

## National Grid Invoicing Arrangements Q&A

In order to support the changes to the invoicing of transportation charges being made in January 2017 and further proposed changes at the Project Nexus Implementation Date (PNID, currently planned to occur on 1<sup>st</sup> June 2017), National Grid Gas plc (NGG), National Grid Gas Distribution Limited (NGGD) and Xoserve Limited have jointly prepared the following Q&A document for industry parties.

### General

#### 1. What is changing?

- From 1<sup>st</sup> January 2017 NGG and NGGD invoices produced via UK Link will be separated.
- From PNID further change is proposed to invoicing arrangements through the introduction of a 'credit and re-bill' arrangement.
- There has been and will continue to be extensive engagement with the industry on both these changes. Details of the changes can be found in the following documents as well as in these Q&As.

<b>1<sup>st</sup> January 2017 Change</b>	<b>PNID Change</b>
Xoserve provided information which was approved at the UK Link Committee on 8 <sup>th</sup> September 2016	NGGD presented these proposed changes in draft to Distribution Work Group on 24 <sup>th</sup> November, the slides can be found <a href="#">here</a> .
NGG presented the proposals for January invoicing at the Gas Operational Forum on 16 <sup>th</sup> November 2016: <a href="#">Click Here</a> (slides 87 to 93)	NGGD (supported by NGG and Xoserve) has raised a Modification Proposal to be presented at 15 <sup>th</sup> December 2016 UNC Modification Panel (Modification Proposal 0606).
Notice of Mod0592s lapsing issued via Joint Office 4 <sup>th</sup> November 2016 can be found <a href="#">here</a> .	Initial Industry discussion will take place at the Distribution Work Group on 22 <sup>nd</sup> December 2016, followed by discussion at Transmission Work Group on 5 <sup>th</sup> January 2017 the Modification Proposal can be found <a href="#">here</a> .
Xoserve communicated the new bank details for NGGD via the Joint Office. This communication can be found <a href="#">here</a> .	
The Credit teams at both NGG and NGGD have been making contact with Shippers by email and phone.	

#### 2. Why are changes to transportation invoicing necessary?

- Following the successful transfer of National Grid's Gas Distribution business to NGGD on 1<sup>st</sup> October 2016, it is necessary to implement separated invoices in order to comply with the UNC.

- The temporary solution established through UNC Modification 0592s, which has allowed joint invoicing and security to date, cannot continue after completion of the sale of a majority stake in NGGD by National Grid.
- National Grid announced the preferred bidder for the sale of a majority share in NGGD on 8<sup>th</sup> December 2016, the announcement can be found [here](#).
- The delay in the implementation of the Project Nexus programme has meant that it has been necessary to implement changes in the existing UK Link system to achieve separate invoicing. Unfortunately, these same arrangements cannot be replicated in the initial implementation of Project Nexus without risking further delays to PNID, therefore a further change is required at PNID.

### **3. Who is driving the changes that are being proposed?**

- NGG, NGGD and Xoserve have been working closely to review possible solutions for the delivery of separate invoicing arrangements in both current and future UK Link system. The intent has been to minimise, as far as possible, the impact on Shippers of these arrangements.
- All changes have been communicated through the available UNC forums; UK Link Committee, Transmission and Distribution Work Groups.
- Changes have also been supported by a letter from National Grid to Shippers on 4<sup>th</sup> November 2016, this letter can be found on the Joint Office website - [here](#).

### **4. Who can I contact about these changes?**

- If you have any comments or questions on these changes, please contact National Grid at [box.GDXHaveYourSay@nationalgrid.com](mailto:box.GDXHaveYourSay@nationalgrid.com).

