

Representation

Draft Modification Reports

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: 09 January 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: **Total Gas & Power Ltd**

Representative: Andrew Green

Date of Representation: 09 January 2012

Do you support or oppose implementation?

Not in Support of either Modification 0398 or Modification 0395

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

UNC Modifications 0395 & 0398 both drastically increase the current reconciliation period where any customer billing correction going back to the statute of limitation limit (six years as specified in the Limitations Act 1980) cannot be backed off by reconciling the gas consumption for that site. This means that shippers will be exposed to unrecoverable costs from their LSP NDM and DM customers, effectively subsidising the SSP sector.

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

The modification report needs to reflect the fact that it presents a significant risk to the LSP NDM and DM shippers, who will be unable to reflecting customer billing corrections in settlement for a substantially longer period than at present. In the case of large invoice corrections, this discrepancy has the potential to jeopardise the existence of a smaller Supplier in the market, who does not a large SSP portfolio to spread out the costs.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

0395 and 0398

Representation

09 January 2012

Version 1.0

Page 1 of 3

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Larger I&C customers routinely investigate and query their energy bills with their supplier and so it is common for billing anomalies to originate from the consumer where the supplier has overcharged the customer and the network has correspondingly overcharged the shipper, based on faulty meter readings

At present these errors can be corrected up to 4-5 years in the system. The supplier is exposed to six years of corrections however, as the Statute of Limitations Act 1980 allows errors to be queried for six years. This situation therefore leaves the supplier having been allocated gas incorrectly and this gas should have been allocated to the SSP sector, it effectively creates a cross subsidy between the two markets.

Both of these modifications significantly increase the likelihood and materiality of any resulting costs exposure to a supplier. This is not a risk that organisations with a large SSP portfolio face, as the individual cost exposure and individual large corrections can be more easily absorbed.

These modifications therefore effectively distorts competition, and so go against relevant objective (d) (ii) furthering of competition between relevant suppliers.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

These modifications significantly increase the risk of large unrecoverable costs being incurred by LSP NDM and DM shippers, which may jeopardize the viability of smaller suppliers.

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. Therefore any implementation timescale should give a minimum of 12 months notice to allow an orderly transition.

Furthermore, a phased implementation of 0398, followed by 0395, as has been suggested will be highly inefficient as it will require Shippers to adjust system and business processes twice in quick succession.

Legal Text:

Are you satisfied that the 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.

0395 and 0398

Representation

09 January 2012

Version 1.0

Page 2 of 3

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No