












UNC Workgroup Report		At what stage is this document in the process?
<h1>UNC 0606S:</h1> <h2>National Grid Gas plc and National Grid Gas Distribution Limited transitional invoicing arrangement post Project Nexus implementation</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>To provide for a transitional arrangement for the invoicing of certain Transportation Charges by National Grid Gas plc and National Grid Gas Distribution Limited following implementation of Project Nexus.</p>		
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> Views should be sought on whether this modification would have a material impact and therefore not be self-governance; Shipper Users be requested to provide information on potential systems impacts; proceed to Consultation. <p>The Panel will consider this Workgroup Report on 16 March 2017. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>Shipper Users.</p>	
	<p>Low Impact:</p> <p>National Grid Gas plc and National Grid Gas Distribution Limited</p>	

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Timetable		 Any questions?
Modification timetable:		Contact: Joint Office of Gas Transporters
Initial consideration by Workgroup		06 January 2017
Amended Modification considered by Workgroup		23 February 2017
Workgroup Report presented to Panel		16 March 2017
Draft Modification Report issued for consultation		16 March 2017
Consultation Close-out for representations		06 April 2017
Final Modification Report available for Panel		07 April 2017
Modification Panel decision		20 April 2017
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1 Summary

What

Following the Project Nexus Implementation Date (PNID) on 01 June 2017, it will not be possible for National Grid Gas Distribution Limited (NGGDL) and National Grid Gas plc (NGG) to issue invoices in respect of certain Transportation Charges.

Why

NGGDL and NGG have been advised by the Transporter Agency, Xoserve that changes to the post Project Nexus UK Link system to permit separate billing of certain Transportation Charges by each of NGG and NGGDL cannot be implemented without giving rise to unacceptable risk to the Project Nexus implementation programme and the PNID.

How

UNC transitional terms are proposed that would permit a process to be implemented whereby NGGDL can issue certain invoice types which contain Transportation Charges relating to the NTS and NGGDL's Distribution Networks. NGGDL would then issue an ancillary invoice to credit the NTS related Transportation Charges and then NGG would issue its own ancillary invoice in respect of the NTS related Transportation Charges. This would mean Shipper Users would receive, for a limited period, three invoices for certain Transportation Charges relating to the NTS. All other invoice types would be outside the scope of these arrangements and would be invoiced in the normal way.

2 Governance

Justification for Self-Governance

The Modification Panel determined that this modification should follow Self-Governance procedures on the basis that the changes proposed would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Suppliers and no direct impacts on Consumers. This is because existing invoicing functionality would be used thereby involving a limited requirement for change having an impact on Shipper Users. There would be no impact on Transporters or Gas Consumers.

There would also be no discriminatory effect on any UNC party.

Requested Next Steps

This modification should:

- Views on the suitability of self-governance and impacts on Shipper Users systems should be sought in consultation;
-
- proceed to Consultation.

Some Workgroup participants agreed with the Modification Panels determination on Self-Governance for the reasons set out above. However, others were concerned that there may be material impacts on Shipper Users systems and processes should these transitional rules be in place for a significant time, as the impact would be cumulative.

The Workgroup recommends views on potential system impacts and suitability for self-governance should be sought during consultation.

The Workgroup consider the business rules and legal text are sufficiently developed to enable the modification to be issued to consultation.

3 Why Change?

National Grid's distribution networks were successfully transferred from NGG to NGGDL on 01 October 2016 under a process called 'hive-across'.

Since 01 October 2016 the UNC recognises NGG as the owner and operator of the NTS only, and NGGDL as the owner and operator of the Distribution Networks.

Transportation Charge invoicing rules are set out in the UNC Transportation Principal Document (TPD) Section S. The relevant rules identify the types of invoices and types of charges that can appear on each type of invoice issued by a Transporter.

Xoserve has advised that they are unable to develop and implement fully separated transportation invoicing arrangements in the Project Nexus System ahead of PNID without this adversely affecting and presenting unacceptable risk to the Project Nexus Implementation programme and the PNID. NGGDL and NGG both agree with Xoserve's assessment of the situation.

Consequently, it is necessary to implement transitional arrangements, which are identified in Section 5 of this Modification Proposal. These arrangements are proposed to come into effect on PNID and continue until the Project Nexus System is updated to reflect the separate ownership of the relevant Distribution Networks and the NTS. This will happen in the earliest suitable release of the new UK Link System. This is expected to be determined by the Data Services Contract (DSC) Change Management Committee to be established under the proposed Xoserve Funding, Governance and Ownership arrangements (FGO) and to which UNC Modification 0565A refers.

If this Modification is not made it would not be possible for NGG and NGGDL to issue separate Transportation Charge invoices for certain invoice types through the Project Nexus System with effect from PNID.

