

UNC Workgroup Report		At what stage is this document in the process?
<h1>UNC 0606S:</h1> <h2>National Grid Gas plc and National Grid Gas Distribution Limited transitional invoicing arrangement post Project Nexus implementation</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; padding: 2px; display: flex; align-items: center; gap: 5px;">01 Modification</div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; gap: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; gap: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; gap: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>To provide for a transitional arrangement for the invoicing of certain Transportation Charges by National Grid Gas plc and National Grid Gas Distribution Limited following implementation of Project Nexus.</p>		
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> <li>be subject to self-governance procedures</li> <li>proceed to Consultation</li> </ul> <p>The Panel will consider this Workgroup Report on [16 March 2017]. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>None</p>	
	<p>Low Impact:</p> <p>National Grid Gas plc, National Grid Gas Distribution Limited and Shipper Users.</p>	

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<b>Timetable</b>		
<b>Modification timetable:</b>		
Initial consideration by Workgroup	06 January 2017	
Workgroup Report presented to Panel	16 March 2017	
Draft Modification Report issued for consultation	16 March 2017	
Consultation Close-out for representations	06 April 2017	
Final Modification Report available for Panel	07 April 2017	
Modification Panel decision	20 April 2017	
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# 1 Summary

## What

Following the Project Nexus Implementation Date (PNID) on 01 June 2017, it will not be possible for National Grid Gas Distribution Limited (NGGDL) and National Grid Gas plc (NGG) to issue invoices in respect of certain Transportation Charges.

## Why

NGGDL and NGG have been advised by the Transporter Agency, Xoserve that changes to the post Project Nexus UK Link system to permit separate billing of certain Transportation Charges by each of NGG and NGGDL cannot be implemented without giving rise to unacceptable risk to the Project Nexus implementation programme and the PNID.

## How

UNC transitional terms are proposed that would permit a process to be implemented whereby NGGDL can issue certain invoice types which contain Transportation Charges relating to the NTS and NGGDL's Distribution Networks. NGGDL would then issue an ancillary invoice to credit the NTS related Transportation Charges and then NGG would issue its own ancillary invoice in respect of the NTS related Transportation Charges. This would mean Shipper Users would receive, for a limited period, three invoices for certain Transportation Charges relating to the NTS. All other invoice types would be outside the scope of these arrangements and would be invoiced in the normal way.

# 2 Governance

## Justification for Self-Governance

The Modification Panel determined that this modification should follow Self-Governance procedures on the basis that the changes proposed would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Suppliers and no direct impacts on Consumers. This is because existing invoicing functionality would be used thereby involving a limited requirement for change having an impact on Shipper Users. There would be no impact on Transporters or Gas Consumers.

There would also be no discriminatory effect on any UNC party.

## Requested Next Steps

This modification should:

- be subject to self-governance;
- proceed to Consultation.

The Workgroup agreed with the Modification Panels determination on Self-Governance for the reasons set out above. In addition, they consider the business rules and legal text are sufficiently developed to enable the modification to be issued to consultation.

### 3 Why Change?

National Grid's distribution networks were successfully transferred from NGG to NGGDL on 01 October 2016 under a process called 'hive-across'.

Since 01 October 2016 the UNC recognises NGG as the owner and operator of the NTS only, and NGGDL as the owner and operator of the Distribution Networks.

Transportation Charge invoicing rules are set out in the UNC Transportation Principal Document (TPD) Section S. The relevant rules identify the types of invoices and types of charges that can appear on each type of invoice issued by a Transporter.

Xoserve has advised that they are unable to develop and implement fully separated transportation invoicing arrangements in the Project Nexus System ahead of PNID without this adversely affecting and presenting unacceptable risk to the Project Nexus Implementation programme and the PNID. NGGDL and NGG both agree with Xoserve's assessment of the situation.

Consequently, it is necessary to implement transitional arrangements, which are identified in Section 5 of this Modification Proposal. These arrangements are proposed to come into effect on PNID and continue until the Project Nexus System is updated to reflect the separate ownership of the relevant Distribution Networks and the NTS. This will happen in the earliest suitable release of the new UK Link System. This is expected to be determined by the Data Services Contract (DSC) Change Management Committee to be established under the proposed Xoserve Funding, Governance and Ownership arrangements (FGO) and to which UNC Modification 0565/A/B refers.

If this Modification is not made it would not be possible for NGG and NGGDL to issue separate Transportation Charge invoices for certain invoice types through the Project Nexus System with effect from PNID.

### 4 Code Specific Matters

#### Reference Documents

No reference documents are necessary or relevant.

