

At what stage is this document in the process?

# 0474S:

Inclusion of the guidelines relating to the “Customer Settlement Error Claims Process” within UNC governance and introduction of the User Pays charges associated with such claims.



*To facilitate implementation of UNC Modification 0429 it is necessary to develop error claims process guidelines. This modification seeks to incorporate these guidelines as a UNC Related Document and to identify charging arrangements associated with claims*



The Workgroup recommends that this modification should be:

- Issued to consultation.



High Impact: None



Medium Impact: None



Low Impact: Transporters and Users with registered Supply Points that are subject to Individual Meter Point Reconciliation.

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## About this document:

This report will be presented to the panel on 17 April 2014.

The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment.



Any questions?

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# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because it is unlikely to have material effect on existing or future gas consumers; or competition.

## Why Change?

To support the implementation of Modification 0429: "Customer Settlement Error Claims Process" it is necessary to develop a Customer Settlement Error Claims Process Guidance Document (the "Guidelines"). Whilst these Guidelines may exist without the need for a UNC modification, the visibility and additional governance afforded to them by the nature of their inclusion as a UNC Related Document would be beneficial for all interested parties. Modification 0429 dealt with the User Pays development costs associated with implementation but did not clarify the on-going operational costs. This Proposal seeks to clarify the approach to charging.

## Solution

This Modification Proposal advocates the development of these Guidelines and seeks to introduce a reference to them within the Uniform Network Code (UNC). Suitable governance arrangements to be adopted for the management of any future changes to the Guidelines are also proposed.

***It is proposed that the Guidelines be managed as a UNC Related Document to provide clarity to potential claimants regarding the methodology under which the 0429 claims process will be managed:*** It is proposed that a revised Agency Charging Statement (ACS) be put forward associated with this Modification to explain how the on-going operational charges for claims received in accordance with 0429, will be recovered. This ACS will also cover the development costs dealt with in the User Pays section of Modification 0429.

## Relevant Objectives

The visibility afforded to the Guidelines via their addition to the UNC as a Related Document (TPD Section V12) would be useful for parties to the UNC and helps to embed the principles of good governance. The suggested governance arrangements would provide a proportionate and effective means of managing changes without the need to overburden unaffected parties. This has the potential to reduce costs and facilitate faster implementation of change proposals. This is consistent with the facilitation of Relevant Objective (f): promotion of efficiency in the implementation and administration of the Code.

## Implementation

No implementation timescales are proposed. However, it is desirable that the reference to the Guidelines be inserted into UNC as soon as reasonably practical and that the Guidelines be developed and implemented as part of the modification.

## 2 Why Change?

The implementation of Modification 0429 creates a claims process that allows Users to submit a claim, under certain circumstances, for a settlement error, which occurred outside of the current reconciliation close out timescales.

In its decision letter, Ofgem noted “a need for further guidance and (better definition of the) assessment criteria against which the GTs may assess the claim”<sup>1</sup>.

The proposed Guidelines would provide a framework for Users and Transporters in operating the Customer Settlement Error Claims Process, by:

- Setting out the process for Users to submit a claim, including clarification of the eligibility criteria;
- Detailing the intended assessment criteria by the Transporters;
- Defining the process for Users and Transporters to resolve matters of clarity and also for acceptance or rejection of the claim.

The inclusion of these Guidelines as a UNC Related Document would improve the visibility of this document and allow for appropriate governance.

Whilst Modification 0429 dealt with the User Pays development costs it did not identify the User Pays charging methodology associated with the on-going operational costs associated with processing such claims. This ACS will also cover the development costs dealt with in the User Pays section of Modification 0429.

## 3 Solution

### Proposed Solution

It is proposed that the UNC be amended to include a reference to the Guidelines.

It is then suggested that the Customer Settlement Error Claims Process Guidance Document be accepted as a UNC Related Document, to provide clarity to potential claimants regarding the methodology under which the claims process will be managed.

