



Modification	At what stage is this document in the process?
<h1>0592S:</h1> <h2>Separation of National Grid Transmission and Distribution owned networks – Transitional invoicing arrangements</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>It is necessary to provide contingency Transportation Charge invoicing arrangements for a transitional period following the ‘hive across’ of National Grid’s Distribution networks, to be utilised in the event that systems changes are not made in time.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> Issued to consultation.
	<p>Low Impact: National Grid (Transmission and Distribution) and Shipper Users</p>

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Any questions?

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	28 July 2016
Amended Modification considered by Workgroup	04 August 2016
Workgroup Report presented to Panel	18 August 2016
Draft Modification Report issued for consultation	18 August 2016
Consultation Close-out for representations	09 September 2016
Final Modification Report available for Panel	12 September 2016
Modification Panel decision	15 September 2016

1 Summary

What

Modification of the UNC is required to enable National Grid Gas plc (NGG) to issue Transportation Charge invoices to Shipper Users which include Transportation Charges which relate to National Grid Gas Distribution Limited (NGGD) for an interim period following the transfer by NGG of its Gas Distribution business to NGGD on 1st October 2016 (the expected 'hive-across' date).

Why

There is a risk that the necessary system changes in UK Link to allow separate billing of Transportation Charges by each of NGG and NGGD may not be in place in sufficient time.

Currently the UNC provides that the relevant Transporter will issue Transportation Charge invoices (through the Transporter Agency, Xoserve) to a Shipper User for Transportation Charges relating to the Shipper User's use of the Transporter's network(s). It does not envisage a Transporter including in an invoice a Transportation Charge that relates to use by a Shipper User of a network(s) operated by a Transporter under different ownership.

How

Transitional terms will be added to allow NGG to submit Transportation Charge invoices to Shipper Users in the period post 'hive across' which includes Transportation Charges that relate to both the National Transmission System (NTS) and the NGGD networks.

2 Governance

Justification for Self-Governance

Self-governance procedures are proposed on the basis that the necessary changes will have no material impact on Shipper Users, Gas Transporters or Gas Customers. This is because the change would enable the current invoicing arrangements to continue until such time as systems changes are made.

It would also have no discriminatory effect on any UNC party.

Requested Next Steps

This modification should:

- be subject to self-governance
- be assessed by a Workgroup (both Distribution and Transmission for completeness and transparency)

3 Why Change?

NGG currently owns and operates the NTS and 4 distribution networks; North West, West Midlands, East of England and London. In preparation for a potential sale of a majority share, National Grid's distribution networks are to be transferred from NGG to NGGD at the 'hive across' date, currently expected to be 01 October 2016.

The UNC currently recognises NGG as owner and operator of the NTS and as a Distribution Network Operator (DNO), it therefore recognises NGG as a single party to the UNC with a single network code. Accordingly, NGG issues Transportation Charge invoices relating to both use of the NTS and the Gas Distribution Networks by a Shipper User.

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.

Currently Transportation Charge invoices for both NGG Transmission and Distribution are raised by the Transporter Agency, Xoserve, on behalf of NGG and made payable to NGG as the owner of both the NTS and the Gas Distribution Networks. As part of the 'hive across' process it is necessary to separate these invoices out so that Gas Distribution Transportation Charge invoices are issued by, and made payable to, NGGD. The 'hive across' and legal separation of the NTS and the distribution networks requires systems and process development work in UK Link to be undertaken by the Transporter Agency, Xoserve. Xoserve has advised that detailed analysis is in progress albeit this has not reached a conclusion as to the achievability of systems change by the 'hive across' date.

It is therefore necessary to develop a transitional contingency arrangement which is expected to apply for a period of approximately 2 to 4 months commencing from the 'hive across date'. This is to allow NGG to continue to issue invoices to Shipper Users which include Transportation Charges relating to NTS and NGGD distribution network related services. In any event this arrangement will cease when National Grid completes the sale of a majority stake in NGGD. NGG and NGGD will then implement internal measures (outside of UNC) to re-allocate charges and income together with appropriate treatment of VAT, etc. A period of not less than 20 Business Days' notice, ending on the last Day of the calendar month will be provided with regard to the cessation of these arrangements.