## **Invoicing**

### **Invoicing Changes from 1<sup>st</sup> January 2017 until PNID**

#### **5. What changes are being made to transportation invoicing arrangements from 1<sup>st</sup> January 2017 until PNID?**

- All invoices will be issued in the name of the correct company (being NGGD for Distribution and NGG for Transmission)
- For the majority of invoices the Transmission and Distribution charging elements are discrete to each invoice. For these invoice types Shippers will receive separate supporting information with each invoice.
- The following invoice types have mixed Transmission and Distribution elements:
  - o Commodity (COY Invoice File Type, COS supporting information)
  - o Reconciliation (REC Invoice File Type, RCS supporting information)
  - o CSEPS (ADH Invoice File Type, CRE, CEP supporting information)
  - o Unique Sites (ADH Invoice File Type, USI,USR supporting information)
  - o CMS Back Billing (ADH Invoice File Type, BAB supporting information)

- Adhoc (ADH Invoice File Type, BCD,OOA,FSI,EOI,CSD,TSD,USP supporting information)
- Offline Invoices (ADH Invoice File Type, CSV supporting information)
- For these invoice types the supporting information will continue as consolidated files – i.e. each will contain both Transmission and Distribution line items. Shippers will be able to attribute the data to the relevant invoice by virtue of the invoice number.
- For processing and payment of invoices it should be noted that National Grid Gas Distribution has been allocated the existing company code of 'TGT' and National Grid Gas Transmission has been allocated the company code 'NTS'.

**6. What supporting information will be available to validate the invoices from 1<sup>st</sup> January 2017 until PNID?**

- All invoices will continue to have the same supporting information as today with the consolidated supporting information for “mixed” invoice types as set out above.

**7. Will every invoice have correct payee details?**

- From 1<sup>st</sup> January 2017 until PNID every invoice will have details of the correct payee included.

**Invoicing Changes from PNID**

**8. What changes will be made to transportation charges invoicing arrangements from PNID?**

- For invoices which contain only Distribution charges; these will continue to be issued under the TGT short code in the name of NGGD.
- For invoices containing both Distribution and Transmission charges e.g. Reconciliation (REC); these will be subject to 'credit and re-bill' arrangements:
  - these charges will initially be invoiced in the name of NGGD under the TGT short code,
  - NGGD will then issue credit notes for any Transmission charges that appear on the invoices (this will be done on the same day)
  - NGG will then issue invoices under the NTS short code containing the Transmission charges that were credited under the above credit note (this will also be issued on the same day)
- For invoices generated from UK Link containing only Transmission charges e.g. Unique Sites; these will also be subject to the same 'credit and re-bill' arrangements:
  - these charges will initially be invoiced in the name of NGGD under the TGT short code,
  - NGGD will then issue credit notes for the full value of the invoice (this will be done on the same day)
  - NGG will then issue invoices under the NTS short code containing the Transmission charges that were credited under the above credit note (this will also be issued on the same day)

- For Gemini generated invoices (please see Question 8 below for further detail); these will be issued correctly on behalf of NGG.
- In both cases where 'credit and re-bill' arrangements are applicable, the initial TGT invoice will be accompanied by supporting information. The credit note and subsequent NGG invoice will not be accompanied by supporting information, but can be validated using the original supporting information file that accompanied the initial TGT invoice.

**9. Which invoices will be affected by the post PNID 'credit and re-bill' arrangements?**

- The following invoice types will be affected by these arrangements (not all invoice types apply to all Shippers):
  - o Commodity (LDZ/NTS Exit/CSEPS/Unique Sites)
  - o Amendments (previously known as Reconciliation Invoicing) (Transportation/Energy)
  - o Ancillary (previously known as Adhoc invoicing)
  - o Metering (relating to special metering sites meter/corrector/datalogger charges)
  - o Compression (relating to Gas delivered to the TOMCST sub-terminal at St Fergus has to be compressed to meet system entry requirements)
  - o Own Use Gas (relating to charges for Own Use NTS Commodity at various storage sites)
- Note: Invoices generated from the Gemini system are not impacted by these changes and will continue to be issued in the name of NGG with supporting information. These include:
  - o NTE - Entry Capacity Invoice
  - o NXC - NTS EXIT Capacity Invoice
  - o ECB - Entry Capacity Buyback
  - o ECO - Entry Commodity Invoice
  - o OTA - Optional Tariff Invoice
  - o EBI - Energy Balancing Invoice

**10. What supporting information will be available to validate the impacted invoices from PNID?**

- As outlined above, the initial TGT invoice will have supporting information. The credit note and later NTS invoice will not have accompanying supporting information, however, the supporting information provided with the original TGT invoice will provide information relating to Distribution and Transmission charges to allow invoices to be validated.

