








| UNC Modification | At what stage is this document in the process? |
|--|---|
| <h1>UNC 0606:</h1> <h2>National Grid Gas plc and National Grid Gas Distribution Limited transitional invoicing arrangement post Project Nexus implementation</h2> | <div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div> |
| <p>Purpose of Modification:</p> <p>To provide for a transitional arrangement for the invoicing of certain Transportation Charges by National Grid Gas plc and National Grid Gas Distribution Limited following implementation of Project Nexus.</p> | |
|  | <p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 15th December 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p> |
|  | <p>High Impact:</p> <p>None</p> |
|  | <p>Medium Impact:</p> <p>None</p> |
|  | <p>Low Impact:</p> <p>National Grid Gas plc, National Grid Gas Distribution Limited and Shipper Users.</p> |

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| Timetable | |  07778 150668 |
| The Proposer recommends the following timetable: | | Transporter: National Grid Gas Distribution Limited |
| Initial consideration by Workgroup | 06 January 2017 | Systems Provider: Xoserve |
| Workgroup Report presented to Panel | 16 March 2017 |  |
| Draft Modification Report issued for consultation | 16 March 2017 | commercial.enquiries@xoserve.com |
| Consultation Close-out for representations | 06 April 2017 | |
| Final Modification Report available for Panel | 07 April 2017 | |
| Modification Panel decision | 20 April 2017 | |

1 Summary

What

Following the Project Nexus Implementation Date (PNID) on 01 June 2017, it will not be possible for National Grid Gas Distribution Limited (NGGDL) and National Grid Gas plc (NGG) to issue invoices in respect of certain Transportation Charges.

Why

NGGDL and NGG have been advised by the Transporter Agency, Xoserve that changes to the post Project Nexus UK Link system to permit separate billing of certain Transportation Charges by each of NGG and NGGDL cannot be implemented without giving rise to unacceptable risk to the Project Nexus implementation programme and the PNID.

How

UNC transitional terms are proposed that would permit a process to be implemented whereby NGGDL is able to issue certain invoices types which contain Transportation Charges relating to the NTS and NGGDL's Distribution Networks. NGGDL would then issue an ancillary invoice to credit the NTS related Transportation Charges and then NGG would issue its own ancillary invoice in respect of the NTS related Transportation Charges. This would mean Shipper Users would receive, for a limited period, three invoices for certain Transportation Charges relating to the NTS. All other invoice types would be outside the scope of these arrangements and would be invoiced in the normal way.

2 Governance

Justification for Self-Governance

Self-governance procedures are proposed on the basis that the necessary changes would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Consumers. This is because existing invoicing functionality would be used thereby involving a limited requirement for change having an impact on Shipper Users. There would be no impact on Transporters or Gas Consumers.

There would also be no discriminatory effect on any UNC party.

Requested Next Steps

This modification should:

- be subject to self-governance;
- be assessed by a Workgroup (both Distribution and Transmission for completeness and transparency).

3 Why Change?

National Grid's distribution networks were successfully transferred from NGG to NGGDL on 01 October 2016 under a process called 'hive-across'.

Since 01 October 2016 the UNC recognises NGG as the owner and operator of the NTS only, and NGGDL as the owner and operator of the Distribution Networks.

Transportation Charge invoicing rules are set out in the UNC Transportation Principal Document (TPD) Section S. The relevant rules identify the types of invoices and types of charges that can appear on each type of invoice issued by a Transporter.

Xoserve has advised that they are unable to develop and implement fully separated transportation invoicing arrangements in the Project Nexus System ahead of PNID without this adversely affecting and presenting unacceptable risk to the Project Nexus Implementation programme and the PNID. NGGDL and NGG both agree with Xoserve's assessment of the situation.

Consequently, it is necessary to implement transitional arrangements, which are identified in Section 5 of this Modification Proposal. These arrangements are proposed to come into effect on PNID and continue until the Project Nexus System is updated to reflect the separate ownership of the relevant Distribution Networks and the NTS. This will happen in the earliest suitable release of the new UK Link System. This is expected to be determined by the Data Services Contract (DSC) Change Management Committee to be established under the proposed Xoserve Funding, Governance and Ownership arrangements (FGO) and to which UNC Modification 0565/A/B refers.

