

0529:

Implementation of Retrospective Adjustment arrangements (Project Nexus transitional modification)

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This modification identifies requirements relating to Retrospective Adjustment to enable an orderly and efficient transition from current UNC arrangements to the UNC regime identified within UNC Modification 0434 - Project Nexus – Retrospective Adjustment









The Proposer recommends that this modification should be:

- assessed by a Workgroup



High Impact: Large Transporters and Shipper Users

Contents		 Any questions?
1 Summary	3	Contact: Code Administrator
2 Why Change?	4	 enquiries@gasgovernance.co.uk
3 Solution	5	 0121 288 2107
4 Relevant Objectives	6	Proposer: Chris Warner
5 Implementation	6	 chris.warner@nationalgrid.com
6 Impacts	6	 07778 150668
7 Legal Text	7	Transporter: National Grid Distribution
8 Recommendation	7	Systems Provider: Xoserve
About this document:		 commercial.enquiries@xoserve.com
This modification will be presented by the proposer to the panel on 19 February 2015.		
The panel will consider the proposer's recommendation and agree whether this modification should be:		
<ul style="list-style-type: none"> referred to a workgroup for assessment. 		
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	10 March 2015	
Amended Modification considered by Workgroup	n/a	
Workgroup Report presented to Panel	18 June 2015	
Draft Modification Report issued for consultation	18 June 2015	
Consultation Close-out for representations	09 July 2015	
Final Modification Report published for Panel	10 July 2015	
UNC Modification Panel decision	16 July 2015	

1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this modification is expected to have a material impact on existing gas consumers.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested for the reasons described above.

Why Change?

UNC Modification 0434 'Project Nexus – Retrospective Adjustment' will be implemented on 01 October 2015. There are presently no terms by which Shipper Users can request adjustment to relevant reconciliation invoices for adjustment periods prior to the Project Nexus Implementation Date. The consequences of this are that there could be an adverse financial impact of Shipper Users and ultimately to consumers through inaccurate cost targeting in the period immediately following implementation of Project Nexus.

Solution

Modification of the UNC is required to identify the terms under which Shipper Users may request retrospective adjustments to relevant invoices in accordance with the framework to be implemented under UNC Modification 0434. The Business Rules for this are set out in Section 3. There are no implementation costs.

Relevant Objectives

This modification would enable maximum flexibility for Shipper Users in respect of arrangements concerned with reconciliation invoice adjustments under the proposed 'Project Nexus' regime and due for implementation on 01 October 2015.

The resultant improvement to accuracy of invoicing would lead to improved cost targeting and consequently can be expected to better facilitate Relevant Objective d) Securing of effective competition between Shippers.

Implementation

No implementation timescales are proposed. However, this modification could be implemented immediately upon direction and it would be desirable if this modification were implemented by 02 July 2015 to add certainty to the transition process.

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

This modification impacts the industry programme for replacement of UK-Link systems. This is because the requirements contained within this modification govern how Retrospective Adjustments are treated during the implementation period (see Section 6 of this Proposal).

It is essential to the success of the UK Link Replacement Programme.

2 Why Change?

UNC Modification 0434 'Project Nexus – Retrospective Adjustment' has been approved by Ofgem and is planned for implementation on 01st October 2015. Closely associated with this are implementation of the relevant systems and process changes by the Transporter Agency Xoserve within the remit of the 'UK-Link Replacement' programme.

UNC Modification 0434 identifies the enduring arrangements concerned with reform of reconciliation invoice adjustments. However, at all stages of development of the regime, it was recognised by the industry that 'transition' arrangements under the UNC would be required. In this case terms are required to enable Shipper Users to request adjustment of relevant reconciliation invoices following implementation of Project Nexus on 01 October 2015 with respect to adjustment periods prior to Project Nexus Implementation. Without this there could be an adverse financial impact of Shipper Users and ultimately to consumers through inaccurate cost targeting in the period immediately following implementation of Project Nexus.

Note: this modification is one of a suite of 3 'complementary' proposals, the others being associated with Supply Point Administration, gas settlement & reconciliation and Annual Quantity (AQ).

3 Solution

Modification of the UNC is required to facilitate the retrospective adjustment of relevant invoices (under the rules specified within UNC Modification 0434) for periods prior to the Project Nexus Implementation Date.

