Draft Modification Report
Extension to Invoice Communication Methods in the event of User Intention to undertake Voluntary Discontinuance
Modification Reference Number 0688

Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

To modify the Network Code to allow Transco to issue invoices by 'Conventional Notice' subject to the satisfaction of certain conditions relating to User Voluntary Discontinuance. Though recognising the benefits to a discontinuing User, Transco believes the use of 'Conventional Notice' for these purposes needs to be conditional on the following criteria (to be reflected within the UK Link Manual):

- A 'discontinuance notice' has been submitted in accordance with Section V4.2.1
- The User is not the Registered User in respect of any Supply Point and is not party to any Shared Supply Meter Notification in accordance with Section V4.2.2(b).
- The User has ceased trading on the OCM.
- A minimum period of 3 months has elapsed since the end of the month during which the latter of condition 2 and 3 is satisfied.
- The User has undertaken that it will not enter into any further Code Communications, other than those associated with the receipt and payment of Transco invoices.
- Transco anticipates issuing a minimal number of further invoices to the discontinuing User.
- The User has requested Transco collection of Information Exchange equipment issued to the User upon accession to Network Code.
- Conventional Notice to be utilised with the mutual agreement of both Transco and the User.

2. Transco's Opinion

It is Transco's opinion that this Modification Proposal should be implemented.

Principal Document Section S1.2.1 of Network Code identifies that for each Billing Period, separate Invoice Documents will be submitted to each User in respect of amounts payable. Subsequently, S1.3.4 requires that Invoice Documents are submitted to Users by UK Link Communication in the form and manner described in the UK Link Manual. Appendix 5 of the UK Link Overview Manual requires that Invoice Documents will be transmitted by UK Link Batch Transfer communication, the receipt of which requires the utilisation of Information Exchange (IX) equipment issued to Users upon accession to Network Code. The only exceptions to this requirement are the issue of supporting data in respect of an Ad-hoc invoice which may be submitted on paper, or in the event of a Code Contingency under

Section U6 of Network Code. This applies where an event or circumstance impacts UK Link affecting Transco or a User's ability to give or receive UK Link communications, or to generate information to be contained within a Code Communication.

It has been identified within the Supply Point and Billing Workstream that the above requirements may present certain difficulties for a User wishing to cease to be a User under the Voluntary Discontinuance provisions detailed within section V4.2 of Network Code. In order to meet payment obligations within this section, there is a consequential requirement to retain equipment necessary to receive UK Link Communications including the receipt of Invoice Documents. This may present specific difficulties in the latter stages of the 'event-driven' close out period where such UK Link communications are infrequent and a User's commercial activities have ceased.

This Proposal advocates modification of Network Code to permit Transco to issue Invoice Documents via 'Conventional Notice' subject to the satisfaction of certain conditions relating to User Voluntary Discontinuance. Conventional Notice, as defined in Section V, incorporates hand delivery of a letter, notice issued by post, or notice issued via facsimile transmission. Following Supply Point and Billing Workstream discussion of the conditions detailed within the original Modification Proposal, amendment to such was agreed. Accordingly, the amended conditions described within this Modification Proposal are those on the basis of which the Supply Point and Billing Workstream provided its support for this Proposal to 'proceed to consultation'.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The measure described in this Proposal is consistent with Transco's GT Licence "code relevant objective" of facilitating the efficient and economic operation by the licensee of its pipe-line system. The ability to cost effectively, i.e. efficiently, leave the market would also be recognised by potential new entrants and therefore promote competition within the gas market.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

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

b) development and capital cost and operating cost implications:

No further development costs would be required to amend Transco's UK-Link system. A small operating cost would be incurred by Transco associated with the issue of Invoice Documents by Conventional Notice where permissible.

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

As stated above, costs associated with implementation are not significant. Consequently, Transco accepts that such costs would be part of its OPEX. As such, no special provision for cost recovery is required.

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 to Transco under the Network Code as modified by the Modification Proposal

Implementation of this Modification Proposal would not effect significantly the level of contractual risk borne by Transco.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Implementation would not require the modification of either Transco's or Users' computer systems and consequently no development costs are anticipated.

7. The implications of implementing the Modification Proposal for Users

A User in the process of Voluntary Discontinuance (subject to the satisfaction of the criteria detailed within this Proposal) would be able to minimise its exposure to the costs of maintaining its access to UK-Link IX communication equipment. The costs of appointing a UK-Link User Agent if so required may also be avoided.

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

No such implications have been identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network 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:

- minimises a User's exposure to costs associated with maintaining access to IX equipment.
- minimises financial risk of all parties by facilitating a discontinuing User's 'orderly exit' from gas shipping.
- Transco would be able to recover IX equipment in a timely manner for use at an alternative location for a greater quantity of transactions (more efficient use of asset).

Disadvantages:

- a level of 'manual' management of the communications would be required for both the User concerned and Transco, though the volume and frequency of such communications is envisaged to be low.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations are now sought.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation is not required to facilitate such compliance.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This Modification Proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the ModificationProposal

Transco would be required to implement relevant Conventional Notice related processes to facilitate issue of Invoice Documents in the relevant circumstances.

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

This Modification Proposal may be implemented with immediate effect.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

17. Text

Amend Section S paragraph 1.3.4 to read as follows:

Subject to paragraph 1.3.6 and to Section U6, Invoice Documents will be submitted to Users either by UK Link Communication in the form and manner described in the UK Link Manual or by Conventional Notice in the specific circumstances set out in the UK Link Manual, and subject to paragraph 1.3.5…

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Peter Rayson
Commercial Manager - Customer Support Services

Date: