



6 August 2003

Chris Rowell
Head of Change Delivery
Elexon Limited
4th Floor
350 Euston Road
London
NW1 3AW

Dear Chris

Supplier charges: Request for referral to a standing modification group

energywatch has been following recent debates concerning data quality and supplier charges. Of primary concern to energywatch is the delivery of services to consumers and we support mechanisms that provide the right incentives on suppliers to improve their performance. We are concerned that the current supplier charging mechanism may not be as effective as it could be. Consequently, we request that the supplier charging mechanism be referred to the appropriate standing modification group for consideration. energywatch considered that the Volume Allocation Standing Modification Group may be the appropriate group, however, we will leave the choice of group to your discretion.

The Performance Assurance Framework 'supplier charges' technique should incentivise suppliers to attain the levels of data quality that are set out in the Balancing and Settlement Code (BSC). We are concerned that the current means of calculating, capping and redistributing supplier charges may not be the most efficient or effective way of meeting this objective.

energywatch considers it would be useful to investigate the appropriateness of the current supplier charging mechanism as an incentive to improve data quality and also to explore whether an alternative incentive mechanism could be proposed that could be simpler and more transparent.

In making this request, we are mindful that Elexon is due to present a paper on supplier charges at the next meeting of the BSC Panel and also the Authority recent decision letter on P115: Disapplication of supplier charges under certain circumstances.

If you wish to discuss this matter further please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, reading "Lesley Davies". The signature is written in a cursive, flowing style.

Lesley Davies
Policy & Research Director