

## **Workstream Report**

### **Netting off of Payments and Credits relating to Transportation Charges 0034**

Version 1.0

This Workstream Report is presented for the UNC Modification Panel's consideration. The consensus of attendees at the Distribution Workstream is that, while views may differ regarding the merits of the Modification Proposal, it is sufficiently developed to proceed to consultation.

#### **1. The Modification Proposal**

In respect of Transportation charges, invoices from Transportation networks will often contain both debits and credits. Although these are correctly separated in the invoices, convention has been that the amount paid is the net sum of credits and debits. This reduces the number of payment transactions and therefore reduces administrative costs and transaction charges.

This arrangement is codified in respect of Energy Balancing Charges in Section S 3.1.3

In order to ensure that all Transporters continue to operate in accord with this convention it is proposed that paragraph 3.1.3 of Section S be amended to include its application to all invoice types.

Were the proposal not to be implemented there would be greater diversity of arrangements between the Distribution Network Operators requiring Users to adopt differing practices. This would require additional administrative complexity and increased costs.

#### **2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

The proposer suggests that "This Modification Proposal promotes competition among shippers and suppliers by simplifying and improving arrangements for payment of transportation charges and by keeping banking charges to a minimum.

This Modification Proposal will facilitate continuation of a practice that streamlines administrative operation and reduces costs, which may ultimately be borne by consumers".

If the proposed right of set off is implemented but Users exercise the right of withhold, Transporter's would incur additional administrative and interest payments, which would be inconsistent with administrative efficiency in the implementation of the UNC (Relevant Objective 1(f)).

#### **3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No such implications on security of supply or operation of the Total System have been identified. This would help to avoid the prospect of industry fragmentation if implemented through the UNC.

4. **The implications for Transporters and each Transporter of implementing the Modification Proposal, including**
  - a) **implications for operation of the System:**

No implications for operation of the system have been identified.
  - b) **development and capital cost and operating cost implications:**

Since this codifies existing practice for some Transporters, no costs would be incurred by them. Wales and West practice is different, and they were asked to provide an estimate of increased costs as part of the consultation process – covering both costs as a result of withhold and system development costs.
  - c) **extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No cost recovery mechanism is proposed.
  - d) **analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences are anticipated.
5. **The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

No such consequence is anticipated.
6. **The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

The proposer believes that there will be no impact upon UK Link systems as no changes to invoicing or file formats are associated with this proposal. Wales and West would require changes to their systems.
7. **The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

To the extent this codifies existing practice no such implications are anticipated.
8. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

No such implications have been identified.
9. **Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences are anticipated.
10. **Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- Codifies existing practice for most Transporters
- Streamlines administrative operation
- Reduces cost for Users
- Reduces User indebtedness

**Disadvantages**

- Increases costs for Wales and West
- Does not deal with the interaction with withholds

**11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

The report reflects issues raised at Workstream meetings. No written representations have been received.

**12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

None

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

**14. Programme for works required as a consequence of implementing the Modification Proposal**

Except for Wales and West, no programme of works would be required as a consequence of implementing the Modification Proposal.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

Since this codifies existing practice immediate implementation would be possible other than for Wales and West.

**16. Implications of implementing this Modification Proposal upon existing Code Standards of Service**

There will be no implications of implementing this Modification Proposal upon existing Code Standards of Service.

**17. Workstream recommendation regarding implementation of this Modification Proposal**

All attendees other than Wales and West supported implementation. Wales and West would be supportive if the right of withhold was withdrawn.

**18. Text**

The suggested amendment to legal text is the deletion of the word “Balancing” from paragraph 3.1.3 of Section S.