

Term of Reference – V0.1 Draft
UNC Modification Reference Number 0126
Restriction of Invoice Billing Period

Purpose

A Uniform Network Code Review Group is required to review the current UNC arrangements in respect of restricting invoice billing periods for retrospective corrections.

Background

Within the last four years, there have been a number of very large adjustments applied through LDZ reconciliation. In the main these have been related to situations where metering equipment has incorrectly recorded the volumes of gas that have been off-taken from the NTS by an LDZ. Each of these occasions involved an under-recording, leading to additional quantities of energy and transportation charges being allocated to LDZ connected customers. With the established process of reconciliation, this additional charge is borne by Reconciliation by Difference (RbD), i.e. domestic consumers.

The most recent of these is the now widely discussed Farningham LDZ offtake meter error. In summary, over a period spanning almost 6 years - 13 July 1999 to 30 June 2005 - the offtake meter in question under recorded the flow of gas from the NTS into the South East LDZ. Whilst there is still some dispute around the actual figures, initial calculations have established that the under-recording is about 2.4TWh, equating to a value of £25.6m.

Following each discovery of a metering error, extensive discussion has taken place across the industry, with three key themes emerging:

- the ability for errors on such significant meters to go undetected for extended periods of time;
- an industry-wide understanding and agreement of the nature and extent of the problem; and
- the most equitable settlement of incorrect charges.

At the time of writing, two Urgent Modification Proposals, both dealing with retrospective invoice correction, are being considered by the industry. One advocates a set period of two years during which revised Transporter invoices can be raised, the other proposes a backstop date of the close out of the current Transporter price control period.

The Authority is being asked to consider the merits of each of these, and decide which, if either, best facilitates the relevant Transporter licence objectives. It is hoped that the Authority will have reached a decision on implementation by the end of 2006.

Scope

To the extent of identifying and considering high level options for regime change which could meet the aspirations of the proposer.

Deliverables

The Review Group will consider:

1. Whether it is appropriate to set a fixed period for retrospective correction, or whether some other mechanism for determining the period of retrospection is more appropriate e.g. confined to a discrete price control period.
2. Whether all errors should be managed in the same way, or whether different error triggers should drive different resolution approaches. (E.g. debits vs credits, metering errors vs administrative billing errors, NTS input meters vs NTS offtake meters, different invoice types etc.)
3. The interplay between the need of shippers to consider and validate invoices in the light of the various options for limiting retrospection.
4. The need for reconciliation to be allowed to properly complete in the light of the various options for limiting retrospection.
5. The need to avoid any perverse incentives on any party to behave in a manner that would intentionally bring undue advantage to themselves, or undue disadvantage to any other party(ies). (E.g. treatment of user suppressed reconciliations).
6. The extent to which positive incentives are created, and how these might be responded to. For example, incentives upon Transporters to increase the frequency and accuracy of offtake meter inspections.
7. How different players within the industry might be advantaged or disadvantaged by the Review Group's preferred outcome.
8. The extent to which the Review Group's preferred outcome might bring equability, stability and certainty to the industry, and also better facilitate the relevant objectives contained within the Transporter licence.

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above.

Limits

The Review Group will consider changes required to the following:

- Uniform Network Code.
Including:

Before the day daily activities, close out, nominations, missing reads, daily read error, liabilities, check reads, billing/settlement, etc.

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Composition

The Review Group will comprise the following representation

Name	Organisation
(Chair)	Joint Office
(Secretary)	Joint Office
Mike Young (Proposer)	British Gas Trading
Alex Travell	EON
Chris Warner	National Grid Distribution
Phil Broom	Gaz de France
Simon Howe	RWE Npower
Stefan Leedham	EDF Energy
Steve Nunnington	xoserve

A workgroup meeting will be quorate provided 2 Transporter and 2 User representatives are present.

Information Sources

- Uniform Network Code – Section E, F, S, (others to be identified).
- GT, Shipper and Supplier Licences.
- Gas Act.
- Various Industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations.
 - Gas Safety (Management) Regulations.
 - Industry Codes of Practice as relevant.

Timetable

The Review Group will commence after any Authority decision on Modification Proposals 0117 and 0122. This will add certainty to these discussions, in particular by confirming the baseline arrangements against which these discussions will take place.

It is proposed that a total period of 6 months be allowed to conclude this review.

Note:

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.