It is suggested that the Guidelines be published and maintained in accordance with the requirements set out in Paragraph 12 of Section V of the UNC Transportation Principal Document.

It is proposed that a revised ACS be raised with this Modification to explain how the on-going operational charges, associated with 0429 implementation, will be recovered. This ACS will also cover the development costs dealt with in the User Pays section of Modification 0429.

#### User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

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<sup>1</sup> Uniform Network Code (UNC) 429: Customer Settlement Error Claims Process Decision Letter. 18<sup>th</sup> July 2013: p5.

It is proposed that this Modification is classified as User Pays. There are no additional development costs associated with this Proposal. Modification 0429 “Customer Settlement Error Claims Process” dealt with the development costs associated with that Proposal, however it did not include the methodology for the recovery of the operational costs associated with processing such claims. As part of the development of that Modification it was agreed that charging arrangements would be reflected in a revised Agency Charging Statement and this will be put forward with this Proposal.

The claims process associated with the introduction of 0429 is for the benefit of Users and as such was identified as User Pays.

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.

The costs of processing a claim will be attributed directly to the claimant.

Proposed charge(s) for application of User Pays charges to Shippers.

Indicative charges for a claim will be provided to the relevant User by the Transporter Agency upon application. The charges will be calculated on a time and materials basis.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

To accompany this Modification Proposal

## 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.	None

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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.	Positive
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

### Relevant Objective (f) – promotion of efficiency in the implementation and administration of the Code

Introduction of the Guidelines provides a framework for parties to follow, which should allow the efficient and cost effective management of claims, while providing clear guidance on potential charges to process such claims, therefore further relevant objective (f) - promotion of efficiency in the implementation and administration of the Code.

The visibility afforded to the Guidelines via their addition to the UNC as a Related Document (TPD Section V12) would be useful for parties to the UNC and helps to embed the principles of good governance. The suggested governance arrangements would provide a proportionate and effective means of managing changes without the need to overburden unaffected parties. This has the potential to reduce costs and facilitate faster implementation of relevant change proposals and therefore further relevant objective (f) - promotion of efficiency in the implementation and administration of the Code.

## 5 Implementation

No implementation timescales are proposed. However, it is desirable that the reference to the Guidelines be inserted into UNC as soon as reasonably practical and that the Guidelines be developed as part of the Modification.

The draft Customer Settlement Error Claims Process – Guidance Document is published alongside this report to enable industry parties to familiarise themselves with the associated methodology in advance of its implementation.

## 6 Legal Text

Legal Text has been provided by National Grid Distribution at the request of the Modification Panel.

### UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

*Amend TPD Section V (General) paragraph 12.1 as follows:*

#### 12.1 Purpose

The purpose of this Section is to establish generic governance arrangements in respect of the following UNC Related Documents (each a “**Document**” and collectively the “**Documents**”):

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- (a) Network Code Operations Reporting Manual as referenced in Section V9.4;
- (b) Network Code Validation Rules referenced in Section M1.5.3;
- (c) ECQ Methodology as referenced in Section Q6.1.1(c); ~~and~~
- (d) Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations as referenced in OAD Section D3.1.5;
- (e) the Allocation of Unidentified Gas Document referenced in Section E9.1.1; ~~and~~
- (f) the Customer Settlement Error Claims Process Guidance Document referenced in Section E1.3.10.

*Amend TPD Section E (Daily Quantities, Imbalances and Reconciliation) paragraphs 1.3.10 to 1.3.13 (inclusive) as follows:*

1.3.10 Where an Individual NDM Reconciliation, DM Reconciliation, Individual CSEP Reconciliation or Aggregate NDM Reconciliation identifies an adjustment in gas off-taken in the period of time between the Code Cut Off Date and the last Day of Formula Year t-6 which results in an over-payment by, or under payment to, the User of £50,000 (fifty thousand pounds) or more in respect of an Individual Supply Point or group of Supply Points (where the adjustment has been made, in the case of a group of Supply Points, as a result of the same root cause) then, notwithstanding paragraph 1.3.9 above, the User is entitled to make a claim in respect of the time between Code Cut Off Date and the last Day of Formula Year t-6 in accordance with paragraph 1.3.12~~1~~ below. Any such claim shall be submitted by the User and considered by the Transporter having consideration of the Customer Settlement Error Claims Process Guidance Document.

~~1.3.11~~ For the purposes of this section 1.3 "Customer Settlement Error Claims Process Guidance Document" means the guidance document prepared by the Transporters and governed in accordance with Section V12 setting out guidance on *inter alia* the applicable eligibility and assessment criteria and the process for submission, acceptance and rejection of a claim as referred to in paragraph 1.3.10 above. For the avoidance of doubt, the document is issued for guidance purposes only and is not binding on Users or Transporters.

~~1.3.12~~1~~~~ Where a User wishes to make a claim as referred to in paragraph 1.3.10 above, ~~it~~the ~~shall~~ have consideration of the Customer Settlement Error Claims Process Guidance Document and the following process shall be followed:

- (a) the User shall submit to the Transporter Agency the following information:
  - (i) detail in relation to the nature and duration of the error resulting in the adjustment, including copies of the invoices between the Transporters and the User and the User and the consumer (such information to be applicable to the claim, for example at Supply Meter Point level);
  - (ii) the relevant system files and supporting information (to include workings and methodology);
  - (iii) the materiality of the claim in terms of volume of gas, including details of the methodology used to calculate such materiality;
  - (iv) the exact financial impact of the adjustment including energy (by reference to the monthly average of the System Average Prices) for the period of the claim and transportation costs (with reference to the Transportation Charges prevailing at the time of the claim);
  - ~~(viii)~~ the dates in respect of which the claim will apply in accordance with paragraph 1.3.10 above;

- (ivi) evidence of the financial impact relating to the Supply Point or group of Supply Points the subject of the claim including written confirmation that the consumer(s) connected to the Individual Supply Point or group of Supply Points in question agree(s) that:
- (1) an adjustment in gas off-taken in the period of time between the Code Cut Off Date and the last Day of Formula Year t-6 should be made;
  - (2) the materiality of the claim as referred to in paragraph 1.3.121(a)(ii) is correct; and
  - (3) the dates in relation to which the User's claim applies are correct; and
- (vii) a warranty that no previous claims which are the same in nature and/or are in relation to the same dates as the claim being made by the User have been made;
- (b) the Transporters shall (having consideration of the Customer Settlement Error Claims Process Guidelines Document) consider the claim and communicate to the User its approval or rejection of such within 90 days of receipt of the claim, during which time the Transporter Agency shall be entitled to raise queries in relation to the claim and/or to request further information from the User in respect of its claim;
- (c) the Transporters shall (having consideration of the Customer Settlement Error Claims Process Guidelines Document) be entitled to reject the claim if it is considered that the information provided by the User is so clearly erroneous on its face that it would be unconscionable for the claim to be accepted, in which case the Transporters shall reject the claim and inform the User of the reason(s) for such rejection;
- (d) if the Transporters consider that an amount exceeding £1 million (one million) pounds is to be re-paid to any User, the Transporter Agency shall issue notification of such fact to Users and that the amount determined as payable to the User shall be paid within 2 (two) months of approval of the claim.

1.3.132 In the event that the Transporters reject the User's claim, the User shall be entitled to appeal the Transporters' rejection of the claim within 14 days of its receipt of communication of such rejection in accordance with UNC General Terms Section A. Expert Determination (specific part of GT A).

*Amend TPD Section S (Invoicing) paragraph 1.4.4 as follows:*

1.4.4 Subject to the provisions of Section E, paragraphs 1.3.9-1.3.132 (inclusive), no Invoice Document shall contain an Invoice Item or Invoice Amount that shall relate to any Day or period prior to the Code Cut Off Date.

## 7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this self-governance modification should be submitted for consultation.

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