

0578:

Implementation of Retrospective Invoice Adjustment arrangements (Project Nexus transitional modification)



This Modification identifies requirements relating to Retrospective Data Updates and Updated Meter Readings to enable an orderly and efficient transition from current UNC arrangements to those identified within UNC Modification 0434 - Project Nexus – Retrospective Adjustment



The Workgroup recommends that this modification should now proceed to consultation.



High Impact: Large Transporters and Shipper Users



Medium Impact:
None



Low Impact:
None

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| This report will be presented to the panel on 17 March 2016. | | |
| The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment. | | |
| The Proposer recommends the following timetable: | | |
| Initial consideration by Workgroup | 12 April 2016 | |
| Workgroup Report presented to Panel | 16 June 2016 | |
| Draft Modification Report issued for consultation | 16 June 2016 | |
| Consultation Close-out for representations | 08 July 2016 | |
| Final Modification Report published for Panel | 11 July 2016 | |
| UNC Modification Panel decision | 21 July 2016 | |

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification is expected to have a material impact on existing gas consumers. This is because the changes are a component of the suite of Project Nexus related UNC Modifications, all of which are necessary to implement the contractual arrangements underpinning the UK-Link replacement programme.

The Workgroup agreed that this Modification is not suitable for Self-Governance as it may have a material impact on contracts associated with the transportation of gas through the pipe network.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested because this is not a housekeeping matter.

Why Change?

The component of UNC Modification 0434 'Project Nexus – Retrospective Adjustment' pertaining to Updated Meter Readings will be implemented on 01 October 2016. As a consequence of implementation of UNC Modification 0573, the Retrospective Data Update elements of Modification 0434 will be implemented on 01 October 2017.

With the approval by the Authority of Modifications 0434 and 0573, it is necessary to ensure that there are appropriate transitional provisions within the UNC to facilitate an orderly progression from the existing UNC provisions to those implemented under Modification 0434.

Solution

Modification of the UNC is required to identify the terms under which Shipper Users may request retrospective adjustments to relevant invoices in accordance with the framework to be implemented under UNC Modification 0434. Transitional terms are required to allow Reconciliation Clearing Values to be re-calculated for those parts of an affected Reconciliation Meter Period, which fall either side of the Project Nexus Implementation Date and/or 01 October 2017.

Relevant Objectives

This Modification would enable clarity of arrangements concerned with the transition to Project Nexus implementation pertaining to reconciliation invoice adjustments, which is due for implementation on 01 October 2016 (Updated Meter Readings) and 01 October 2017 (Retrospective Data Updates). This facilitates GT Licence relevant objective f) Promotion of efficiency in the implementation and administration of the Code.

Implementation

No implementation timescales are proposed. However, this Modification could be implemented immediately upon direction and it would be desirable if this Modification were implemented by no later than the end of August 2016 to add certainty to the transition process.

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

This Modification impacts the industry programme for replacement of UK-Link systems. This is because the requirements contained within this modification govern how Updated Meter Readings and Retrospective Data Updates are treated during the implementation period.

It is essential to the success of the UK Link Replacement Programme.

2 Why Change?

The Updated Meter Readings component of UNC Modification 0434 'Project Nexus – Retrospective Adjustment' is planned for implementation on 01 October 2016. The Retrospective Data Update element will be implemented on 01 October 2017. It should be noted that the 'phased' implementation timetable was enabled by implementation of UNC Modification 0573. Closely associated with this are implementation of the relevant systems and process changes by the Transporter Agency, Xoserve within the remit of the 'UK-Link Replacement' programme.

UNC Modification 0434 identifies the enduring arrangements concerned with reform of reconciliation invoice adjustments. However, at all stages of development of the regime, it was recognised by the industry that 'transition' arrangements under the UNC would be required. In this case terms are required to enable Shipper Users to request adjustment of relevant reconciliation invoices following implementation of Project Nexus on 01 October 2016 (for Retrospective Data Updates, 01 October 2017) with respect to adjustment periods prior to Project Nexus Implementation. Without this there could be an adverse financial impact of Shipper Users and ultimately to consumers through inaccurate cost targeting in the period immediately following implementation of Project Nexus.

As a Shipper User is able to request the retrospective update of a relevant reconciliation invoice in accordance with the terms introduced under UNC Modification 0434 it is possible that, in the case of:

- An Updated Meter Reading that part of the affected Reconciliation Meter Period may fall both before and after the Project Nexus Implementation Date;
- a Retrospective Data Update that part of the affected Reconciliation Meter Period may fall both before and after the Project Nexus Implementation Date and/or also before and after 01 October 2017.

Accordingly transitional rules are needed to make clear the basis on which Reconciliation Clearing Values will be re-calculated for those parts of an affected Reconciliation Meter Period falling either side of the Project Nexus Implementation Date and/or either side of 01 October 2017.

