

Representation - Draft Modification Report UNC 0606S

National Grid Gas plc and National Grid Gas Distribution Limited transitional invoicing arrangement post Project Nexus implementation

Responses invited by: **5pm on 06 April 2017**

To: enquiries@gasgovernance.co.uk

Representative:	Colette Baldwin
Organisation:	E.ON Energy Solutions
Date of Representation:	6 th April 2017
Support or oppose implementation?	Qualified Support
Relevant Objective:	f) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

The imposition of costs from this modification on customers are being driven not because of a regulatory driver, or of an improvement in the market arrangements for the benefit of consumers, but of a commercial advantage from a National Grid decision to sell part of its business.

Given that Nexus has taken many years to design and build, National Grid failed to ensure through the Nexus programme that the invoicing design was sufficiently flexible to deal with a potential future separation of NTS and Distribution. I'm sure the decision taken by the NG Board wasn't taken without much debate, forward planning and consideration at a strategic level, and therefore it should have been reasonably foreseeable that they would impose change on the industry as a consequence. Whilst we wouldn't expect NG to have disclosed its intended sale ahead of announcing it to the market, they clearly benefited from the combined invoicing approach for many years and despite the fact that they will meet the full cost of central system changes to resolve the further future changes that will be necessary when Nexus is eventually delivered, the industry will face their own costs to manage the changes, and these costs can only be recovered from customers, and therefore I find it difficult to justify the modification meeting of any of the relevant objectives. Having said that, why I provide qualified support is that pragmatically Xoserve is not capable of the continued delivery of the separation of invoicing at this stage in the Nexus programme, and cannot at this time either give an indication of when they will be able to achieve it.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

An early decision will ensure that our business is prepared for the changes.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

The management of the workarounds are inefficient and require considerable manual intervention in the processing and payment of invoices. We built our systems to deliver the Nexus requirements, and this change means that those changes are effectively redundant. We will need additional processes to respond to the separation of NG and Distribution businesses and we have no outline time-frames for how long this change will endure. In the future we will also need to address Nexus changes to reflect the separation of the distribution business again.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

Modification Panel Members have requested that the following questions are addressed:

Q1: In order to inform consideration of the governance, please provide views on the materiality of the impacts of the proposal.

The changes are challenging for our business as we have built and prepared for the system capability to manage the invoicing process as required by the Nexus programme, and we will have to introduce manual intervention to meet these changes. These are changes that were not anticipated and therefore we need to find the resources to react to these changes, and these come at a cost to the customer.

Q2: Respondents to identify the extent of the impacts on their systems.

Our change programme has been heavily focused to deliver Nexus requirements to replace UK Link. This change means those systems are not going to operate as designed as a consequence of the approach taken to maintain an integrated invoicing approach in Nexus. Given that the changes are not the final solution, they are inefficient and place unnecessary costs on parties for what was a commercial decision by National Grid. We will also face further additional costs in the future when Nexus has settled down to change the invoicing process again. This will mean three different approaches to invoicing potentially in a short period of time, which the customer must ultimately fund, with no compensating benefit.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Nothing further

Please provide below any additional analysis or information to support your representation

The information on system development and manual processing are commercially confidential and cannot be shared in this consultation response.