

## Gazprom Energy Representation

### Draft Modification Report

#### **0395 - Limitation on Retrospective Invoicing and Invoice Correction (2-3 years) and 0398 Limitation on Retrospective Invoicing and Invoice Correction (3-4 years)**

**Consultation close out date:** 9<sup>th</sup> January 2012

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** Gazprom Marketing & Trading Retail (GMTR)

**Representative:** Steve Mulinganie  
Regulation & Compliance Manager

**Date of Representation:** 9<sup>th</sup> January 2012

**Do you support or oppose implementation? NOT IN SUPPORT**

**Please summarise (in one paragraph) the key reason(s) for your support/opposition.**

Gazprom does not support the proposals in UNC Modifications 0395 & 0398 as further reducing the current reconciliation period greatly increases the length of time where any customer billing correction going back to the statute of limitation limit (six years in the Limitations Act 1980) could not be reflected in settlement, from a period 1-2 years to a period of 2-3 years (Modification 0398) or 3-4 years (Modification 0395). Shippers are unable to back off this risk through their contracts by law i.e. set aside the statute of limitations and so it increases substantially the risk of suppliers to larger I&C customers of being subject to large individual site charges through bill corrections that cannot be mitigated in settlement.

In these circumstances the exposed Shipper is paying for gas that should correctly have been allocated via RbD to the SSP sector, both of these modifications effectively transfer risk from the SSP sector the large LSP NDM and DM sectors.

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**Are there any new or additional issues that you believe should be recorded in the Modification Report?**

The modification report has not reflected the significant risk this modification presents to competition in the larger end of the I&C sector

**Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

Unlike domestic and micro-business customers, larger I&C customers routinely investigate and query their energy bills with their supplier. It is therefore reasonably common for billing anomalies to be identified where both the shipper and network have erroneously overcharged for consumption. Many of these errors relate to the quality of metering information in the market which is provided by independent third party Meter Asset Managers.

At present these errors can be corrected up to 4-5 years. As the customer is supported by The Statute of Limitations Act 1980, the supplier is already required to reconcile customer billing back to a six year cut-off date.

This proposed situation therefore leaves the supplier having been allocated gas incorrectly and so leaves the shipper paying for gas its customer never used. As this gas should by rights have been allocated to the SSP sector, it effectively creates a cross subsidy between the two markets.

Removing the ability to correctly reconcile energy will expose Shippers to unreasonable risks which arise from the potential high value of individual site corrections. This will lead to significantly higher risk premiums being built into prices as well as an increase in unrecoverable costs being socialised.

**Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

If either modification is implemented, we anticipate that the workload for Xoserve will be substantially increased as a large number of reconciliations that would have otherwise been submitted gradually over a period of time will instead be submitted ahead of any reduction in the reconciliation timescale.

The implementation date for 0395 (01 October 2012) will therefore be difficult for the industry to meet. The 0398 implementation date (1 April 2012), being a month after the decision date is not feasible and will result in significant administrative costs to both the Transporter's Agent and Shippers.

Furthermore, a phased implementation of 0398, followed by 0395, as has been suggested is impractical. If either of these modifications is implemented, Shippers, particularly those who supply larger I&C sites, will need to undertake a review of their business activities in this sector in order to evaluate the risks to their businesses.

They will also have to undertake substantial system changes to align their processes with the new cutoff deadline. Having to do this twice in quick succession will place significant additional costs onto the industry, and ultimately the customer.

**Legal Text:**

*Are you satisfied that the suggested legal text will deliver the intent of the modification?*

We have not reviewed the legal text.

**Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No