Shipper Users will also continue to issue any security documentation required pursuant to UNC TPD Section v3 of both the NGG Network Code and the NGGD Network Code in the name of NGG during this transitional period. NGG and NGGD will put in place arrangements between themselves to allow the benefit of the security (to the extent it relates to Gas Distribution Transportation Charges) to be held by NGGD during the transitional period.

If this Modification is not made and alternative arrangements cannot be established in time it would not be possible for NGG to issue Transportation Charge invoices for NGGD post 'hive across'. It should also be noted that implementation of UNC Modification 0582S remains necessary to facilitate 'hive across'.

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 is required as follows:

- to allow NGG to issue Transportation Charge invoices in respect of NGGD's networks for an interim period and for NGGD to appoint NGG as its trustee and paying agent and holder of security for the purposes of those Transportation Charges invoiced by NGG and which relate to the NGGD owned distribution networks;
- to establish the period during which the transitional invoicing arrangements will apply;
- to make some consequential transitional rules in relation to TPD Section S; and
- to make some consequential transitional rules in relation to TPD Section V.

Note: the legal text provided for this Modification is contingent upon implementation of UNC Modification 0582S.

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 project.

Consumer Impacts

There is no impact on consumers on the basis that the Modification is solely associated with the format of Transportation invoices issues to Shipper Users.

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 on the basis that the Modification is concerned with maintaining the present transportation invoicing file formats.

User Pays

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.	Positive
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 facilitates GT Licence relevant objective f) by providing absolute clarity in the UNC regarding the manner in which National Grid Gas will issue Transportation Invoices to Shipper Users in the transitional period.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen Business Days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text Commentary

[See separate table]

Text

Proposed legal text

TRANSITION DOCUMENT, PART IIA - GENERAL

Add new paragraph 5 to read as follows:

5 Code Credit Limits

- 5.1 In respect of TPD Section V3 in the period up to (and including) the relevant date (as referred to in paragraph 5.3 of Part IIB) for the purposes of National Grid's Network Code a reference to the Transporter shall be construed as reference to National Grid and the New Transporter (as if a single Transporter).

TRANSITION DOCUMENT, PART IIB – NEW TRANSPORTER

Delete all text at paragraph 5 and insert new text to read as follows:

- 5.1 For the avoidance of doubt, and subject to the further provisions of this paragraph 5, in accordance with paragraph 1.1, amounts relating to a Relevant System and payable by way of a Transportation Charge, other than Invoiced Transportation Charges, shall be payable by or to the New Transporter pursuant to the New Transporter's Network Code, including where such amounts accrue in respect of any period on or before the Last Day.
- 5.2 The further provisions of this paragraph 5 shall apply in the period from the DN Hive Down Implementation Date to the relevant date.
- 5.3 For the purposes of this paragraph 5 the "**relevant date**" is the earlier of:
- (a) the date specified in a notice given by National Grid to Users, provided such date is:
 - (i) the last day of a calendar month; and
 - (ii) not less than twenty (20) Business Days following the date of National Grid's notice;
 - (b) the date the New Transporter ceases to be an Affiliate of National Grid, and National Grid shall give Users not less than twenty (20) Business Days' notice of such date.
- 5.4 The New Transporter appoints National Grid as its agent and trustee for the purposes of National Grid submitting Invoice Documents containing Transportation Charges to Users in accordance with paragraph 5.5.