4 Code Specific Matters

Reference Documents

No reference documents are necessary or relevant.

Knowledge/Skills

No specific knowledge or skills are necessary to assess this Modification.

5 Solution

Modification of the UNC Transition Document (TD) with respect to Transportation Principal Document (TPD) Section S is required as follows:

Invoice 1

NGGDL will be permitted to issue certain Invoice Types which include Transportation Charges relating to the NTS and NGGDL's Distribution Networks.

- Relevant Transportation Charge Invoices will be issued to Shipper Users in the name of NGGDL. The relevant invoice types are:
 - LDZ Commodity (Exit/CSEPS/Unique Sites)
 - Amendments (Transportation/Energy)

Invoice 2

NGGDL will issue an Ancillary Invoice which reverses the NTS Transportation Charges included in Invoice 1.

Invoice 3

NGG will issue an Ancillary Invoice which includes the NTS Transportation Charges included in Invoice 1.

- Shipper Users will pay to NGGDL the net amount under Invoices 1 and 2.
- Shipper Users will pay to NGG the amount under Invoice 3.
- Invoices 1, 2 and 3 will be submitted to the User on the same date, and have the same invoice due date.
- The transitional arrangements are required to be in place from PNID until the earliest suitable release of the updated Project Nexus System, to be determined by the DSC Change Management Committee.

Unless all the Transmission re-billing invoices are issued on the same date, none of the invoices will be valid and NGGD/NGG will need to re-issue all invoices on the same date in order for Shippers to be required to pay the Transportation Charges and for the invoice amounts to be included in the VAR.

Please note that Shipper Transportation Credit positions are maintained whole because of this routine and no action would be required by Shipper Users.

6 Impacts & Other Considerations

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

There is no impact on the Switching Significant Code Review, or on any other 'in-flight' industry programme including Project Nexus.

Consumer Impacts

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none">• None

What costs or benefits will pass through to them?	<ul style="list-style-type: none"> There are no direct consumers impacts identified as this Modification is solely associated with the format of Transportation invoices issued to Shipper Users.
When will these costs/benefits impact upon consumers?	<ul style="list-style-type: none"> Not applicable
Are there any other Consumer Impacts?	<ul style="list-style-type: none"> None identified.

Cross Code Impacts

No other industry codes are affected.

EU Code Impacts

There is no impact on any EU Code.

Central Systems Impacts

There is no impact on any central systems.

Workgroup Impact Assessment

The Workgroup notes and agrees that the transitional arrangements proposed in this modification aim to avoid a risk to the implementation of Project Nexus systems, should there be a need to develop and implement fully separated transportation invoicing arrangements in the Project Nexus System in time for PNID.

Some participants were concerned this modification would require further changes to implement enduring invoicing arrangements once Project Nexus systems were established. The need for multiple changes is inefficient and some Shipper Users may incur administration/system costs to implement multiple changes which may be material, without enjoying any benefits for such changes.

Some participants were concerned that there would be an ongoing operational cost as the proposal is open ended and that these costs may be considered material should they be in place for a significant period of time. However, it was noted that the industry would be able to prioritise changes following the implementation of FGO and Project Nexus and it would be in their hands as to when these proposals were removed.

Some participants felt the changes proposed were limited in nature and would not create any material impacts on their invoicing process.

It was noted that National Grid plc would be funding the changes to invoicing processes directly with Xoserve.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.

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.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

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.	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.	None
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.	Impacted
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

Some participants consider this Modification facilitates GT Licence relevant objective f) *Promotion of efficiency in the implementation and administration of the Code* by providing absolute clarity in the UNC regarding the way NGG and NGGDL will issue Transportation Invoices to Shipper Users in the period following PNID. Because of the limitations on changes to the new UK Link system in the time ahead of PNID, the UNC needs to be amended to ensure that it reflects the reality of the processes in operation at

any time. Introducing the transitional terms described in this modification ensures that the Code is accurate.

Some participants note that while this modification is required to mitigate a potential risk to Project Nexus implementation by removing the need to change system invoicing functions. The need for multiple changes to invoicing arrangements to support a network sales process is inefficient, therefore this modification has no positive impact on relevant objective f) Promotion of efficiency in the implementation and administration of the Code.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised. However, it is suggested that this Modification should be implemented on the PNID.

9 Legal Text

Legal Text has been provided by National Grid Gas Distribution Limited. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

The Legal Text commentary has been published alongside this report.

Text

The Legal Text has been published alongside this report.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- Views should be sought on whether this modification would have a material impact and therefore not be self-governance;
- Shipper Users be requested to provide information on potential systems impacts;
- This self-governance modification should proceed to consultation