Transitional terms are required as follows:

- A Shipper User is able to request the retrospective update of a relevant reconciliation invoice in accordance with the terms under UNC Modification 0434 for an adjustment period prior to the Project Nexus Implementation Date
- Where appropriate the relevant invoice adjustment would be processed as follows:
 - For Larger Supply Points (LSPs) subject to validation of the request there would be a financial adjustment.
 - For Smaller Supply Points (SSPs) there would be no financial adjustment made with respect of any period prior to the Project Nexus Implementation Date
- No invoice adjustments will be processed for any period prior to the Code Cut Off Date
- If the retrospective update request applies to a period prior to the Code Cut Off date, the amendment date must be set to the Code Cut Off Date.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, 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

4 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.	Positive
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.	None
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

This modification would enable maximum flexibility for Shipper Users in respect of arrangements concerned with reconciliation invoice adjustments under the proposed 'Project Nexus' regime and due for implementation on 01 October 2015.

The resultant improvement to accuracy of invoicing would lead to improved cost targeting and consequently can be expected to better facilitate Relevant Objective d) Securing of effective competition between Shippers.

5 Implementation

No implementation timescales are proposed. However, this modification could be implemented immediately upon direction and it would be desirable if this modification were implemented by 02 July 2015 to add certainty to the transition process.

6 Impacts

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

This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). The rationale for this is explained below.

Pre Project Nexus Implementation

The changes will affect the UK Link Replacement programme prior to implementation. This is because it is necessary to determine for the purposes of systems build how Retrospective Adjustments are to be addressed.

Project Nexus Implementation

As above.

Post Project Nexus Implementation

This modification contains transitional terms and the obligations which will expire over time.

7 Legal Text

Text

Suggested Legal Text is set out below

**NEXUS TRANSITIONAL - INDICATIVE LEGAL TEXT
UNIFORM NETWORK CODE - TRANSITION DOCUMENT
PART IIE - NEXUS TRANSITION
RETROSPECTIVE ADJUSTMENTS (MODIFICATION 0434)**

Notes:

This indicative legal text is for the transitional retrospective adjustments modification.

This is preliminary and indicative text, prepared to illustrate the modification, and is subject to amendment and additional text being added.

Delete text at TPD Section E6.9 and TD Part IIC paragraph 1.1A, and insert the following text as paragraph 5.6 in TD Part IIE (as introduced by the Nexus Core Transitional Modification):

5.6 Retrospective Adjustment

5.6.1 The New Rules (as to Retrospective Data Updates and Updated Meter Readings) are effective on and after the Implementation Date, subject to the further provisions of this paragraph 5.6.

5.6.2 In the event a User submits:

- (a) a Retrospective Data Update Notification and the Update Effective Date;
- (b) an Updated Meter Reading for which the Read Date,

is earlier than the Implementation Date, then for the purposes of TPD Section M6.7.4 and M6.8.3 paragraph 5.6.3 shall apply.

5.6.3 Where this paragraph applies:

- (a) in relation to a System Exit Point which was Individually-Reconciled:
 - (i) for each Affected Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Values shall be carried out by reference to the Updated Data or Updated Meter Read in accordance with the New Rules and on the basis referred to in paragraph 3.2.4(a);
 - (ii) where an Affected Offtake Reconciliation is a Transitional Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Quantity and the Reconciliation Clearing Value shall be carried out for the First Period and the Second Period on the basis referred to in paragraph 3.2.4(b) for the purposes of Unidentified Gas Reconciliation (under the New Rules) and Aggregate NDM Reconciliation (under the Old Rules);
- (b) in relation to a System Exit Point which was not Individually-Reconciled:
 - (i) no determination (or re-determination) of the Reconciliation Values shall be carried out in relation to an Affected Offtake Reconciliation in respect of which the Reconciliation Metered Period ended prior to the Implementation Date;
 - (ii) in respect of an Affected Offtake Reconciliation which is a Transitional Offtake Reconciliation the determination (or re-determination) of Reconciliation Values shall be carried out in accordance with the New Rules by reference to the Updated Data or Updated Meter read for the Second Period only and on the basis referred to in paragraph 3.2.5.

5.6.4 Where a Previous Registered User submits a request to the Transporter under TPD Section M6.7.5(b) in relation to an Affected Offtake Reconciliation to which paragraph 5.6.3 applies, the replacement of Reconciliation Values in relation to the part of the Reconciliation Meter Period(s) in respect of which such User was the Registered User of the [System Exit Point] shall also be in accordance with paragraph 5.6.3.

Text Commentary will be provided at an appropriate point during assessment at Workgroup.

8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup assessment.