#### Knowledge/Skills

No specific knowledge or skills are necessary to assess this Modification.

### 5 Solution

Modification of the UNC Transition Document (TD) with respect to Transportation Principal Document (TPD) Section S is required as follows:

#### Invoice 1

NGGDL will be permitted to issue certain Invoice Types which include Transportation Charges relating to the NTS and NGGDL's Distribution Networks.

- Relevant Transportation Charge Invoices will be issued to Shipper Users in the name of NGGDL. The relevant invoice types are:
  - LDZ Commodity (Exit/CSEPS/Unique Sites)

- Amendments (Transportation/Energy)

### Invoice 2

NGGDL will issue an Ancillary Invoice which reverses the NTS Transportation Charges included in Invoice 1.

### Invoice 3

NGG will issue an Ancillary Invoice which includes the NTS Transportation Charges included in Invoice 1.

- Shipper Users will pay to NGGDL the net amount under Invoices 1 and 2.
- Shipper Users will pay to NGG the amount under Invoice 3.
- Invoices 1, 2 and 3 will be submitted to the User on the same date, and have the same invoice due date.
- The transitional arrangements are required to be in place from PNID until the earliest suitable release of the updated Project Nexus System, to be determined by the DSC Change Management Committee.

**Please note** that Shipper Transportation Credit positions are maintained whole because of this routine and no action would be required by Shipper Users.

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There is no impact on the Switching Significant Code Review, or on any other 'in-flight' industry programme including Project Nexus.

### Consumer Impacts

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>• None</li> </ul>
What costs or benefits will pass through to them?	<ul style="list-style-type: none"> <li>• There are no direct consumers impacts identified as this Modification is solely associated with the format of Transportation invoices issued to Shipper Users.</li> </ul>
When will these costs/benefits impact upon consumers?	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
Are there any other Consumer Impacts?	<ul style="list-style-type: none"> <li>• None identified.</li> </ul>
<b>General Market Assumptions as at December 2016 (to underpin the Costs analysis)</b>	
<i>Number of Domestic consumers</i>	<i>21 million</i>

<i>Number of non-domestic consumers &lt;73,200 kWh/annum</i>	<i>500,000</i>
<i>Number of consumers between 73,200 and 732,000 kWh/annum</i>	<i>250,000</i>
<i>Number of very large consumers &gt;732,000 kWh/annum</i>	<i>26,000</i>

## Cross Code Impacts

No other industry codes are affected.

## EU Code Impacts

There is no impact on any EU Code.

## Central Systems Impacts

There is no impact on any central systems.

## Workgroup Impact Assessment

The Workgroup notes and agrees that the transitional arrangements proposed in this modification aim to avoid a risk to the implementation of Project Nexus systems should there be a need to develop and implement fully separated transportation invoicing arrangements in the Project Nexus System in time for PNID.

Some participants were concerned that the proposals in this modification were unwinding transitional arrangement implemented by “Modification 0592S - Separation of National Grid Transmission and Distribution owned networks - Transitional invoicing arrangements” and replacing them with different set of transitional arrangements. This would then require further changes to implement enduring invoicing arrangements once Project Nexus systems were established. The need for multiple changes is inefficient and some Shipper Users may incur administration/system costs to implement multiple changes without enjoying any benefits for such changes.

Some participants felt the changes proposed were limited in nature and would not create any material impacts on their invoicing process to make the changes proposed.

Consideration of alternative ways of achieve the solution without Shipper User involvement:

<b>User Pays</b>	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable
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## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) 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.	None
c) Efficient discharge of the licensee's obligations.	None
d) 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.	None
e) 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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Impacted
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Some participants consider this Modification facilitates GT Licence relevant objective f) *Promotion of efficiency in the implementation and administration of the Code* by providing absolute clarity in the UNC regarding the way NGG and NGGDL will issue Transportation Invoices to Shipper Users in the period following PNID. Because of the limitations on changes to the new UK Link system in the time ahead of PNID, the UNC needs to be amended to ensure that it reflects the reality of the processes in operation at any time. Introducing the transitional terms described in this modification ensures that the Code is accurate.

Some participants note that this modification is required to mitigate potential risks to Project Nexus implementation. However, the need for multiple changes to invoicing arrangements is inefficient and therefore this modification impacts relevant objective f) Promotion of efficiency in the implementation and

administration of the Code.

## 8 Implementation

This Modification should be implemented on the PNID. The Panel is asked to note that it is impractical to identify two alternate dates as required by the Modification Rules because of this external dependency.

