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9<sup>th</sup> November, 2006.  
Your Reference 0117

**Re: Modification Proposals 0117: 'Amendment to Invoice Billing Period'**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid (UK Distribution) (UKD) does not support implementation of this Modification Proposal on the basis that in its current form it provides insufficient detail to demonstrate that it better facilitates any of the relevant objectives as set out in the Gas Transporters Licence. UKD believes that there are significant issues to be resolved before it would be possible for the industry to introduce a revised limit on invoicing. At the Distribution Workstream on 26<sup>th</sup> October 2006, a number of the potential issues posed by the introduction of such a proposal were discussed and attendees appeared to be in agreement that it would be desirable to form a development work group to review these issues.

UKD would like to highlight the following areas which it feels would require significant consideration and industry debate before reaching a conclusion on any possible amendments to time restrict invoicing:

a) Uninvoiced Reconciliation:

- i. The current read obligation (TPD M3.6) relating to Annual Read Meters. The trigger for the Transporter to initiate the process of obtaining a read for these meters which remain unread is two years and ten days. The Small Supply Point market is the counterparty to any unreconciled meters in this category through the Reconciliation by Difference (RbD) regime. Despite the amendment made to the Proposal (to change the limitation on the demand for retrospective payment to 26 months from the original proposal of 24 months), UKD believes based on evidence of the current process that there would often be insufficient time to complete the read (which often involves resolving access problems), the reconciliation, the consequent feed through to RbD and any adjustments that may be required. Despite the current read requirements UKD is aware that a number of meters would remain unreconciled after 26 months.
- ii. User Suppressed Reconciliation Values (TPD E8.1.2). Currently where a charge is generated which fails a tolerance check it will be "suppressed" and not added to an invoice. It then becomes the Users (or in some instances the Transporter's) obligation to verify the charge or to ensure that the base data is corrected before it can be re-calculated and added to an invoice. Any limitation on invoicing may require the current User Reconciliation Suppression Guidelines and User payments (TPD E8.3), to be reconsidered. Whilst the Proposer has clarified that generation of the suppressed item acts as a "marker" it is not clear whether, following the release of the read from suppression or an amendment to the read as a result of the query, whether or not the Transporter would be allowed to process any consequential adjustment required to the Small Supply Point (SSP) market. UKD believes that the current process may

not provide sufficient incentive to ensure timely resolution of these suppressed items but accepts that this issue does not fall within the intention or scope of this Proposal. UKD would highlight however that although the introduction of a marker does place the emphasis on the Transporter to generate the invoice in a timely manner, in the majority of cases the Transporter is not responsible for the information which allows the invoice to be generated.

- b) The Proposal poses significant system development/implementation issues. The complexities that would be associated with a daily/monthly/six-monthly or annual change of the cut-off date for invoicing are significant and need further investigation. The Proposer has not explained the exact requirement of the Proposal in this regard.
- c) A review of the current 18 month (from the payment invoice due date) invoice query period (TPD S1.8.3) would be required. Despite the clarification from the Proposer regarding the impact on the current query process UKD believes that there is insufficient detail within the Proposal to explain what impact any adjustments, which may be required as a result of a successful query, would have on the SSP market.
- d) The impact that a 26 month "cut-off" on invoicing would have on the current Transporter pricing regime. If Transportation income remains uninvoiced due to a limitation on invoicing this will have a consequential impact on the transportation activity revenue adjustment factor.

UKD believes that it is necessary to ensure that any restrictions on invoicing allow sufficient time to ensure correct allocation of costs amongst industry participants. Key considerations are meter reading, reconciliation, query resolution and adjustments and associated impact on RbD. Under the existing regime it would be necessary to allow significantly longer than two years (or indeed 26 months), to accommodate all of these processes. UKD is of the opinion that this proposal if implemented could be significantly detrimental to certain market sectors, although without sufficient analysis it would not be possible to make an informed view. In order to take an informed view it would be necessary for all parties to the UNC to undertake analysis to determine the possible numbers of meter points which remain unreconciled and to make an assessment of the associated energy.

In absence of clarity in respect of the elements highlighted in this representation UKD believes that the proposal would not better facilitate the relevant objective set out in Standard Special Condition A11 1(d) of the Gas Transporters Licence of securing effective competition between relevant shippers.

Without sight of the legal text associated with this Proposal and in the absence of specific detail regarding the proposed implementation date, UKD believes that it is not possible for the Transporters to make any comment or commitment in relation to implementation.

In line with discussion held at the Distribution Workstream on 26<sup>th</sup> October 2006, UKD would be willing to participate in industry discussions either within a development work group or review group, to look at how to bring forward the current limitation on invoicing (February 1998) and perhaps moving to an annual amendment to the cut off date.

Yours sincerely

Phil Lawton  
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