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9th January, 201

Your Reference: UNC Modification Proposal 0398.

Re: UNC Modification Proposals

0398: Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution).

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) would like to support.

Do you support or oppose implementation?

Support

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

In National Grid Gas Distribution's (NGD) opinion, implementation of this Modification Proposal is consistent with the objectives of promoting competition and efficiency in the implementation and administration of the Code. NGD is aware that in adopting a shortened close out period that there is a risk of increasing the potential for the socialisation of some costs which would arise where reconciliation is prevented. This reconciliation may or may not differ significantly from the original allocation. This risk can be mitigated to some extent by the submission of timely and accurate meter reads. Useful information has been provided in the Draft Modification Report relating to the amount of allocated energy which remains unreconciled over time. This does not appear to show a significant difference when comparing 3-4 years with the existing 4-5 years cut off. In addition to the unreconciled energy it is also necessary to consider User Suppressed Reconciliation Values (USRVs). Since the introduction of 0152V the USRV regime has been modified allowing Transporter intervention with effect from the 30th USRV month. This has been successful although NGD believes that it would be necessary to further review this regime should this Proposal be implemented. In NGD's opinion the risks imposed by the implementation of this Proposal are outweighed by the certainty associated with timely close out of invoicing and it is for all parties to this process to take a view on the benefits to be gained versus the risks.

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

It is worth noting that it is possible that a modification proposal may be forthcoming (currently under discussion in the Distribution Workgroup). It recommends an option for allowing a claims process, for Shippers to correct settlement errors (subject to a materiality clause), for the period after the close out of reconciliation up to the statute of limitations. To some extent this may be viewed as counter to the objectives of this Proposal (0398).

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?

N/A

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Standard Special Condition A11.1 (d) "the securing of effective competition between relevant shippers":

NGD believes that implementation of this Proposal would further reduce the uncertainty relating to invoicing reconciliation and thus reduce the risks. A guarantee of timely invoicing also reduces the perceived risks for new market entrants and the risks associated with mergers and acquisitions.

Standard Special Condition A11.1 (f) "promotion of efficiency in the implementation and administration of the Code":

It is possible that there could be a small saving associated with implementation of this Proposal relating to minor reductions in administration and data retention.

Impacts and Costs:

Cost of implementation is not expected to be material and the Transporters do not propose to recover any costs associated with implementation.

Implementation:

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

We have nothing to add to the information put forward in the Draft Modification Report.

Legal Text:

NGD is satisfied that the text as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal in relation to the amendment of the Code Cut Off Date.

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

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653994 (alison.chamberlain@uk.ngrid.com) should you require any further information.

Yours sincerely,

Alison Chamberlain
Network Code, Distribution