## 9 Legal Text

Legal Text has been provided by National Grid Gas Distribution Limited and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

#### LEGAL DRAFTING - EXPLANATORY TABLE

TRANSITION DOCUMENT – NEW PART IIG – TRANSITIONAL INVOICING		
Reference	Topic	Explanation
1.1	General	Explains that the transitional rules relate to the invoicing of certain Transportation Charges in relation to relevant Billing Periods (as defined).
1.2	Definitions	Identifies the relevant Transporter as National Grid Gas Distribution Limited (NGGD) (as owner/operator of the relevant Systems) and relevant Billing Periods as those commencing on and after the Project Nexus Implementation Date and ending before the date specified in the joint notice to be issued by NGGD and National Grid NTS (NTS).  Distribution Items and Transmission Items are respectively Transportation Charges payable to/by NGGD and to/by NTS.
2.1	Invoice Items	Allows: <ul style="list-style-type: none"> <li>• NGGD to invoice Transmission Items, whether or not in an invoice which includes Distribution Items (a relevant Invoice Document);</li> <li>• NGGD and NTS to issue an Ancillary Invoice which contains charges which in the normal course can only be invoiced under a different Invoice Type and not under an Ancillary Invoice.</li> </ul> Provides that where NGGD issues a relevant Invoice Document which includes Transmission Items: <ul style="list-style-type: none"> <li>• NGGD will at the same time issue an Ancillary Invoice which includes a credit for each of the relevant Transmission Items;</li> </ul>

		<ul style="list-style-type: none"> <li>• NTS will at the same time issue an Ancillary Invoice which includes each of the same relevant Transmission Items;</li> </ul>
2.2	Amounts payable	Makes clear the User only has to pay NGGD the net amount, i.e. the amount under the relevant Invoice Document less the credit amount under the NGGD Ancillary Invoice containing a credit for relevant Transmission Items, and therefore equal to the amount of the relevant Distribution Items under the relevant Invoice Document.
2.3	Supporting information	Makes clear supporting information as required by TPD Section S1.3.4 will accompany each relevant Invoice Document, and therefore NTS is not required to re-issue the same information when submitting its Ancillary Invoice.
2.4	Other Ancillary Invoices	Makes clear Ancillary Invoices issued for the purposes of Part IIG will not include items which in the normal course are invoiced under an Ancillary Invoice.
2.5	Timing	The Ancillary Invoices to be issued by NGGD and NTS will be issued at the same time as the relevant Invoice Document. So the rule about there being no specific timing for Ancillary Invoices is dis-applied.
2.6	Set off Notice	Confirms that NGGD and NTS can issue a Set off Notice in the normal course event the User fails to pay.
3.1	Invoice Queries	Where a User wishes to query a Transmission Item included in a relevant Invoice Document the User must submit the query to NTS and not NGGD; so the query is in relation to the item included in the Ancillary Invoice submitted by NTS.
4.1	Confidentiality	<p>Include so that:</p> <ul style="list-style-type: none"> <li>• NTS acknowledges that in order to submit a relevant Invoice Document NTS must disclose Protected Information in relation to the user to NGGD;</li> <li>• User's acknowledge that such disclosure is permitted, as it falls within one of the permitted exceptions (in TPD Section V5.5.3) to the rule restricting the disclosure of Protected Information.</li> </ul>
5.1	Value at Risk	Makes clear than when calculating a User's Value at Risk in relation to NGGD on any day during a relevant Billing period account is taken of the Ancillary Invoices issued by NGGD which credit those Transmission Items included in relevant Invoice Documents.

## Text

### UNIFORM NETWORK CODE TRANSITION DOCUMENT

Add a new Transition Document section to the General binder, to read as follows:

#### PART IIG – TRANSITIONAL INVOICING

##### 1 General

- 1.1 This Part IIG sets out transitional rules in respect of TPD Section S in relation to the invoicing of certain Transportation Charges by the relevant Transporter and National Grid NTS which apply in respect of relevant Billing Periods.
- 1.2 For the purposes of this Part IIG:
- (a) **“Distribution Item”** is an Invoice Item which represents a Transportation Charge payable by a User to the relevant Transporter or payable by the relevant Transporter to a User;
  - (b) **“relevant Billing Periods”** means Billing Periods;
    - (i) from and including the Billing Period which starts on the Project Nexus Implementation Date; and
    - (ii) up to and including any Billing Period which ends before the date specified in the joint notice given by the relevant Transporter and National Grid NTS to Users (which date shall be not less than thirty (30) Business Days following the giving of such notice);
  - (c) **“relevant Transporter”** means the DN Operator which is the owner or operator of the Systems comprising the North West, West Midlands, East Midlands, East Anglia and North Thames LDZs;
  - (d) **“Transmission Item”** is an Invoice Item which represents a Transportation Charge payable by a User to National Grid NTS or payable by National Grid NTS to a User.

