

Julian Majdanski  
UNC Panel Secretary  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT



09 May 2008

Dear Julian

**EDF Energy Response to UNC Modification Proposals 0201: “Small Value Invoice Payment Deferral.”**

EDF Energy welcomes the opportunity to respond to this consultation; we do not support implementation of modification proposal 0201.

The number of small value invoices issued to EDF Energy that are not Capacity, Commodity, Unique sites, CSEPs, Reconciliation or GRE invoices that are also below £25 are minimal. In fact in the last 6 months EDF Energy has only received 30 invoices from all the Transporters that are under £25. We believe that there is already an option open to Shippers to batch these “small value” invoices with other larger invoices.

In addition EDF Energy, along with other Shippers and Transporters operates a SAP system for the payment of invoices. If this mod were implemented then additional rules would have to be built into our SAP and Gas Settlement system to accommodate this. The cost for our Gas Settlement system changes alone are estimated at £5,000. Whilst this cost would be offset by a potential reduction in our BACs charges from utilising this option, we believe that this would be minimal. We would note that for payment of invoices below £25, our current BACs costs are 5p per invoice, therefore the payback period for this proposal would require us to use this option to pay all of our invoices below £25 for the next 952 years.

Finally we would note that the effect of this proposal would also provide an option to Transporters to make use of this arrangement. Whilst we are aware that National Grid Distribution (NGD) is unlikely to utilise this option, the risk to EDF Energy is that some GDNs would opt in, whilst others would opt out. EDF Energy is aware that processing payments from some GTs is notoriously difficult as they make payments using an inconsistent naming convention. The implementation of this proposal would require EDF Energy to make changes to SAP, regardless of whether we were to utilise this option or not, and would appear to have a marginal benefit if any.

EDF Energy recognises the intent of this proposal, but believes that it is misconstrued as the option for batching payments already exists, and the benefits identified are greatly exaggerated. We believe that the only solution which would provide benefits to all market participants would be to create arrangements so that all invoices are held by xoserve until they reach an amount greater than £25, or are batched together with other invoices.

In addition to the comments raised in the draft modification report, EDF Energy would make the following observations:

**2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

**Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant Shippers:**

Implementation of this proposal should increase costs to Shippers and Transporters regardless of whether they chose to utilise this system or not, however the reduction in costs for those who do utilise it are unlikely to exceed the costs imposed on the industry. This should therefore introduce a barrier to entry and so not be beneficial to competition.

**Standard Special Condition A11.1 (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 the uniform network code:**

EDF Energy believes that options are already available for the processing and payments of small value invoices. Introducing a further option would represent redundancy and so would not promote efficiency in the implementation and administration of the UNC. In addition we do not believe that the costs of processing these invoices are disproportionately costly, and these costs can be minimised through prudent operation of the BACs systems.

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk.**

**Development and capital cost and operational cost implications**

There would be a requirement for all gas Shippers with SAP to update their systems, for EDF Energy we would also have to update our Gas Settlement system and this alone is expected to be in the region of £5,000. The impact on operational costs would be dependent on whether Users chose to utilise the option that is currently available. For Users that currently batch payments, then there would be no reduction in operational costs, as invoices would still have to be entered into SAP. For Users who currently chose to not batch payments, then we do not believe that there will be a significant reduction in cost, and would note that the BACs costs for EDF Energy are 5p per payment.

**Consequence for the level of contractual risk of Users**

EDF Energy believes that the contractual risk for Users will be increased as they will be exposed to the risk that they have to operate different payment options for different Transporters. There may be a reduction in operational costs for the payment of these invoices; however we expect this to be minimal at 5p per transaction.

**10. The Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Disadvantages**

- Transporters would have the option to utilise this arrangement. This would expose Users to the risk that they had to operate different rules in SAP for different Transporters.
- All Shippers would be required to amend their systems regardless of whether they chose to utilise this arrangement or not.
- Creates redundancy in the UNC as the option to batch payments is already available.
- The costs of changing SAP would greatly outweigh the potential reduction in BACs charges.

I hope you find these comments useful, however please contact me if you wish to discuss this response further.

Yours sincerely

A handwritten signature in black ink that reads "Stefan Leedham".

Stefan Leedham  
Gas Market Analyst  
Energy Regulation, Energy Branch