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8 May 2008

Re: Modification Proposal 0201 'Small value invoice payment deferral'.

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid Gas (Distribution), ("NGD") understands and supports the aims behind the proposal however we believe the objectives can be fulfilled by the existing UNC terms and are therefore of the view implementation of the proposal is unnecessary.

NGD acknowledges that the transactional cost associated with payment of small values may exceed the value of the amount being settled. To this extent, we recognise the benefits that may be realised by avoidance of the requirement to pay such amounts in isolation by, as suggested by the proposer, batching such payments with settlement of higher value invoices.

Higher values are likely to be invoiced via the scheduled ('main') monthly invoices of which, in terms of transportation services, there are eight:

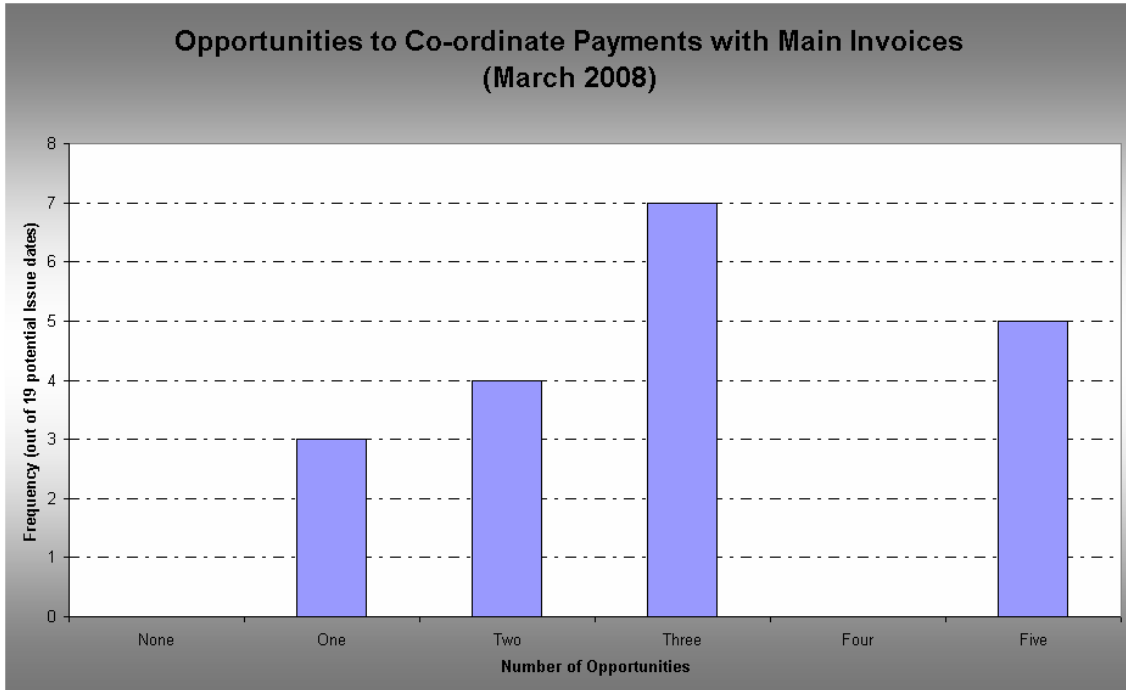
- LDZ Capacity
- NTS Exit Capacity
- NTS Entry capacity
- Commodity
- Unique Sites
- CSEPs
- Reconciliation

The issue and due dates of the main invoices are staggered throughout the month in order to even the workload for all counterparties. It is therefore the case that there are opportunities within the prevailing invoicing schedule to co-ordinate payments of small value invoices with settlement of one of the main invoices.

We note that the proposer restricts the application of the proposal to non energy related Ad-hoc invoices where the value is less than £25. Taking account of the 19 Business Days in March 2008 (as an example) on which an Ad-hoc invoice may have been issued, we have undertaken analysis to establish how many opportunities would exist to co-ordinate payments of that low value Ad-hoc invoice with payment of a main invoice on its Payment Due Date within the prevailing schedule.

The analysis (see appendix A) demonstrates that for all 19 potential Ad-hoc invoice issue dates in March 2008, there were between 1 and 5 opportunities to co-ordinate payment with the settlement of a main invoice. Indeed for 12 such issue dates (63%) there were 3 or more opportunities.

The following graph highlights the level of opportunities:



Accordingly, NGD is not convinced that the proposal would better facilitate the GT Licence relevant objectives as identified by the proposer, specifically the promotion of efficiency in implementation and administration of the UNC beyond the current mechanisms available. This proposal effectively seeks to extend the payment due date for certain Ad-hoc invoices and we are of the view that implementation would merely duplicate payment co-ordination opportunities that exist within the current invoicing schedule and therefore not increase efficiency as suggested.

A further consequence of implementation would be that payment terms for Ad-hoc invoices would vary dependant upon their value and may lead to uncertainty as to the Payment Due Date. This exposes the User to the risk of the very UNC compensation payments and interest that the proposal is seeking to avoid. Additionally, the aims of this proposal arguably run contrary to the aspiration expressed within the Ofgem Best Practice Guidelines¹ for the harmonisation of payments terms.

In respect of implementation timescales, we have assessed that we would require 12 weeks to make the necessary changes to our cash collection processes.

Hence, for the reasons stated above NGD does not believe there is a requirement for implementation in order for the proposer to meet its stated objective.

We would be happy to further communicate the mechanisms currently available under the UNC to achieve the aims of the proposal.

¹ "Best practice guidelines for gas and electricity network operator credit cover – Conclusions document" 58/05: extract from para 3.49 – "whilst changes other than those detailed above are not required, as and when market developments provide opportunity, the potential benefits of harmonisation of industry payment terms should be considered."



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National Gas Emergency Service - 0800 111 999* (24hrs)

*calls will be recorded and may be monitored

Please contact Chris Warner on 01926 653541 (chris.warner@uk.ngrid.com) should you require any further information with respect to the above.

Yours sincerely

Richard Court
Customer Contracts and Regulation Manager

Appendix A



Excel File