

Draft Modification Report
Proposal to Cap Net Ad Hoc Debit Invoicing by Transco

Modification Reference Number 0252

This draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

This Modification proposal was raised by Eastern Power and Energy Trading as follows:

NATURE OF PROPOSAL:

- 1) The level of net debit Ad Hoc Invoicing should be capped at [7.5%] of the affected Shipper's total standard invoicing by value for the preceding month. (Invoices included in the Standard Suite are considered to be Energy Balancing Invoice, NTS and LDZ Capacity, Commodity and Reconciliation)
- 2) In respect of the cap proposed in (1) above, we would suggest that certain types of Ad Hoc invoice commonly in use should be excluded from the cap, for example, Compression Invoices, Allocation Arrangements, Storage Invoices and Unique Sites. Each exclusion to be clearly defined.
- 3) All Ad Hoc Invoices should carry a 28 day payment period to allow for proper validation of invoices in advance of payment by Shippers.
- 4) Transco to issue schedules at the start of each month of the areas in which they intend to raise Ad Hoc Invoices during that month.

2. Transco's opinion:

This proposal has been developed by a Development Workgroup, which has produced an agreed proposal. This varies in some respect from the original Modification proposal..Transco does not believe points 1, 2 and 3 (above) warrant further development as ways of managing Ad-Hoc invoicing, and that the developmental approach to point 4, (as recommended by the Development Workgroup) provides the most effective way of managing the Ad-Hoc Invoicing process.

3. Extent to which the proposed modification would better facilitate the relevant objectives:

The proposal agreed by the Development Workgroup should help secure effective and economic operation by the licensee.

4. **The implications for Transco of implementing the Modification Proposal , including:**
- a) **implications for the operation of the System:**
- No implications have been identified
- b) **development and capital cost and operating cost implications:**
- Any development costs associated with the implementation of the proposal are in line with normal costs.
- c) **extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**
- It is not envisaged that additional costs will be incurred.
- d) **analysis of the consequences (if any) this proposal would have on price regulation:**
- No consequences on price regulation have been identified.
5. **The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal:**
- The proposals agreed via the workgroup do not change the level of contractual risk to Transco.
6. **The development implications and other implications for computer systems of Transco and related computer systems of Users:**
- The transfer of Ad-Hoc invoice back-up information to an on-line (IX back-up) process may have development implications for IX computer systems. The agreed format of non IX back-up data may require Users to amend their computer systems to issue and receive certain Ad-Hoc information, supported by diskette.
7. **The implications of implementing the Modification Proposal for Users:**
- The proposal will continue to ease the administrative implications historically experienced by Users, when seeking to validate certain paper based or diskette invoice back-up supporting information. Similarly, the standardisation of diskette back-up information, will ease the validation of non IX back-up supporting documentation.
- Operationally, Users may need to amend their procedures to take account of the receipt of certain Ad-Hoc invoice back up information five days in advance of the

issue of the on-line invoice (thereby increasing validation timescales by five days).

With a published work schedule (within the already issued document “Operational Rules Governing the Supply of Invoice Charges Via the Ad-Hoc Process”), outlining an agreed priority of Ad-Hoc Invoice improvements, Users will be able to better plan their internal processes to validate invoices.

8. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators, suppliers, producers and, any Non-Network Code Party:**

No implications have been identified.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal:**

No consequences have been identified.

10. **Analysis of any advantages or disadvantages of implementation of the Modification Proposal:**

Advantages

- i) Provides Users with five extra days to validate certain Ad-Hoc invoice back-up information.
- ii) Transfers paper based back-up information to diskette in an agreed timetable to reflect Users’ priorities.
- iii) Ensures increasing consistency in the “formats” utilised when issuing diskette held back-up information.
- iv) Ensures the maintenance and publication of Ad-Hoc Process Operational Rules.
- v) Publishing of Ad-Hoc invoice timetable on Shipper Information Service (SIS) enables Users to plan workload requirements.
- vi) Pre warning of invoice values (via early back-up release) enables Users to exercise earlier budgetary control in respect of paying debits or receiving credits.

