

## 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](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Mark Jones
<b>Organisation:</b>	SSE Supply
<b>Date of Representation:</b>	06 April 2017
<b>Support or oppose implementation?</b>	Oppose
<b>Relevant Objective:</b>	f) Negative

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

National Grid has sold a majority stake in its distribution business and as a result has realised billions of pounds of revenue. This is a decision which is unlikely to have been taken in a short timescale and is one which we believe should have been fed into the Project Nexus requirements. Despite receiving billions of pounds of revenue National Grid expects shippers to spend significant amounts of money to put in place a payment process that has been orchestrated by the commercial decisions of National Grid that has nothing to do with shippers. At no point have National Grid proposed to provide any recompense to shippers for these proposed arrangements, and in workgroup discussions stated that there is no method of recompense to shippers for these proposed arrangements via the UNC and they were not planning to propose any, which is unacceptable. We strongly believe that in the 21<sup>st</sup> century that alternative banking arrangements involving escrow type accounts could be put in place to provide an alternative solution and that these have not been fully explored.

It is clear to us that National Grid have raised a modification to put in place a solution which is the easiest option and least cost for them, but not the Industry as a whole, and as a result they are putting costs and problems on other parties as a result of commercial decisions made by them that have nothing to do with any required or beneficial industry change.

Ultimately, end customers will pick up the costs for National Grid's commercial decisions, which is not acceptable. Furthermore, there is no proposed end date to these arrangements and so National Grid expect shippers to absorb these costs indefinitely which will continue to be passed on to end customers. We are of the opinion that if a shipper sought to put in place a similar arrangement as a result of a divestiture of part of its portfolio that it would not be acceptable to the industry.

**Self-Governance Statement:** *Please provide your views on the self-governance statement.*

We do not agree that this modification meets the self-governance criteria for the following two reasons:

- Materially increases costs that are passed on to consumers, or may be in future.
- Entails parties incurring an additional cost (eg significant cost for few or additional costs for many).

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

This modification and timescales should be subject to an Authority decision.

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

We will face implementation, subsequent system change and ongoing costs as a result of this modification that will run into the tens of thousand of pounds and with no end date proposed these could continue for a number of years.

**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.*

This modification will inflict costs of tens of thousands of pounds on SSE due to a number of system changes and an unspecified period of having to run a suboptimal process.

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

Systems will need to be amended to meet these new requirements and then amended back to the current correct position.

**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.*

Yes. We believe that this modification should be called in by the Authority and an opinion sought from a reputable financial organisation, such as a clearing bank, on the alternative banking arrangements that could be put in place by National Grid to meet their requirements and the cost of doing so.

In section 1 of the modification, the stated justification for the modification is as follows:

“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.”

We challenge this statement that it will be impossible to issue invoices in respect of certain Transportation Charges. We agree that there is an issue between NGGDL and NGG in terms of allocating payments, but that it is not impossible to issue the invoices as stated in the modification.

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