

**Draft Modification Report**  
**Small value invoice payment deferral**  
**Modification Reference Number 0201VV**  
**Version 1.0**

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

**1            The Modification 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 debtor of processing payment of the invoice exceeds the value of the invoice itself.

Where a debtor 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 invoices with larger payments above £25. For example invoices below £25 can be paid with scheduled Capacity, Commodity, Unique Sites and CSEP's invoices, which scheduled dates staggers them throughout the month. Furthermore 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 less than £25 in value, containing no Balancing Neutrality, Capacity Neutrality or GRE Neutrality element and are not primary scheduled invoices, Ad Hoc predictable charges, or contain liabilities such as Failure to Supply Gas, or MOD 565.

Primary scheduled invoices are the main Energy Balancing, LDZ Capacity, NTS Exit Capacity, NTS Entry Capacity, Commodity, Unique Sites, CSEPs, Reconciliation, NTS Entry Commodity and Data Logger charges, as documented on the xoserve Billing Schedule, (payment of these invoices must continue by the payment due date), or have Ad Hoc invoicing scheduled dates agreed with the industry.

Scheduled Ad Hoc invoices are –

- ADU – Unique Sites
- ADU – Shorthaul
- ADC CSEPs
- ADR/ADG Unique Sites Reconciliation and CSEPs Reconciliation
- ADN IFAs and Meter Assets

- ADP Data Logger Assets and Data Logger Reads
- ADN Own Use Gas, LPG
- ADZ Compression
- ADI Mod 565, FSG
- ADE and ADB refer to energy related charges.

For clarity non Balancing Neutrality or Capacity Neutrality Adhoc Adjustments, Interest and Reconciliation invoices are therefore included in this proposal. The scope of this proposal will affect Transporters and Shippers.

As a safeguard against unfair delays by debtors 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.

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

*Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of*

*(i) the combined pipe-line system, and/ or*

*(ii) the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would not be expected to better facilitate this relevant objective.

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

*(i) between relevant shippers;*

*(ii) between relevant suppliers; and/or*

*(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;*

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 the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

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

**a) Implications for operation of the System:**

No implications for operation of the system have been identified.

**b) Development and capital cost and operating cost implications:**

Workstream discussions identified there would be some direct capital, development and operating costs resulting from implementation of this proposal, particularly for National Grid Distribution. Other Transporters have indicated that minor additional operating costs would be incurred.

**c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No additional cost recovery is proposed.

**d) Analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences have been identified.

**5 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the 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 affect the payment terms for higher value invoices.

**6 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

No implications for the UK Link system have been identified. National Grid Distribution identified the need to use manual processes to support the proposal as their Credit Management systems are automated.

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

*Administrative and operational implications (including impact upon manual processes and procedures)*

Administration implications are expected to be minimal.

*Development and capital cost and operating cost implications*

The Proposer expected operational costs to be minimal.

*Consequence for the level of contractual risk of Users*

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 implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

No such implications have been identified.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of**

## **implementing the Modification Proposal**

No such consequences have been identified.

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

#### **Advantages**

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

#### **Disadvantages**

- Transporters may need to force suspension of late payment invoices.

### **11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Unless respondents to Modification Proposal 0201 indicated to the contrary, it has been assumed that their view has not been affected by the variation made and that they would wish the Authority to take their earlier response into account when deciding whether or not to direct implementation of Modification Proposal 0201V.

Representations have been received from the following.

<b>Organisation</b>	<b>0201</b>	<b>0201V</b>
British Gas	Supports	
Corona Energy	Supports	Supports
EDF Energy	Not in Support	
E.ON UK	Supports	
National Grid Distribution	Comments	Comments
National Grid NTS	Qualified Support	Qualified Support
Northern Gas Networks		Supports
RWE	Supports	
Statoil	Supports	
Scotia Gas Networks	Supports	
Wales & West Utilities	Supports	Qualified Support

Wales & West Utilities believe that further clarification would allow the Proposal to include more small value invoices and therefore increase benefits to the industry.

National Grid NTS requests clarification whether the intent is to exclude all “Neutrality” Ad-hoc invoices.

### **12 The extent to which the implementation is required to enable each**

**Transporter to facilitate compliance with safety or other legislation**

No such requirement has been identified.

- 13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

No such requirement has been identified.

- 14 Programme for works required as a consequence of implementing the Modification Proposal**

Programme of works to be identified.

- 15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

British Gas Trading suggested an implementation date of 01 October 2008. Wales & West Utilities suggest a small lead time to ensure administrative procedures are in place.

- 16 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

- 17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

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- 18 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

- 19 Text**

**Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report.**

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**

**Chief Executive, Joint Office of Gas Transporters**