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Your Reference: UNC Modification Proposal 0606S

UNC Modification Proposal 0606S - National Grid Gas plc and National Grid Gas Distribution Limited
transitional invoicing arrangement post Project Nexus implementation

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which, as proposer, National Grid Gas Distribution Limited (NGGDL) would like to support.

Do you support or oppose implementation?

Support

Relevant Objective: f) Positive.

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

We believe that the measures identified within the Modification Proposal facilitate GT Licence 'relevant objective' f) 'Promotion of efficiency in the implementation and administration of the Code'. In the absence of this Modification, from the Project Nexus Implementation Date (PNID) NGGDL would not be able to levy Transportation invoices in accordance with its obligations set out in UNC Transportation Principal Document (TPD) Section S1 due to the set-up of the new UK Link system.

Self-Governance Statement:

NGGDL concurs with the justification statement within the Draft Modification Report, that the Modification "would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Suppliers and no direct impacts on Consumers".

Implementation

This Modification Proposal can be implemented with effect from PNID, presently identified within the UNC as being 1st June 2017.

Impacts and Costs

NGGDL and National Grid Gas plc (NGG) would incur significant cost to facilitate implementation of the 'interim' transportation invoicing arrangements identified within this Modification Proposal. These costs will not be passed on to Shippers.

Legal Text

NGGDL is satisfied that the legal drafting contained within the Modification Proposal meets the requirements of the Modification.

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.

We believe that the solution identified within this Modification Proposal does not have a material effect in accordance with the criteria set out in the document 'UNC – Self Governance Modifications: Guidance for Proposers'. The proposed invoicing arrangements use prevailing UK-Link invoicing functionality and impact solely on NGGDL, NGG and Shipper Users.

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

There is a minimal impact on the systems operated by the Transporter Agency, Xoserve. NGGDL is not aware of the impact on the systems operated by Shipper Users. However, we have noted that some parties have stated in the UNC Distribution and Transmission Workgroups that these are minimal while others have identified that changes to their systems are necessary.

Mindful of the pre-requisite to minimise any adverse effect of the solution on Shipper Users, NGGDL has sought to address concerns expressed by parties relating to incorrect issuing of invoices. In particular, in response to issues identified by parties within the UNC Distribution Workgroup relating to the relevant debit and credit invoices not being issued on the same day, we have accommodated this by adding to the Modification solution provisions and legal text to reflect that in these circumstances, invoices would be rendered invalid and would require reissue.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

We have not identified any errors or omissions within this Modification Proposal.

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

The solution identified in this Modification Proposal is essential as an interim measure pending the ability of Xoserve to make changes to the UK-Link Invoicing system following implementation of the UK-Link Replacement programme (Project Nexus). We regret that it is necessary to adopt this contingency which we appreciate is less than ideal in the context of efficient invoicing arrangements. However, NGGDL has not sought to pursue making the necessary systems changes to expedite fully separated transportation invoicing from PNID. This is because we believe it is vital that timely implementation of Project Nexus occurs and NGGDL was informed by Xoserve that it would risk

delaying PNID if the relevant system changes to allow separate invoicing were made. We believe that absolute priority must be given to implementation of Project Nexus even though a consequence is that transportation invoicing arrangements for NGGDL and NGG are less than optimal.

We note that during discussions within the UNC Distribution and Transmission Workgroups, parties have asked when 'enduring' fully separated invoicing functionality can be implemented. NGGDL believes that this should be developed as soon as reasonably possible following PNID. However, we note that the new Xoserve Funding, Governance and Ownership (FGO) arrangements will be in place by then. This means that changes to industry systems operated by the Central Systems Data Provider (CDSP), Xoserve will be subject to scrutiny and prioritisation by the newly constituted CDSP Data Services Contract (DSC) Change Committee. In effect the industry will decide the priority to be given to the necessary systems changes to facilitate fully separated Transportation invoicing for NGG and NGGDL.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 01926 653541 (chris.warner@nationalgrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Stakeholder Implementation Manager, Distribution