












UNC Modification	At what stage is this document in the process?
<h1>UNC 0618:</h1> <h2>Extension of Invoicing Contingency Arrangements in case of Project Nexus defect</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 5px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid blue; padding: 5px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; padding: 5px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; padding: 5px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>TPD Section S 1.9 allows for estimated invoices to be produced if the system cannot produce an invoice. This facility is limited to one month unless each User agrees to an extension and this modification proposes that this should be extended in the interests of ensuring that the liquidity of the industry is maintained.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> treated as urgent and should proceed as such under a timetable agreed with the Authority <p>This modification will be submitted to the Authority for a decision on whether the Urgency criteria are met and, if so, it will be issued directly to consultation.</p>
	<p>High Impact: Transporters and Shippers</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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<p>The Proposer recommends the following timetable:</p> <p>The timetable proposes implementation on 1st June 2017. On this timetable, there is no time for a Panel view on urgency however, given that the issues are almost identical to the urgency considerations for IGT 097, the proposer considers that this is reasonable to achieve the implementation date. The proposed timetable enables the Final Modification Report to be on the agenda for the regular Panel meeting on 18th May. If the Authority requires a view from Panel then the Final Modification Report will need to be discussed at an additional Panel meeting and implementation will be after PNID.</p> <table border="1"> <tbody> <tr> <td>Request for Urgency</td> <td>03 May 2017</td> </tr> <tr> <td>Ofgem decision on Urgency by</td> <td>05 May 2017</td> </tr> <tr> <td>Issued for consultation by</td> <td>08 May 2017</td> </tr> <tr> <td>Consultation Close-out for representations</td> <td>12 May 2017 (5 business days)</td> </tr> <tr> <td>Final Modification Report available for Panel</td> <td>15 May 2017</td> </tr> <tr> <td>Modification Panel recommendation</td> <td>18 May 2017</td> </tr> <tr> <td>Authority Direction by</td> <td>26 May 2017</td> </tr> <tr> <td>Implementation</td> <td>01 June 2017</td> </tr> </tbody> </table>		Request for Urgency	03 May 2017	Ofgem decision on Urgency by	05 May 2017	Issued for consultation by	08 May 2017	Consultation Close-out for representations	12 May 2017 (5 business days)	Final Modification Report available for Panel	15 May 2017	Modification Panel recommendation	18 May 2017	Authority Direction by	26 May 2017	Implementation	01 June 2017
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<p>Any questions?</p> <p>Contact: Joint Office of Gas Transporters</p> <p> enquiries@gasgovernance.co.uk</p> <p> 0121 288 2107</p> <p>Proposer: Richard Pomroy</p> <p> Richard.Pomroy@wutilities.co.uk</p> <p> 029 2027 8552 or 07812 973337</p> <p>Transporter: Wales & West Utilities</p> <p> Richard.Pomroy@wutilities.co.uk</p> <p> 029 2027 8552 or 07812 973337</p> <p>Systems Provider: Xoserve</p> <p> commercial.enquiries@xoserve.com</p>																	

1 Summary

What

A provision is required to allow the issuing of estimated LDZ Capacity Invoices for consecutive billing periods, without the need for agreement by all users should there be a fault with CDSP systems that prevents system generated LDZ Capacity Invoices being issued. It does not apply to NTS invoices nor DNO invoices other than LDZ Capacity Invoices.

Why

Should there be a defect impacting the production of LDZ Capacity Invoices, this modification will allow Transporters to extend provisions already available to consecutive billing periods without the need for agreement of all impacted users. This will prevent the build up of debt by Shippers, and assist in maintaining a steady cashflow to DNOs to operate their business, if faced with a material system defect.

How

The proposed solution will allow for estimated capacity invoices to be produced should there be a defect with CDSP systems post PNID. It is limited to LDZ Capacity Invoices (which account for over 95% of DNO transportation charges) and will not endure after a LDZ Capacity Invoice has been produced from the Nexus systems. The solution also has the same 8 months' limitation as IGT 097 which was raised to deal with similar issues in relation to IGT invoicing.

2 Governance

Justification for Urgency

Transition Working Group (TPG) identified a material risk for invoicing in March 2017. We request Urgency because, if there is an unexpected defect in CDSP systems that prevents capacity invoices from being issued to Shippers and the defect is not resolved quickly and persists until the next Capacity invoice is due, there will be a significant commercial impact both on DNOs and Shippers. There will be a significant impact on DNOs as over 95% of their revenue comes from Capacity charges. Although Shippers will experience a temporary positive effect on cash flow they will subsequently experience a significant commercial impact because, once the defect is rectified, they will receive more than one months' Capacity invoices to verify and process for payment which may give them cash flow challenges when the backlog becomes due for payment. Failure to allow Urgent status will mean that a solution will not be in place prior to this potential risk materialising. We believe that the justification for urgency is substantially the same as for IGT UNC 097.

Requested Next Steps

This modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority

3 Why Change?

Background

On 7th March 2017 Transition Progress Group (TPG) published their contingency planning under risks considered possible following UK Link Go Live. These risks being:

- CP08 Delay in receiving invoice information from legacy systems
- PR03 Delay in receiving invoice information from replacement UK Link systems

This scenario considers a situation where Network Charges can not either be produced, or issued post Nexus go live. The contingency notes that provision is available for estimated invoices to be produced.

UNC TPD S 1.9.1(a) allows estimated invoices to be produced under this scenario for a single invoicing period only. UNC TPD S 1.9.4 provides that this can be extended to consecutive billing periods with the consent of each User.

