

Stage 01: Modification

0447:

Exception to Code Cut Off Date for energy Balancing debt Recovery purposes.

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This modification proposal seeks to introduce an exception to the Uniform Network Code (UNC) Transportation Principal Document (TPD), Section S1.4.4, which states that no Invoice Document shall contain an Invoice Item or Invoice Amount relating to a period prior to the Code Cut Off Date. The proposed exception will apply only where an Invoice Item or Invoice Amount relates to invoicing of recovered energy balancing debts pursuant to X.4.



The Proposer recommends that this modification should proceed to consultation



High Impact:
None



Medium Impact:
Shippers



Low Impact:
None

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About this document:

This modification will be presented by the proposer to the panel on 21 Feb 2013.

The panel will consider the proposer's recommendation, and agree whether this modification should be subject to self-governance; and whether it should be issued for consultation or be referred to a workgroup for assessment.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

National Grid NTS believes that this Proposal is a candidate for self-governance since implementation would be unlikely to have a material effect on either:

- existing or future gas consumers; or
- competition in the shipping, transportation or supply of gas conveyed through pipes
- or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; or
- the operation of one or more pipe-line system(s); or
- matters relating to sustainable development, safety or security of supply, or the
- management of market or network emergencies; or
- the uniform network code governance procedures or the network code modification procedures;

We believe implementation would not discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Why Change?

UNC TPD Section S1.4.4 does not permit any Invoice Document to contain an Invoice Item or Invoice Amount which relates to a period prior to the Code Cut off Date, 1st April in Formula Year t-4.

Section X3.4 recognises that the recovery of debt can extend over significant timescales and may result in debt recovery that is associated with invoice periods prior to the Code Cut Off Date. As a result, recovered debts that relate to an invoice period prior to the Code Cut Off Date are prevented from being appropriately settled with the relevant shippers and will remain in the Balancing Neutrality bank account indefinitely. Therefore, Relevant Users will not receive the credits, which under Section X3.4.5, recovery of debt provisions, they are entitled to.

Solution

This modification proposes to introduce an exception to the Code Cut Off Date where it arises pursuant to TPD Section X3.4 where monies are received following the completion of Directed Recovery Steps.

Relevant Objectives

This modification will impact positively upon relevant objective D.

Relevant Objective D: Securing of effective competition: - facilitates improvements in correctly allocating recovered debt which reduces gas community risk to socialised bad debt.

Implementation

No prescribed timescale for implementation is proposed.

2 Why Change?

The issues that this modification seeks to address were initially raised and developed by the Energy Balancing Credit Committee. National Grid NTS volunteered to sponsor the modification, on behalf of the Committee, in order that the proposed revisions to Code may continue to progress through the Modification Proposal process.

TPD Section S1.4.4 UNC

In April 2008 TPD Section S1.4 was introduced following the implementation of Modification Proposal 0152V "Limitation on Retrospective Invoicing and Invoice Correction". This proposal, outlined by Review Group 0126, aimed to appropriately limit Adjustments and Reconciliations, which at that time could be back dated to 1ST February 1998, with a rolling 5 year backstop date (Code Cut Off Date).

Initially, this provision did not impact the re-allocation of recovered debt under TPD Section X, as the allocation was calculated via a methodology which did not reference Users' market shares as at the original Invoicing Date. However, in April 2009 Modification Proposal 0235 "Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality" was implemented, which amended TPD Section F. The effect was to redefine the relevant Adjustment Day and calculations used for an Adjustment Neutrality Amount to reference the original invoice period rather than the date of payment, thus potentially creating Invoice Items or Invoice Amounts relating to a period prior to the Code Cut Off Date.

Consequently the situation can arise where part or all of an outstanding debt recovered pursuant to TPD Section X3.4. is received after the Code Cut off Date; therefore these modifications have the effect of preventing the re-allocation of some recovered debt indefinitely.

This leads to remaining monies held in the Balancing Neutrality bank account indefinitely, rather than being appropriately allocated to the relevant Users, which under Section X3.4.5, recovery of debt provisions, they are entitled to.

3 Solution

TPD Section S1.4. UNC Exception

This modification proposes to introduce an exception to the Code Cut Off Date when this is to credit/debit the monies recovered due to a Directed Recovery Step(s) carried out in accordance with TPD Section X3.4. This will result in an Invoice Item or Invoice Amount relating to a period prior to the Code Cut Off Date for this exception only.

For Information "**Code Cut Off Date**" is defined as, in relation to any Day within a Formula Year (t), the Code Cut Off Date is 1st April in Formula Year t-4.

The Code Cut Off Date exception would also apply to any costs that may be incurred as a result of the provision detailed in Section X3.4.5; where the costs incurred by National Grid NTS in taking necessary "Directed Recovery Steps" are greater than the value of the debt recovered. We note that Xoserve in their capacity of managing Energy Balancing Credit arrangements, on behalf of National Grid NTS do not anticipate any such costs being greater than the value of debt recovered. We believed that this concern may be further mitigated by virtue of provisions outlined in Section X3.4.2 which states that, "The Energy Balancing Credit Committee shall direct National Grid NTS as to what recovery steps (if any to take)... To recovery Energy Balancing Debt from a Defaulting User" and X3.4.3 where National Grid NTS, "in relation to Energy Balancing Debt will and shall be entitled to discontinue taking Directed Recovery Steps... where the Energy Balancing Credit Committee has authorised it to do so.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification
No system changes are required for the implementation of this modification proposal and therefore no User Pays costs are anticipated.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view
None
Proposed charge(s) for application of User Pays charges to Shippers
None
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve
None

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

Relevant Objective D: Securing of effective competition.

Relevant Objective D: Securing of effective competition: - facilitates improvements in correctly allocating recovered debt which reduces gas community risk to socialised bad debt.

5 Implementation

It is anticipated that this modification would have no material impact on processes and no additional cost. There is no prescribed timescale for implementation.

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6 Legal Text

Suggested text

TPD Section S1.4.4:

1.4.4 No Invoice Document shall contain an Invoice Item or Invoice Amount that shall relate to any Day or period prior to the Code Cut off Date provided that such Code Cut Off Date shall not apply in respect of an Invoice Item or Invoice Amount which relates to Recovered Amounts or Recovery Costs pursuant to Section X3.4.

7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should be subject to self-governance.
- Determine that this modification should progress to Consultation.

The issues that this modification seeks to address were initially raised and developed by the Energy Balancing Credit Committee. National Grid NTS volunteered to sponsor the modification, on behalf of the Committee, in order that the proposed revisions to Code may continue to progress through the Modification Proposal process. We therefore consider that no further development is required and recommend that the proposal progresses direct to consultation.