If this Modification is not made it would not be possible for NGG and NGGDL to issue separate Transportation Charge invoices for certain invoice types through the Project Nexus System with effect from PNID.

4 Code Specific Matters

Reference Documents

No reference documents are necessary or relevant.

Knowledge/Skills

No specific knowledge or skills are necessary to assess this Modification.

5 Solution

Modification of the UNC Transition Document (TD) with respect to Transportation Principal Document (TPD) Section S is required as follows:

Invoice 1

NGGDL will be permitted to issue certain Invoice Types which include Transportation Charges relating to the NTS and NGGDL's Distribution Networks.

- Relevant Transportation Charge Invoices will be issued to Shipper Users in the name of NGGDL. The relevant invoice types are:
 - LDZ Commodity (Exit/CSEPS/Unique Sites)
 - Amendments (Transportation/Energy)

Invoice 2

NGGDL will issue an Ancillary Invoice which reverses the NTS Transportation Charges included in Invoice 1.

Invoice 3

NGG will issue an Ancillary Invoice which includes the NTS Transportation Charges included in Invoice 1.

- Shipper Users will pay to NGGDL the net amount under Invoices 1 and 2.
- Shipper Users will pay to NGG the amount under Invoice 3.
- Invoices 1, 2 and 3 will be submitted to the User on the same date, and have the same invoice due date.
- The transitional arrangements are required to be in place from PNID until the earliest suitable release of the updated Project Nexus System, to be determined by the DSC Change Management Committee.

Please note that Shipper Transportation Credit positions are maintained whole because of this routine and no action would be required by Shipper Users.

6 Impacts & Other Considerations

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

There is no impact on the Switching Significant Code Review, or on any other 'in-flight' industry programme including Project Nexus.

Consumer Impacts

There is no impact on consumers on the basis that the Modification is solely associated with the format of Transportation invoices issued to Shipper Users.

Cross Code Impacts

No other industry codes are affected.

EU Code Impacts

There is no impact on any EU Code.

Central Systems Impacts

There is no impact on any central systems.

| User Pays | |
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| 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. | 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 |

7 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 facilitates GT Licence relevant objective f) *Promotion of efficiency in the implementation and administration of the Code* by providing absolute clarity in the UNC regarding the manner in which NGG and NGGDL will issue Transportation Invoices to Shipper Users in the period following PNID.

Because of the limitations on changes to the new UK Link system in the time ahead of PNID, the UNC needs to be amended to ensure that it reflects the reality of the processes in operation at any time. Introducing the transitional terms described in this modification ensures that the Code is accurate.

8 Implementation

This Modification should be implemented on the PNID. The Panel is asked to note that it is impractical to identify two alternate dates as required by the Modification Rules because of this external dependency.

9 Legal Text

Text Commentary

To follow

Text

UNIFORM NETWORK CODE

TRANSITION DOCUMENT

Add new text to read as follows:

PART IIG – TRANSITIONAL INVOICING

1 General

- 1.1 This Part IIG sets out transitional rules in respect of TPD Section S in relation to the invoicing of certain Transportation Charges by the relevant Transporter and National Grid NTS which apply in respect of relevant Billing Periods.
- 1.2 For the purposes of this Part IIG:
- (a) **"Distribution Item"** is an Invoice Item which represents a Transportation Charge payable by a User to the relevant Transporter or payable by the relevant Transporter to a User;
 - (b) **"relevant Transporter"** means the DN Operator which is the owner or operator of the Systems comprising the North West, West Midlands, East Midlands, East Anglia and North Thames LDZs;
 - (c) **"relevant Billing Periods"** means Billing Periods;
 - (i) from and including the Billing Period which starts on the Project Nexus Implementation Date; and
 - (ii) up to and including any Billing Period which ends before the date specified in the joint notice given by the relevant Transporter and National Grid NTS to Users (which date shall be not less than thirty (30) Business Days following the giving of such notice);
 - (d) **"Transmission Item"** is an Invoice Item which represents a Transportation Charge payable by a User to National Grid NTS or payable by National Grid NTS to a User.

