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Our Ref.
Your Ref.

9 May 2008

Dear Julian,

RE: Modification Proposal 0201: "Small value invoice deferral"

Thank you for the opportunity to comment on this proposal. As the proposer, British Gas supports its implementation.

This proposal has been born out of extensive discussions within the Billing Operations Forum, where a number of parties expressed a desire to investigate options for avoiding inefficiencies in the form of additional processing and banking/invoicing charges for very small value invoices. Initial indications from transporters who were party to those discussions were that any such proposal could potentially be beneficial to the efficiency of the industry overall, and could be delivered at low cost.

Following those discussions, British Gas decided to raise proposal 0201. The modification Panel decided that this proposal would benefit from development within the distribution workstream. A particular focus for discussions would be the cost/benefit equation.

Having taken part in those workstream discussions, particularly around the costs and benefits of implementation, British Gas remains of the view that whilst this proposal is simple, and represents relatively small amounts of money in terms of efficiency savings, it is nevertheless worth pursuing to bring efficiency benefits to the industry as a whole.

In terms of benefits, we are not in possession of all necessary data to set out how many invoices this proposal could potentially impact, or the total value that this proposal could help to protect across the industry (such data will be held by xoserve, and individual shippers and transporters). However, data has been provided to BOF which indicated that over a 13 month period, 7.5% of all invoices issued by one transporter were of a value of less than £10. This is also supported by data we have been passed by another shipper, where figures are of a similar magnitude.

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With respect to costs, the distribution workstream heard that the costs of implementation were likely to be limited to minor (unquantified) operating costs for all but one transporter, but with National Grid Distribution believing that it could face significant capital, development and operating costs, although again these are not quantified.

It therefore difficult to provide a robust cost benefit equation, however on the balance of evidence gained from numerous discussions on this subject, British Gas remains of the view that this proposal is likely to bring financial benefits to the industry as a whole, in particular smaller shippers, and is therefore worth pursuing.

As set out in the original proposal, and repeated in the Workstream Report, British Gas believes that this proposal will better facilitate Standard Special Condition A11.1 (f) – the promotion of efficiency in the implementation and administration of the UNC. The effects will be mostly felt through lower charges incurred by shippers for processing potentially large numbers of small value invoices individually.

Should you have any queries with regard to this response please do not hesitate to contact me.

Yours sincerely,

Chris Wright
Commercial Manager