

Workstream Report
Invoicing Arrangements For Late Payments
Modification Reference Number 0220
Version 0.3

[This Workstream Report is presented for the UNC Modification Panel's consideration. The Distribution considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]

1 The Modification Proposal

Currently under UNC Section S 3.5 “*where any amount payable under an Invoice is not paid on or before the due date, the paying party shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made.*”

E.ON UK fully supports the incentive, but Shippers are reliant on Transporters to raise the debit/credit Interest Invoice, as per the Operational Rules Governing the Supply of Invoices Charges Via the Ad-Hoc Process document. Under UNC there is no timescale defined within which the Transporter must raise an Interest Invoice and Shippers are unable to raise Interest Invoices. This could result in a situation whereby Interest Invoices are not raised in a timely manner, or the Transporter could raise only late payment debits (i.e. if the Shipper has paid late), but fail to raise late payment credits (i.e. if the Transporter has paid late). This could lead to a perverse situation where late payments costs are only recovered by the Transporter.

E.ON UK believes that the timing and raising of an Interest Invoice needs to be clarified within the UNC, which will ensure appropriate invoice behaviour is maintained whereby no party is disadvantaged inappropriately. It is therefore proposed that a change to UNC Section S 3.5 is required, to define the time period in which the Interest Invoice (triggered as a consequence of late payment) is to be issued by the Transporter. It is proposed that the UNC be amended to state that an Interest Invoice be raised no more than 35 days after the date of the late payment.

For the avoidance of doubt, this proposal applies equally to values which are credits and debits to shippers. The proposal applies only to Gas Transportation Invoices and will exclude Energy Balancing Invoices. No change is proposed to the Invoice Due Date of the Interest Invoice as specified within Section S3.1.2(b)

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

Standard Special Condition A11.1 (a): *the coordinated, 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 (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 sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) 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 sub-paragraphs (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 clarify that Interest Invoices need to be raised in a timely manner by Transporters. In doing so, this proposal will better facilitate “*the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code*” (SSC A11.1 (f))

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:

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

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

As above, no such costs have been identified, therefore no additional cost recovery is proposed.

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

No such consequence is anticipated.

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

No such consequence is anticipated.

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 of the Transporters have been identified.

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)

It is anticipated that, if implemented, this proposal would enhance clarity around the current administrative procedures regarding raising Interest Invoices.

Development and capital cost and operating cost implications

No significant capital or operating costs for Users are anticipated.

Consequence for the level of contractual risk of Users

No adverse consequences have been identified.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No adverse 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

- Transporters and Shippers will have clear guidelines regarding the raising of debit/credit Interest Invoices.
- Shippers will not be penalised if Transporters are unable to raise the Interest Invoices.
- There will be adequate incentives to ensure Interest Invoices are processed by the Transporters in a timely manner.

Disadvantages

None identified.

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

No written representations have been received.

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

No programme for works has been identified.

15 Proposed implementation timetable (including timetable for any necessary information systems changes)

Implementation is recommended by 31 December 2008.

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. Workstream recommendation regarding implementation of this Modification Proposal

The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. [The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]