

Final Modification Report
Modification Reference Number 0252

This 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 workload historically indicated by certain Users, when seeking to validate invoices supported by paper based or diskette held 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):

Representations were received from four shippers (Eastern Natural Gas, British Gas Trading, BP Gas and Aquila Energy).

All four shippers supported the proposal as outlined in the draft modification report. Aquila Energy's support majored on the earlier budgetary control that would result from the modification. Similarly BP Gas supported the proposal referring to the increased stability provided by referencing Ad-Hoc Invoice business rules within the Network Code. Eastern Natural Gas fully supported swift implementation and duly acknowledged the efforts made by the Transco Ad Hoc Invoicing team to meet industry requirements on this issue.

Transco Response:

Transco accept that referencing the already issued Operational Rules document in Network Code will formalise 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.

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 November 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. **Restrictive Trade Practices Act:**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. **Transco's Proposal:**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

19. **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”.

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 1.11.99

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0252**, version 1.0 dated 28/10/99 be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:



W.S. HUGHES
NETWORK OPERATIONS

Date: 25/1/00.

The Network Code is hereby modified, with effect from _____, in accordance with the proposal as set out in this Modification Report, version **0252**.

Signature:

Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
- (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.