The benefit of this modification therefore is that it would obviate the need for DNs and shippers to individually and collectively agree to the issuance of consecutive estimated invoices in the event of a CDSP system failure (as required under UNC TPD S 1.9.4).

The first Capacity Invoices post Project Nexus Go Live will be issued on 6th June for May trading, 6th July for June trading and 4th August for July trading. Therefore it is feasible that such a risk may endure for consecutive billing periods which UNC TPD S 1.9.1(a) currently would not mitigate.

Failure to issue regular invoicing presents a risk to DNOs cash flow and may also result in difficulties for smaller shippers if faced with backdated charges which do not reflect any amount they may have accrued in the absence of further information.

Industry benefits

We acknowledge that producing estimated invoices is not desirable but believe that the benefit of continuing to facilitate the flow of funds around the industry outweighs this. The failure of a DNO or Shipper due to system related defects needs to be avoided.

4 Code Specific Matters

Reference Documents

None

Knowledge/Skills

None

5 Solution

Over 95% of DNO Transportation Income is levied through Capacity Invoices.

The proposal is to allow the use of estimated LDZ Capacity Invoices for more than one consecutive month. This will be restricted to a continuous period following PNID to prevent it being generally applicable. This means that the provision falls once a valid LDZ Capacity Invoice has been produced by the new Nexus UK Link system. There will be a backstop date whereby this provision cannot be used for periods after January 2018 trading, this is similar to IGT 097.

Such estimated invoices would be supported with sufficient information for a Shipper to understand their basis so as to allow a Shipper to establish if the estimate is materially inaccurate, as set out in the Code provisions S.1.9.2.

It should be noted that the Capacity Invoice for May 2017 trading due to be produced on 6th June 2017 will be produced from data generated from legacy systems so it is possible that this invoice could be produced and that a failure does not occur until the LDZ Capacity Invoice for June trading which is due to be issued on the 6th July. If a defect occurred that prevented the invoice for June trading from being issued then the existing Code provisions in S 1.9.1 would allow the production of an estimated invoice for July trading but not for August trading and subsequent months if the problem persisted.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impact

Consumer Impacts

This will reduce the impact of system related defects to invoicing. Provision of estimated charges both helps continual financing of DNO's network activity and also provides those Shippers with changing portfolios a more potentially reliable third party estimate of predicted charges.

Cross Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

This change mitigates the effects of defects in the UK Link invoicing system. The estimated invoice process is already in Code so this does not add a new process to those for which Code already provides.

7 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.	Positive
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.	Positive
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 (c) *Efficient discharge of the Licensee's obligations* is furthered because lack of funds will restrict a DNO's ability to operate their business.

Relevant objective (d) *Securing of effective competition between relevant Shippers* is furthered because LDZ Capacity Invoices will be issued to Shippers and paid reducing the impact of this defect on their processes and considerably reducing the cash flow fluctuations that would occur if LDZ Capacity Invoices were not issued

Relevant objective (f) *Promotion of efficiency in the implementation and administration of the Code* is furthered because the process proposed allows LDZ Capacity Invoices to continue to be issued as envisaged by Code.

8 Implementation

Implementation should be immediately following an Authority Direction.

9 Legal Text

Legal Text and Commentary have been provided by the Proposer.

Text Commentary

Transportation Principal Document		
Reference	Topic	Explanation
Section S: Invoicing		
Amended clause 1.9.4	Estimated invoices	to add a carve out to the prohibition on issuing estimated invoices for consecutive periods during a Code Contingency

Transition Document		
Reference	Topic	Explanation
Part 11F: Nexus		
Section 8 TPD Section S: Invoicing		
New clause 8.2	Estimated invoices	<p>to allow estimated invoices for consecutive periods in specific case of:</p> <ul style="list-style-type: none"> LDZ Capacity Invoices Code Contingency occurs following PNID Code Contingency continues for consecutive months Only allowed for up to and including January 2018 trading in line with IGT 097 <p>Invoice Type is defined in TPD S 1.2, the definitions change for post-Nexus text (see legal text for mod 0432) but LDZ Capacity Invoices are a valid Invoice Type in both sets of text.</p> <p>The term M(NID) which is used in this new clause is defined in TDIF 1.1.2 (e).</p> <p>Assuming PNID is 1st June 2017 then M(NID) is June 2017, M(NID)-1 is May 2017 and M(NID)+7 is January 2018.</p>

Legal Text

New text shown in red

TPD S

1.9.4 Except with the agreement of a User, **except in circumstances listed in TDIIF 8.2**, the Transporter may not on the occurrence of any Code Contingency submit Invoice Documents containing estimated Invoice Amounts under this paragraph **Error! Reference source not found.** in respect of consecutive Billing Periods.

TDIIF

8.2 The circumstances referred to in TPD S 1.9.4 are that

- a) the Invoice Type is LDZ Capacity Invoices, and**
- b) the Code Contingency occurs following Project Nexus Implementation Date in relation to Billing Periods M(NID)-1 or M(NID), and**
- c) the Code Contingency continues for consecutive Billing Periods, and**
- d) the Billing Period is not greater than M(NID)+7.**

10 Recommendations

Proposer's Recommendation

The Authority is asked to agree that:

- The Urgency Criteria are satisfied;
- This modification should be issued directly to Consultation;
- The Final Modification Report should be considered at the scheduled Panel meeting on 18 May to make a Panel recommendation on whether the modification should be implemented.