2 Ancillary Invoices

- 2.1 In respect of relevant Billing Periods:
- (a) the relevant Transporter may submit an Invoice Document to a User which contains:
 - (i) Transmission Items and Distribution Items;
 - (ii) Transmission Items only;
- ("relevant Invoice Document")** and notwithstanding that such Transmission Items represent amounts payable in respect of the User's use of the System owned and operated by National Grid NTS;

- (b) the relevant Transporter and National Grid NTS may submit an Ancillary Invoice which includes Invoice Items comprised in the following Invoice Types:
 - (i) Commodity Invoice
 - (ii) LDZ Capacity Invoice;
 - (iii) Balancing Invoice;
 - (iv) Amendment Invoice;
 - (c) where the relevant Transporter submits a relevant Invoice to a User:
 - (i) the relevant Transporter shall submit to the User an Ancillary Invoice which contains, in respect of each Transmission Item contained in the relevant Invoice Document:
 - (1) where the Transmission Item is payable by the User to the relevant Transporter, a corresponding Invoice Item which is payable by the relevant Transporter to the User for the same Invoice Amount as is payable in respect of such Transmission Item;
 - (2) where the Transmission Item is payable by the relevant Transporter to the User, a corresponding Invoice Item which is payable by the User to the relevant Transporter for the same Invoice Amount as is payable in respect of such Transmission Item;
 - (ii) National Grid NTS shall submit to the User an Ancillary Invoice which contains the same Transmission Items contained in the relevant Invoice Document submitted by the relevant Transporter ("**Ancillary T Invoice**");
 - (d) the relevant Transporter shall ensure an Ancillary D Invoice, and National Grid NTS shall ensure an Ancillary T Invoice, is submitted to the User on the same date as the relevant Invoice Document (being on such date as the relevant Invoice Document is to be submitted to the User pursuant to TPD Section S1.4) such that the Invoice Due Date of the Ancillary D Invoice and Ancillary T Invoice is the same as the Invoice Due Date of the relevant Invoice Document.
- 2.2 Where the relevant Transporter submits a relevant Invoice Document and an Ancillary D Invoice to a User the User shall only be required to pay the Invoice Amounts under the relevant Invoice Document which comprise Distribution Items on or before the Invoice Due Date.
- 2.3 Each relevant Invoice Document shall be accompanied by such supporting data as is specified under TPD Section S1.3.4; provided National Grid NTS shall not be required to provide the same supporting data (in relation to relevant Transmission Items) when submitting an Ancillary T Invoice.
- 2.4 Ancillary Invoices submitted pursuant to this Part IIG shall not contain any amount referred to in TPD Section S2.4.3, 2.4.4, 2.4.5 or 2.4.6.
- 2.5 TPD Section S2.5.2 shall not apply to any Ancillary Invoice submitted pursuant to this Part IIG.
- 2.6 For the avoidance doubt, nothing in this Part IIG shall prevent the relevant Transporter (in respect of a relevant Invoice Document) or National Grid NTS (in relation to an Ancillary T Invoice) from issuing a Set off Notice pursuant to TPD Section S3.8.

3 Invoice Queries

- 3.1 Where a User wishes to raise an Invoice Query in respect of a Transmission Item shown as payable under a relevant Invoice Document the User shall, for the purposes of TPD Section S4.2.1, raise such Invoice Query with National Grid NTS in respect of the corresponding Transmission Item shown as payable under the relevant Ancillary T Invoice.

4 Confidentiality

- 4.1 For the purposes of this Part IIG, and in respect of a relevant Invoice Document:
- (a) National Grid NTS acknowledges the submission of a relevant Invoice Document involves the disclosure by National Grid NTS to the relevant Transporter of Protected Information in respect of the User to which the relevant Invoice Document is to be submitted ("**relevant User**");
 - (b) each relevant User acknowledges TPD Section V5.1 shall not apply to such disclosure by reason of the User having given its consent to the disclosure pursuant to TPD Section V5.5.3(g).

5 Value at Risk

- 5.1 For the avoidance of doubt, and for the purposes of determining a User's Value at Risk in relation to the relevant Transporter on any Day in a relevant Billing Period, the aggregate amount invoiced to a User shall be calculated net of all amounts invoiced under an Ancillary D Invoice.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment