

**CODE MODIFICATION PROPOSAL No 0201V**  
**Small value invoice payment deferral**  
**Version 1.0**

**Date:** 17/07/2008

**Proposed Implementation Date:** 1/10/2008

**Urgency:** Non Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this Proposal**

Currently UNC Section S 3.1.2 requires gas transportation invoices of any value to be issued by a Transporter to a shippers as and when these invoices are processed, for payment by the shipper the 12<sup>th</sup> Day after the Day on which the invoice was deemed to be received. However, in some cases the value of the transportation invoice is so small that the cost to the shipper of processing payment of the invoice exceeds the value of the invoice itself.

Where a shipper fails to pay a transportation invoice on time, a late payment charge of £40 is applied per invoice. This fact usually deters a shipper from batching small value invoices together for a single payment.

British Gas believes that whilst it is necessary for the UNC to drive appropriate invoice payment behaviour – in this case by disincentivising late payment through the application of late payment charges – it can be inefficient for a shipper to incur payment costs in excess of the invoice value.

It is therefore proposed that Transporters and Shippers have the option to batch small value Ad hoc invoice payments with larger payments (e.g. Ad hoc invoices are paid with Capacity, Commodity, CSEP's invoices staggered throughout the month) and the late payment fees and interest is waived for small value invoices subject to the backstop provision set out below.

For the purpose of this proposal small value invoices are defined as non Energy related Ad hoc invoices below £25. Therefore the scope of this proposal will affect all invoices except the main Transportation invoices; Capacity, Commodity, Unique Sites, CSEP's and Reconciliation and Gas GRE invoicing (payment of these invoices must continue by the payment due date as at present, because of the Energy element contained within the invoice).

As a safeguard against unfair delays by shippers in paying small value invoices, this proposal places an end stop date of month end plus 30 calendar days to clear the account and to make the payment(s) in full. Failure to achieve this will result in late payment charges plus interest being applied to each outstanding invoice from the original payment due date; this backstop therefore being the full effect of the current arrangements.

The proposer believes that the UNC should therefore allow flexibility for payment of small value invoices, thus reducing the incidences of unnecessary bank charges and unwarranted late payment charges.

For the purpose of clarity, Shippers and Transporters will be required to accept the delayed receipt of invoices below £25, as these can be batched with larger transportation payments. To ensure the small invoice payments are received in a timely manner the invoice must be settled within month-end plus 30 days.

Failure to comply with the above will mean that a late payment charge(s) and late payment interest will be applied to the Shipper, or the Transporter, as per the UNC for the total period the invoice(s) was not settled for.

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

Urgent procedures are not requested for this proposal.

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

The subject matter and the background for this proposal have been discussed extensively at the Billing Operations Forum. Against this background, the proposer asks that this proposal proceeds to the Distribution Workstream for a period of one month (February meeting), returning to the Modification Panel in March to proceed to consultation.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

The proposer believes that implementation of this proposal will reduce the number of very small value invoices that shippers are required to process. Such invoices are disproportionately costly to process. This will better facilitate the promotion of efficiency in the administration of the UNC.

**3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No implications for the security of supply have been identified.

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

**a) The implications for operation of the System:**

No implications for the operation of the system have been identified.

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

There are no direct capital, development or operating costs on Transporters resulting from this proposal.

- c) **Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

As above, no such costs have been identified.

- d) **The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

Transporters and Users may face slightly longer payment lead times for very small value invoices. However, this proposal includes a backstop mechanism which disincentivises excessive delays. This proposal does not effect the payment terms for higher value invoices.

- 5 **The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

Implementation is not required on this basis.

- 6 **The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

No implications for the UK Link system of the Transporters has been identified.

- 7 **The implications for Users of implementing the Modification Proposal, including:**

- a) **The administrative and operational implications (including impact upon manual processes and procedures)**

Administration implications are expected to be minimal.

- b) **The development and capital cost and operating cost implications**

Costs are expected to be minimal.

- c) **The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

User contractual risk is expected to fall since this proposal will relieve some of the burden of disproportionately high invoice processing costs, and the potential for late payment charges where a User chooses to batch invoices together for payment.

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

No implications have been identified.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

No implications for the legal and regulatory obligations have been identified.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

- ◆ All users have the option to use, or ignore this facility on the basis of their own systems, which can reduce costs of unnecessary banking charges to the industry.

**Disadvantages**

- ◆ Transporters may need to amend their systems, or force suspension of late payment invoices.

**11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

No representation received.

**12 Detail of all other representations received and considered by the Proposer**

No representations received.

**13 Any other matter the Proposer considers needs to be addressed**

No other matters outstanding.

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

01 October 2008.

**15 Comments on Suggested Text**

**16 Suggested Text**

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** TPD, Section S

**Proposer's Representative**

*Chris Wright, (British Gas Trading)*

**Proposer**

*Andrew Margan, (British Gas Trading)*