reconciled if it has been identified within the charging year for which the error has an effect. Errors identified outside of this period will not be eligible for reconciliation retrospectively.

Chapter 5: Generation Charges

5.17 Initial Transmission Network Use of System Generation Charges for each Financial Year will be based on the Power Station Transmission Entry Capacity (TEC) for each User as set out in their Bilateral Agreement. The charge is calculated taking the forecast Chargeable Capacity and multiplying it by the zonal £/kW tariff. This annual TNUoS generation charge is split evenly over the 12 months and charged on a monthly basis over the year. For positive charging zones, if TEC increases during the charging year, the party will be liable for the additional charge incurred for the **full** year, which will be recovered uniformly across the remaining chargeable months in the relevant charging year (subject to Paragraph 5.18 below). An increase in monthly charges reflecting an increase in TEC during the charging year will result in interest being charged on the differential sum of the increased and previous TEC charge. The months liable for interest will be those preceding the TEC increase from April in year t. For negative charging zones, any increase in TEC during the year will lead to a recalculation of the monthly charges for the remaining chargeable months of the relevant charging year. However, as TEC decreases do not become effective until the start of the financial year following approval, no recalculation is necessary in these cases. As a result, if TEC increases, monthly payments to the generator will increase accordingly.

Reconciliation of Generation Charges

5.22 The reconciliation process is set out in the CUSC and in line with 5.17 above.

5.23 In the event of a manifest error in the calculation of TNUoS charges which results in a material discrepancy in a User's TNUoS charge as defined in Sections 4.24 to 4.26, the generation charges of Users qualifying under Section 4.25 will be reconciled in line with 5.17 and 5.22 using the recalculated TNUoS tariffs.

APPENDIX 2 – CUSC reconciliation process

3.13 RECONCILIATION STATEMENTS

Calculation of Initial Reconciliation

3.13.1 On or before 30 June in each Financial Year, The Company shall promptly calculate in accordance with the Statement of the Use of System Charging Methodology and the Statement of Use of System Charges the Demand related or generation related Transmission Network Use of System Charges (as the case may be) that would have been payable by the User during each month during the preceding Financial Year (Actual Amount). The Company shall then compare the Actual Amount with the amount of Demand related or generation related Transmission Network Use of System Charges (as the case may be) paid each month during the preceding Financial Year by the User (the "Notional Amount").

Generation Reconciliation

3.13.2 As soon as reasonably practicable and in any event by 30 April in each Financial Year The Company shall prepare a generation reconciliation statement (the "Generation Reconciliation Statement") in respect of generation related Transmission Network Use of System Charges and send it to the User. Such statement shall specify the Actual Amount and the Notional Amount of generation related Transmission Network Use of System Charges for each month during the relevant Financial Year and, in reasonable detail, the information from which such amounts were derived and the manner in which they were calculated.

3.13.3 Together with the Generation Reconciliation Statement, The Company shall issue a credit note in relation to any sums shown by the Generation Reconciliation Statement to be due to the User or an invoice in respect of sums due to The Company and in each case interest thereon calculated pursuant to Paragraph 3.13.6 below.

Initial Demand Reconciliation Statement

- 3.13.4 As soon as reasonably practicable and in any event by 30 June in each Financial Year The Company shall then prepare an initial Demand reconciliation statement (the "Initial Demand Reconciliation Statement") in respect of Demand related Transmission Network Use of System Charges and send it to the User. Such statement shall specify the Actual Amount and the Notional Amount of Demand related Transmission Network Use of System Charges for each month during the relevant Financial Year and, in reasonable detail, the information from which such amounts were derived and the manner in which they were calculated.
- 3.13.5 Together with the Initial Demand Reconciliation Statement The Company shall issue a credit note in relation to any sum shown by the Initial Demand Reconciliation Statement to be due to the User or an invoice in respect of sums due to The Company and in each case interest thereon calculated pursuant to Paragraph 3.13.6.

3.13.6 General Provisions

- (a) Invoices issued under paragraphs 3.13.3 and 3.13.5 above and 3.13.8 (b) below shall be payable within 30 days of the date of the invoice.
- (b) Interest on all amounts due under this Paragraph 3.13 shall be payable by the paying CUSC Party to the other on such amounts from the date of payment applicable to the month concerned until the date of actual payment of such amounts and such interest shall be calculated on a daily basis at a rate equal to the Base Rate during such period.

3.13.7 Final Reconciliation Statement

- (a) The Company shall as soon as reasonably practicable following receipt by it of the Final Reconciliation Settlement Run or Final Reconciliation Volume Allocation Run as appropriate in respect of the last Settlement Day in each Financial Year issue a further Demand reconciliation statement (the "Final Demand Reconciliation Statement") in respect of Demand related Transmission Network Use of System Charges payable in respect of each month of that Financial Year showing:-
- (i) any change in the Demand related Transmission Network Use of System Charges from those specified in the Initial Demand Reconciliation Statement provided in accordance with Paragraph 3.13.4;
- (ii) whether the change represents a reconciliation payment owing by The Company to a User or by a User to The Company;
- (iii) the amount of interest determined in accordance with Paragraph 3.13.6 above; and

- (iv) the information from which the amounts in (i) above are derived and the manner of their calculation.
 - (b) Together with the Final Demand Reconciliation Statement The Company shall issue a credit note in relation to any sum shown in the Final Demand Reconciliation Statement to be due to the User or an invoice in respect of sums due to The Company and in each case interest thereon calculated pursuant to Paragraph 3.13.6.
 - (c) Payment of any invoice issued pursuant to Paragraph 3.13.7(b) above or the application of any credit note issued pursuant to that paragraph against any liability of the User to The Company for Demand related Transmission Network Use of System Charges will be in full and final settlement of all Demand related Transmission Network Use of System Charges for the Financial Year to which the invoice or credit note relates provided that nothing in this Paragraph 3.13.8(c) shall affect the rights of the parties under the provisions of Paragraph 7.3.5.
- 3.13.8 The right to submit Generation Reconciliation Statements, Initial Demand Reconciliation Statements and Final Demand Reconciliation Statements and the consequential invoices and/or credit notes shall survive the termination of the User's rights under the CUSC and the parties agree that the provisions contained in Paragraphs 3.13 and 3.14 shall continue to bind them after such termination (the version in existence at the date of termination being the applicable version in the case of any amendments).