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Modification Proposal 0201 'Small Value Invoice Payment deferral'

Dear Julian,

Thank you for your invitation seeking representation with respect to the above Modification Proposal.

National Grid Transmission offers qualified support for this Modification Proposal, pending clarification of the exclusion of all neutrality related ad-hoc invoices, as detailed below.

National Grid Transmission is sympathetic to the proposer's concerns associated with the processing costs for payment of 'small value invoices'. We believe that improvements to the invoicing and payment processes for 'small value invoices' would benefit from being explored further, however we are not convinced that this Proposal, as drafted, appropriately addresses the issues.

We note that the proposer seeks to exclude any Energy Balancing Ad-hoc Invoice from eligibility to the proposed deferral arrangements. The Proposer states that, *"Small value invoices are defined as non Energy related Ad-hoc invoices below £25."* We assume that Energy Balancing invoices are excluded due to the 'Neutral' nature of such invoice payments, where payment due dates are time bound due to the equal payment out through the Neutrality smearing mechanism. We are concerned that charges associated with Capacity Neutrality have been overlooked. Such charges also carry an equal payment through the Capacity Neutrality smear mechanism; therefore we believe that these too, should not be eligible to the proposed deferral arrangements. We request that the proposer clarifies whether the intent is to exclude all 'Neutrality' Ad-hoc Invoices from this Proposal. If exclusion of such invoices is the intent of the proposer, then we believe that a variance to the Proposal would be required.

We note that this Proposal seeks to amend two aspects of the payment arrangements for small value invoices;

1. Introduce an option to batch invoices - The proposer states, *‘that it is proposed that Transporters and Shippers have the option to batch small value invoice payments with large payments’*, we note that under prevailing arrangements batching of payments is already available without any requirement for a Modification Proposal. This was a point which was highlighted as part of National Grid Distribution presentation to the March Distribution Workstream.
2. Waiving late payment fees and interest for small value invoices subject to back stop provision of month end plus 30 calendar days - Where a User seeks to batch all small value invoices together this may reduce processing costs, however as pointed out above, we believe that with the 12 day payment terms Users can already achieve some batching of payments under prevailing arrangements.

2) Extent to which implementation of this Modification proposal would better facilitate the achievement (for the purposes of each Transporters Licence) of the Relevant Objectives:

(f) so far as is consistent with sub- paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or uniform network code;

The proposer states that, *“This proposal will reduce the number of very small value invoices that shipper are required to process”* and that this may better facilitate the *‘promotion of efficiency in the administration of the UNC’*. We agree that through the proposed extension of payment terms, for small value invoices, this Proposal, if implemented, may provide Users with the opportunity to reduce processing costs associated with payments for small value invoices.

We note, however, that in respect of the *‘promotion of efficiency in the administration of the UNC’*, some of the benefits expressed by the proposer are outweighed by the introduction of added complexities, associated with ‘bespoke’ payment terms for UNC invoices below a specified value.

4) The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

b) The development and capital cost and operating cost implications:

Prevailing National Grid Credit Management systems are fully automated. National Grid Credit operations would be required to introduce manual processes to support the implementation of this Proposal, the cost of which will be borne by National Grid.

6) The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

If implemented, National Grid Credit Management intends to support the proposed changes through manual processes and therefore it is not anticipated that any system changes are required at this stage.

7) The implications of implementing the Modification Proposals for Users, including administrative and operational cost and level of contractual risk

We believe that this Proposal may reduce Users' administrative costs, which are associated with processing payment for small value invoices.

In conclusion we offer qualified support for this Proposal as we believe that the benefits from the introduction of such a change should be measured against the cost of introducing added complexities to prevailing payment terms. We remain of the view that there are existing means through which improvements to the processing of small value invoices may be achieved, whilst ensuring consistency in payment terms across UNC Invoices.

Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Claire Thorneywork