3 Solution

Modification of the UNC is required to facilitate the retrospective adjustment of relevant invoices (under the rules specified within UNC Modification 0434) for periods prior to the Project Nexus Implementation Date. It will be noted that rules are required to ensure a 'phased' implementation of Modification 0434 i.e. Updated Meter Readings on 01 October 2016 and Retrospective Data Updates on 01 October 2017.

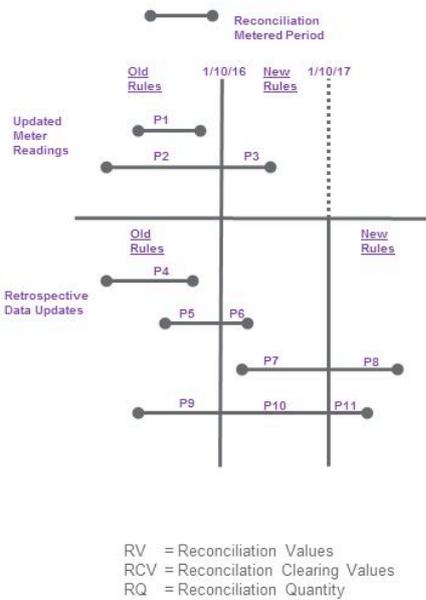
Transitional terms are required as follows:

- Where appropriate the relevant invoice adjustment would be processed as follows:
 - For Larger Supply Points (LSPs) subject to validation of the request there would be a financial adjustment.
 - For Smaller Supply Points (SSPs) there would be no financial adjustment made with respect of any period prior to the Project Nexus Implementation Date.

- No invoice adjustments will be processed for any period prior to the Code Cut Off Date
- If the retrospective update request applies to a period prior to the Code Cut Off date, the amendment date must be set to the Code Cut Off Date.

For the purposes of illustration of the solution the following diagram shows possible affected Reconciliation Meter Periods and the table sets out the basis on which new Reconciliation Clearing Values will be determined based on the rules set out in paragraph 5.6.3 (and whether or not the site is post-Project Nexus Implementation Date individually reconciled or not) of the proposed legal text

Treatment of Affected Offtake Reconciliations



| | Individually-Reconciled | Not Individually-Reconciled |
|-----|---|---|
| P1 | RVs determined in accordance with New Rules | No re-determination |
| P2 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | No re-determination |
| P3 | RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation | RVs determined in accordance with New Rules |
| P4 | Reconciliation Values determined in accordance with New Rules | No re-determination |
| P5 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | No re-determination |
| P6 | RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation | RVs determined in accordance with New Rules |
| P7 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | RVs determined in accordance with New Rules |
| P8 | RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation | RVs determined in accordance with New Rules |
| P9 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | No re-determination |
| P10 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | RVs determined in accordance with New Rules |
| P11 | RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation | RVs determined in accordance with New Rules |

| User Pays | |
|--|---|
| Classification of the modification as User Pays, or not, and the justification for such classification. | Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, 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. | Not applicable |
| Proposed charge(s) for application of User Pays charges to Shippers. | Not applicable |
| Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve. | Not applicable |

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 |
| 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 |

This Modification would enable maximum flexibility for Shipper Users in respect of arrangements concerned with reconciliation invoice adjustments under the proposed 'Project Nexus' regime and due for implementation on Project Nexus Implementation Date (Updated Meter Readings) and Retrospective Data Updates Date currently planned to be no later than 01 October 2017.

The Modification is required to provide clear rules and guidance to Transporters and Shipper Users on the treatment of data existing and provided under the UNC before and during implementation of the UK-Link Replacement Programme (including Project Nexus). The measures identified can be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

5 Implementation

No implementation timescales are proposed. However, this Modification could be implemented immediately upon direction and it would be desirable if this Modification were implemented by no later than the end of August 2016 to add certainty to the transition process.

6 Impacts

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

This Modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). The rationale for this is explained below.

Pre Project Nexus Implementation

The changes will affect the UK Link Replacement programme prior to implementation. This is because it is necessary to determine for the purposes of systems build how Retrospective Adjustments are to be addressed.

Project Nexus Implementation

As above

Post Project Nexus Implementation

This Modification contains transitional terms and obligations, which will expire over time.

7 Legal Text

Text Commentary

Notes

1. This table is based on the draft legal text for Modification 0582 published on the Joint Office website on 9 March 2016 www.gasgovernance.co.uk/0582.
2. Modification 0578 relates to transitional rules for the implementation of the new rules regarding Retrospective Data Updates and Updated Meter Readings introduced by Modification 0434.
3. Readers should also consider the explanatory tables for legal text introduced under Modification 0434, 0528V and 0573.

| TRANSITION DOCUMENT – PART IIF | | | |
|--------------------------------|--|------|---|
| TD Reference | Topic | BRDs | Explanation |
| 5.6.1 | Effectiveness of New Rules | - | Confirms New Rules (as defined in TD Part IIF introduced by Modification 0528V) will apply in relation to Updated Meter Readings with effect from Implementation Date (i.e. the Project Nexus Implementation Date) and in the case of Retrospective Data Updates from 1 October 2017 (see Modification 0573). |
| 5.6.2 | Application of TPD Section M rules introduced under Modification | - | Confirms that, where a Update Effective Date or the Read Date is earlier than the Implementation Date, the rules introduced under Modification 0434 on how Reconciliation Values will be redetermined for each Affected Offtake Reconciliation will be applied in accordance with paragraph 5.6.3. |

| | | | |
|-------|---|---|--|
| | 0434 | | |
| 5.6.3 | Reconciliation Values and Old Rules and New Rules | - | <p>Confirms for System Exit Points which are:</p> <ul style="list-style-type: none"> - Individually-Reconciled (as defined in TD Part IIF introduced by Modification 0528V) Reconciliation Values for Affected Offtake Reconciliation will be determined in accordance with the New Rules; and in the case of any Transitional Offtake Reconciliation the Reconciliation Quantity and Reconciliation Clearing Value will be determined under the Old Rules for the First Period (i.e. for the purposes of Aggregate NDM Reconciliation) and the New Rules for the Second Period (i.e. Unidentified Gas Reconciliation); - not Individually-Reconciled Reconciliation Values no redetermination will take place in respect of any Affected Offtake Reconciliation for which the Reconciliation Metered Period ends before the Implementation Date; and in the case of any Transitional Offtake Reconciliation the re-determination of Reconciliation Values will only take place in respect of the Second period and in accordance with the New Rules. <p>First Period and Second Period are also defined in the New Part IIF legal text.</p> |
| 5.6.4 | Previous Registered User | - | <p>Confirms that for there to be any change to Reconciliation Values in any period earlier than the Supply Point Registration Date of the current Registered User the request must come from the User who was the Registered User at that time.</p> |

Text

The following Text has been prepared by National Grid Distribution at the request of the Modification Panel.

TRANSITION DOCUMENT, PART IIF ¹

Delete TPD Section E6.9 and TD Part IIC paragraph 17.1.2 (and insert 'Not Used') and insert the following text as a new paragraph 5.6 in TD Part IIF to read as follows:

5.6 Retrospective Adjustments

5.6.1 The New Rules (as to Retrospective Data Updates and Updated Meter Readings) are effective on and after the Implementation Date, subject to:

- (a) the further provisions of this paragraph 5.6; and
- (b) in the case of Retrospective Data Updates only, TD Part IIC paragraph 23.1.

¹ TD Part IIF contains the core Project Nexus transitional rules introduced under Modification 0528V.

5.6.2 In the event a User submits:

- (a) a Retrospective Data Update Notification and the Update Effective Date;
- (b) an Updated Meter Reading for which the Read Date,

is earlier than the Implementation Date, then for the purposes of TPD Section M6.7.4 and M6.8.3 paragraph 5.6.3 shall apply.

5.6.3 Where this paragraph applies:

- (a) in relation to a System Exit Point which was Individually-Reconciled:
 - (i) for each Affected Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Values shall be carried out by reference to the Updated Data or Updated Meter Reading in accordance with the New Rules and on the basis referred to in paragraph 3.2.4(a);
 - (ii) where an Affected Offtake Reconciliation is a Transitional Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Quantity and the Reconciliation Clearing Value shall be carried out for the First Period and the Second Period on the basis referred to in paragraph 3.2.4(b) for the purposes of Unidentified Gas Reconciliation (under the New Rules) and Aggregate NDM Reconciliation (under the Old Rules);
- (b) in relation to a System Exit Point which was not Individually-Reconciled:
 - (i) no determination (or re-determination) of the Reconciliation Values shall be carried out in relation to an Affected Offtake Reconciliation in respect of which the Reconciliation Metered Period ended prior to the Implementation Date;
 - (ii) in respect of an Affected Offtake Reconciliation which is a Transitional Offtake Resolution the determination (or re-determination) of Reconciliation Values shall be carried out in accordance with the New Rules by reference to the Updated Data for the Second Period only and on the basis referred to in paragraph 3.2.5.

5.6.4 Where a Previous Registered User submits a request to the Transporter under Section M 6.7.5(b) in relation to an Affected Offtake Reconciliation to which paragraph 5.6.3 applies, the replacement of Reconciliation Values in relation to the part of the Reconciliation Meter Period(s) in respect of which such User was the Registered User of the System Exit Point shall also be in accordance with paragraph 5.6.3.

8 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.