- 5.5 Until the relevant date National Grid may submit to each User an Invoice Document which contains:
- (a) an Invoice Item in respect of which the Invoice Amount represents a Transportation Charge payable by Users to National Grid and by National Grid to Users and an Invoice Item ("**relevant Invoice Item**") in respect of which the Invoice Amount represents a Transportation Charge which is payable by Users to the New Transporter or by the New Transporter to Users; or
 - (b) an Invoice Document which contains only a relevant Invoice Item,
(each such Invoice Document a "**relevant Invoice Document**").
- 5.6 Where National Grid submits a relevant Invoice Document:
- (a) in respect of each relevant Invoice Item the User acknowledges National Grid is submitting the relevant Invoice Document in its capacity as agent and trustee for and on behalf of the New Transporter;
 - (b) for Invoice Amounts in respect of relevant Invoice Items which are payable to National Grid, National Grid and Users agree the Invoice Amount shall represent a debt owed by the User to the New Transporter (and not to National Grid);
 - (c) for Invoice Amounts in respect of relevant Invoice Items which are payable to the User, the New Transporter and National Grid agree the Invoice Amount shall represent a debt owed by the New Transporter to the User (and not by National Grid);
 - (d) the User, the New Transporter and National Grid agree the Invoice Amount in respect of an Invoice Item which is not a relevant Invoice Item shall represent a debt owed by the User to National Grid or (as the case may be) National Grid to the User.
- 5.7 For the purposes of:
- (a) paragraph 5.6(b), the New Transporter agrees payment by the User to National Grid of the Invoice Amount in respect of relevant Invoice Item shall constitute discharge of the debt owed by the User to the New Transporter;
 - (b) paragraph 5.6(c), the User agrees payment by National Grid to the User of the Invoice Amount in respect of relevant Invoice Item shall constitute discharge of the debt owed by the New Transporter to the User.
- 5.8 Where any Invoice Amount in respect of a relevant Invoice Item is not paid on or before the Invoice Due Date:
- (a) National Grid shall be entitled to inform the New Transporter of the late payment (and the Invoice Amounts which are unpaid); and
 - (b) nothing in this paragraph 5 shall prejudice the right of the New Transporter to:
 - (i) take any of steps referred to in TPD Section S3.5.3;
 - (ii) give a Termination Notice in accordance with TPD Section V4.3.
- 5.9 Accordingly, for the purposes of TPD Section S:
- (a) the New Transporter shall not be required to submit to each User an Invoice Document for a Billing Period for Invoice Items which are contained in a relevant Invoice Document;

- (b) the New Transporter shall not, for so long as the further provisions of this paragraph 5 apply, submit an Invoice Document to a User which contains a relevant Invoice Item;
- (c) where a User has an Invoice Query in respect of a relevant Invoice Item the User shall notify the New Transporter and not National Grid; and
- (d) National Grid will provide Users with a statement of account in respect of each relevant Invoice Document.

5.10 For the avoidance of doubt:

- (a) for the purposes of the application of TPD Section S, and subject to the provisions of this paragraph 5, a relevant Invoice Document is an Invoice Document, and accordingly the provisions of TPD Section S regarding the submission of Invoice Documents and the payment of Invoice Amounts shall equally apply to the submission of relevant Invoice Documents and the payment of Invoice Amounts in relevant Invoice Documents;
- (b) an Invoice Document shall not be invalid by reason of it containing a relevant Invoice Item;
- (c) no deduction or withholding shall be made on payment of an Invoice Document by reason of it being a relevant Invoice Document; and
- (d) National Grid may submit a relevant Invoice Document to a User in the event the New Transporter submits a Termination Notice in accordance with TPD Section V4.3.

Add new paragraph 12.2 and 12.3 to read as follows:

12.2 In respect of TPD Section V3 in the period up to (and including) the relevant date for the purposes of the New Transporter's Network Code a User's Code Credit Limit will be zero.

12.3 For the purposes of determining the Value at Risk under the New Transporter's Network Code with effect from the day following the relevant date, a reference in TPD Section V3.2.1(d) to an amount invoiced to a User shall mean an amount invoiced by National Grid in accordance with this paragraph 5 as agent and trustee for the New Transporter.

10 Recommendations

Proposer's Recommendation to Workgroup

Workgroup is asked to:

- Agree that this modification should be issued to consultation.