**11. Will every invoice have correct payee details?**

- From PNID, the original TGT invoice will have payee details relating to NGGD and the later NTS invoice will contain the payee details for NGG. For TGT invoices, payment should be made for the net amount taking into account any credit notes issued on the same day under the 'credit and re-bill' arrangement and should be made to the payee on the original TGT invoice.

- For NTS invoices, payment should be for the full amount on the NTS invoice and should be made to the payee listed on that invoice.
- It remains the responsibility of the Shippers to pay the correct payee, where errors in payment occur normal cash collection processes will apply. (For further information please see OTC section later in this document)

## 12. How long will the transitional PNID arrangements be in place?

- There is currently no set timescale for this. The changes will be made as part of a future release for New UK Link. The prioritisation of changes and scope of future releases will be subject to Industry discussions under the proposed FGO change management arrangements.
- This change will be one of a number of changes required in future releases and its relative priority will be assessed against these other changes.

## 13. What other invoicing options were considered?

Option	Outcome of analysis
<b>1</b> a. Transmission rebilling: manual Credit and Ad Hoc (Ancillary) invoices issued to Shippers (only for combined invoice types)	 <b>Preferred solution</b> – rationale as follows: <ul style="list-style-type: none"> <li>• Does not impact the Project Nexus implementation schedule</li> <li>• Impact is on a limited category of invoices (combined)</li> <li>• Continues the separated Shipper credit security instruments (effective January 2017)</li> </ul>
----- b. Manual Credit and Debit Invoices created but not issued to Shippers (suppressed in UK Link)	 Discounted due to: <ul style="list-style-type: none"> <li>• Technical barriers within UK Link mean suppressing invoices would mean supporting data could not be linked to an invoice therefore no ability to check values in an invoice</li> </ul>
<b>2</b> a. Xoserve Acts as a Collection Agent on Behalf of National Grid	 Discounted due to: <ul style="list-style-type: none"> <li>• Requires reversion to single Shipper security arrangements for National Grid and NGGD</li> </ul>
----- b. National Grid appoints a Third Party Collection Agent	
----- c. National Grid appoints a Third Party Collection Agent (Xoserve split invoice data)	
----- d. National Grid appoints a Third Party Collection Agent to receipt funds only	 <ul style="list-style-type: none"> <li>• New process would need to be set up with third party which would require UNC amendment and new processes for Shippers.</li> <li>• Risk around external cash receipt/ collection agents considered too high given criticality of cashflows</li> </ul>
<b>3</b> National Grid raise a new Mod to extend Mod 0592s	 Discounted due to: <ul style="list-style-type: none"> <li>• single-company invoicing (as carried out under Mod 0592s) was only workable whilst NGGD is part of the National Grid Group. Completion of the sale is expected on 31 March 2017 after which it would not be feasible for an iDN to receive confidential information and payments on behalf of the NTS operator</li> </ul>
<b>4</b> a. Xoserve issues combined invoices on behalf of NGT, Shipper makes full payment to NGT for combined invoice with transfer of funds to NGD. NGT only/NGD only invoices issued on behalf of correct party	
----- b. Xoserve issues invoices with trustee account details for combined invoices	

## **General Invoicing Questions**

### **14. Why can't the changes from 1<sup>st</sup> January 2017 reflect the position from PNID?**

- The 1<sup>st</sup> January changes are required to ensure that NGG and NGGD are invoicing in compliance with UNC in legacy UK Link.
- It had been hoped that separate invoicing would be able to continue at PNID, unfortunately this is not possible. The uncertainty of a solution at PNID led to the implementation of separated invoicing for 1<sup>st</sup> January 2017 until PNID.

### **15. Why change at all and why not continue with UNC Mod0592s?**

- The arrangement introduced by UNC Mod0592s cannot continue after completion of the sale of the majority stake in the NGGD business by National Grid. The transitional arrangements under Mod0592s will lapse on 31<sup>st</sup> December, the notice of this can be found [here](#).

### **16. Where can I find details of the Bank accounts and Companies to whom payments should be made?**

- The bank details of both NGG and NGGD have been provided to Shippers by Xoserve via the Joint Office and can be found [here](#).
- There is no intention to change the bank details at PNID.

### **17. To which company will invoice charges for historical periods be payable?**

- Payment should always be made to the invoice payee. This is because the revenue for Transmission and Distribution through transportation invoicing has historically always been split at a charge type level. Therefore, whether the charges are for usage periods prior to or after the sale completion takes place, the same rule applies:
  - o All Distribution charge types will be payable to NGGD
  - o All Transmission charge types should be payable to NGG
- The invoices issued to Shippers will make it clear as to which company the invoice relates

### **18. Who can I contact regarding any questions on the invoicing arrangements from 1<sup>st</sup> January 2017 or PNID?**

- Dave Turpin, Customer and Contracts Manager, Xoserve: [dave.turpin@xoserve.com](mailto:dave.turpin@xoserve.com) or [networksupport@xoserve.com](mailto:networksupport@xoserve.com)

### **19. What is the effect on Energy Balancing?**

Energy Balancing invoices will continue to be issued in the recognised formats and are unaffected by this change. Payment details are also unaffected with Energy Balancing charges remaining payable to the existing company and bank account.

## **Security, Cash Collection and Payments**

### **20. What happens if I pay the wrong party or make payment against the original invoice?**

- It will remain the responsibility of Shippers to validate the invoice and pay the correct party. Should any error in payment occur, normal cash collection process will be initiated by the party to whom the amount is payable.
- Shippers will receive payment reminders from NGGD for the net amount payable, shortly after the invoice is produced.

### **21. What if I would rather pay the whole invoice amount and receive a credit back rather than net off the Transmission charges issued by NGGD?**

- It is the Shippers' responsibility to pay the balance owed to NGGD following any credit notes being issued, if this is not the case normal processes will apply.

### **22. What if I pay the wrong amount in payment of the NGGD balance?**

- As described above, it remains the Shippers' responsibility to validate the invoice and pay the correct amount to the relevant company. Where any errors occur, normal cash collection processes will apply.

### **23. How is my credit/security affected by the proposed changes?**

- Shippers will be required to put in place separate security/surety for both NGG and NGGD by 1<sup>st</sup> January 2017. There will be no change to credit arrangements at PNID as a result of these changes.

### **24. Who can I contact with questions regarding security or payments?**

- For NGG please direct queries to Dharmesh Patel or Kay Shenstone: [box.otc.securitiesandrisk@nationalgrid.com](mailto:box.otc.securitiesandrisk@nationalgrid.com)
- For NGGD please direct queries to Sabrina Salazar, Senior Credit Controller: [Sabrina.salazar@nationalgrid.com](mailto:Sabrina.salazar@nationalgrid.com)

## **Supply Point Administration (SPA)**

### **25. In the Nexus solution, under which Network ID will NTS sites be categorised?**

- From PNID, sites will continue to be associated to the TGT shortcode. The changes that are being made only affect invoicing arrangements in the way described in the above section.

### **26. Will this affect Transfer of Ownership?**

- Transfer of Ownership is unaffected by these changes

**27. Will any file formats be affected as a result of these changes?**

- All file formats remain unaffected through both change points (1<sup>st</sup> January 2017 and PNID).
- The content of Invoice files will change to reflect of correct payee details in the ways described above.
- All SPA files will be unaffected and the format of all files at PNID will be as described and tested through the UK Link Programme.