##### 2 Ancillary Invoices

- 2.1 In respect of relevant Billing Periods:
- (a) the relevant Transporter may submit an Invoice Document to a User which contains:
    - (i) Transmission Items and Distribution Items;
    - (ii) Transmission Items only;

**“relevant Invoice Document”**) notwithstanding that such Transmission Items represent amounts payable in respect of the User's use of a System owned and operated by National Grid NTS;
  - (b) the relevant Transporter and National Grid NTS may submit an Ancillary Invoice which includes Invoice Items comprised in the following Invoice Types:
    - (i) Commodity Invoice
    - (ii) LDZ Capacity Invoice;
    - (iii) Balancing Invoice;

- (iv) Amendment Invoice;
- (c) where the relevant Transporter submits a relevant Invoice Document to a User:
  - (i) the relevant Transporter shall submit to the User an Ancillary Invoice which contains, in respect of each Transmission Item contained in the relevant Invoice Document:
    - (aa1) where the Transmission Item is payable by the User to the relevant Transporter, a corresponding Invoice Item which is payable by the relevant Transporter to the User for the same Invoice Amount as is payable in respect of such Transmission Item;
    - (bb2) where the Transmission Item is payable by the relevant Transporter to the User, a corresponding Invoice Item which is payable by the User to the relevant Transporter for the same Invoice Amount as is payable in respect of such Transmission Item;
  - (“Ancillary D Invoice”);
  - (ii) National Grid NTS shall submit to the User an Ancillary Invoice which contains the same Transmission Items contained in the relevant Invoice Document submitted by the relevant Transporter (“Ancillary T Invoice”);
- (d) the relevant Transporter shall ensure an Ancillary D Invoice, and National Grid NTS shall ensure an Ancillary T Invoice, is submitted to the User on the same date as the relevant Invoice Document (being on such date as the relevant Invoice Document is to be submitted to the User pursuant to TPD Section S1.4) such that the Invoice Due Date of the Ancillary D Invoice and Ancillary T Invoice is the same as the Invoice Due Date of the relevant Invoice Document.

2.2 Where the relevant Transporter submits a relevant Invoice Document and an Ancillary D Invoice to a User the User shall only be required to pay the Invoice Amounts under the relevant Invoice Document which comprise Distribution Items on or before the Invoice Due Date.

2.3 Each relevant Invoice Document shall be accompanied by such supporting data as is specified under TPD Section S1.3.4; provided National Grid NTS shall not be required to provide the same supporting data (in relation to relevant Transmission Items) when submitting an Ancillary T Invoice.

2.4 Ancillary Invoices submitted pursuant to this Part IIG shall not contain any amount referred to in TPD Section S2.4.3, 2.4.4, 2.4.5 or 2.4.6.

2.5 TPD Section S2.5.2 shall not apply to any Ancillary Invoice submitted pursuant to this Part IIG.

2.6 For the avoidance of doubt, nothing in this Part IIG shall prevent the relevant Transporter (in respect of a relevant Invoice Document) or National Grid NTS (in relation to an Ancillary T Invoice) from issuing a Set off Notice pursuant to TPD Section S3.8.

### 3 Invoice Queries

3.1 Where a User wishes to raise an Invoice Query in respect of a Transmission Item shown as payable under a relevant Invoice Document the User shall, for the purposes of TPD Section S4.2.1, raise such Invoice Query with National Grid NTS in respect of the corresponding Transmission Item shown as payable under the relevant Ancillary T Invoice.

### 4 Confidentiality

4.1 For the purposes of this Part IIG, and in respect of a relevant Invoice Document:

- (a) National Grid NTS acknowledges the submission of a relevant Invoice Document involves the disclosure by National Grid NTS to the relevant Transporter of Protected Information in respect of the User to which the relevant Invoice Document is to be submitted (“**relevant User**”);
- (b) each relevant User acknowledges TPD Section V5.1 shall not apply to such disclosure by reason of the User having given its consent to the disclosure pursuant to TPD Section V5.5.3(g).

## 5 Value at Risk

- 5.1 For the avoidance of doubt, and for the purposes of determining a User's Value at Risk in relation to the relevant Transporter on any Day in a relevant Billing Period, the aggregate amount invoiced to a User shall be calculated net of all amounts invoiced under an Ancillary D Invoice.

# 10 Recommendations

## Workgroup’s Recommendation to Panel

The Workgroup asks Panel to agree that:

- This self-governance modification should proceed to consultation