

0558:

Standardisation of Industry Payment Terms.

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This modification seeks to amend Section S of the TPD to change UNC invoice payment terms to 30 days.



The Proposer recommends that this modification should be:

- assessed by a Workgroup



High Impact:
None



Medium Impact:
Gas Transporters and Gas Shippers



Low Impact:
None

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About this document:		 01293 818308
This modification will be presented by the proposer to the panel on 17th September 2015.		Systems Provider: Xoserve
The panel will consider the proposer's recommendation and agree whether this modification should be referred to a workgroup for assessment.		 commercial.enquiries@xoserve.com
The Proposer recommends the following timetable:		 telephone
Initial consideration by Workgroup	24 September 2015	Additional contacts:
Workgroup Report presented to Panel	21 January 2016	
Draft Modification Report issued for consultation	21 January 2016	
Consultation Close-out for representations	11 February 2016	
Final Modification Report presented to Panel	12 February 2016	
UNC Modification Panel decision	18 February 2016	

1 Summary

Is this a Self-Governance Modification?

This modification is not self Governance as it is likely to have a material impact on Gas Transporters and Gas Shippers.

Is this a Fast Track Self-Governance Modification?

This modification is not a fast track modification as it does not meet the housekeeping or self governance criteria.

Why Change?

Payment terms vary across codes within the energy industry. Good Practice is recognised across central Government contracts and in many industries to be 30 days payment terms for invoices. Energy suppliers often have contracts based on 30 days or a number of months with their customers therefore this modification seeks to align Industry Transportation costs with these.

Solution

This modification seeks to amend the payment terms within section S of the UNC and replace 12- and 20-day payment terms for invoices with 30-day payment terms.

Relevant Objectives

Increasing the length of payment terms Gas Shippers will have a longer period of time to validate industry invoices and data which may lead to more efficient and accurate processes furthers Relevant Objective d) securing of effective competition between shippers

Implementation

As soon as is practicable following Ofgem determination.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact on any other industry change is anticipated.

2 Why Change?

Payment terms vary across codes within the energy industry. Good Practice is recognised across central Government contracts and in many industries to be 30 days payment terms for invoices. Energy suppliers often have contracts based on 30 days or a number of months with their customers therefore this modification seeks to align Industry Transportation costs with these. An increase in the length of payment terms will also provide Gas Shippers with more time to validate and if necessary dispute industry data leading to a potential increase in accuracy.

3 Solution

The solution amends the Uniform Network Code – Transportation Principle Document Section S – Invoicing and Payment. Paragraph 3.1.2. defines the Invoice Due Date for invoices and will require amending to replace 12- and 20-day payment terms for invoices with 30-day payment terms.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

An increase in the time available for Gas Shippers to validate invoices may lead to an increase in industry data quality. Following the implementation of Project Nexus more data will be available to Gas Shippers to validate invoices, which increases the complexity of the process. Therefore the increased period of time will be beneficial to ensure accuracy.

Relevant objective d.) securing of effective competition between shippers is furthered because improved data quality enables better participation in the market, increased efficiency and enables Gas Shippers to serve their customers more effectively. By improving efficiency a better level of service can be provided to customers therefore improves Gas Shippers' ability to compete.

5 Implementation

As soon as is practicable following Ofgem determination.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact on any other industry change is anticipated.

7 Legal Text

The proposer invites Gas Transporters to provide relevant legal text.

8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup assessment.