Disadvantages

- i) The pace of change sought by Users, and the absolute consistency required in invoice back-up format, does not always lend itself in practice to the individual requirements of every invoice type.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):

Considerable debate on this subject has taken place and a good deal of consensus has been reached to advance the proposal to its current state.

The initial proposal, to cap debit Ad-Hoc invoicing based on preceding months (standard suite) invoice values, was recognised as a way in which significant debit item charges could be managed by Transco to prevent Users being invoiced for charges without due warning. Equally, it was recognised that such a scheme could create a number of serious problems. Specifically, such a scheme would impact certain Users indebtedness and credit limits, would lead to the splitting of single charges over more than one month, and in general was viewed as running contrary to the spirit of adjusting or invoicing charges as speedily as possible. To that extent a formalised approach to capping debit Ad-Hoc charges was not viewed as an appropriate route to pursue.

To accommodate Users concerns in respect of maintaining budgetary control, Transco highlighted two key facts. Firstly, the specific instances cited by Users of significant single item Ad-Hoc debit charges were viewed by Transco as remote occurrences which were far less likely to occur under the post IQR close-out regime. Secondly, through issuing certain Ad-Hoc back up data to Users some five days in advance of its on-line dispatch, Users would in effect be provided with increased time to manage internal accounting practices.

Transco's publication of (and subsequent revisions to) "Operational Rules Governing the Supply of Invoice Charges via the Ad-Hoc Process", was welcomed by Users. The Operational Rules categorised Ad-Hoc issue dates and specific Ad-Hoc invoice types (itemised within Operational Rules) to have their back-up information issued to Users five days in advance of the on-line invoice. Each new Ad-Hoc invoice type would have an invoice description pack produced, ensuring Users have a better understanding of the process and specifically advice on how to validate the invoice.

Subsequent representations targeted at this initiative were presented within paper D "Ad-Hoc's" of the paper "Short Term Improvements in Transco's Invoicing" which was prepared by ten shippers meeting in parallel to the Development Workgroup.

Specific comments and representations contained within this paper included a desire to see;

- i) All back-up documentation transferred from paper to disc.
- ii) The provision of disc information in advance of all Ad-Hoc invoice types, not just those which are unexpected.
- iii) A standard of service in order to compensate shippers for lost, incorrectly delivered or late back-up.
- iv) Due date should run from receipt of the invoice or arrival of the electronic information, whichever is the later.
- v) These rules should form a business rule document to be referenced in the Network Code.

Transco Response:

Transco accept that referencing the already issued Operational Rules document in Network Code would formalise the processes that have been operative for the majority of 1999, and should help ensure Users are aware of the processes affecting the make-up and issuing of Ad-Hoc invoices. The flexibility and progress seen to date can be best maintained by referencing the existing guidelines within Section S of the Network Code, rather than including the guidelines themselves within the Code.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:

Not applicable

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:

Not applicable

14. Programme of works required as a consequence of implementing the Modification Proposal:

No programme of work is required.

15. Proposed implementation timetable (inc timetable for any necessary information systems changes):

Transco recommend the proposal is implemented in October 1999

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommend the implementation of the proposal as referenced by the legal text below.

17. **Text :**

Section S : New Paragraph S 2.4.6 “ The management of the issuing of Ad-Hoc invoices and the service provided in respect of Ad-Hoc Invoices are contained in the **“Operational Rules Governing the Supply of Invoice Charges via the Ad-Hoc Process”** which is the document so entitled and revised from time to time by Transco (following consultation with Users), and such document does not form part of Code”.

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report.

Signed for and on behalf of Transco.

Signature:

TZ R:

Tim Davis

Manager, Network Code

Date: 17.9.99