

CODE MODIFICATION PROPOSAL No. 0117A
“Amendment to Invoice Billing Period”
Version 1.0

Date: 9th October 2006

Proposed Implementation Date: [tbc]

Urgency: Urgent

Proposer’s preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

This Modification Proposal is raised as an alternative to Modification Proposal 0117 (“Mod 0117”) and is consistent with paragraph 6.4.1 of the Modification Rules. This proposal should proceed through the modification process together with the original proposal (as detailed in the ‘decision for urgency’ document published by Ofgem) although the UNC Modification Panel may decide that further time is required in order for detailed business rules to be developed. Implementation timescales would need to be extended to allow the necessary system changes to be made which would also differ from the Mod 0117 planned timescales. Ofgem have suggested that Mod 0117 is discussed in relevant industry meetings including the Distribution Workstream and Billing Operational Forum being held on 26th October 2006. This alternative modification, by definition, should form part of any such discussions.

Nature and Purpose of Proposal (including consequence of non implementation)

Mod 0117 has been triggered by a single reconciliation (SE LDZ Offtake Meter Error) due to the financial impact it has on various parties within the gas industry. It is not clear from Mod 0117 whether the proposal will only deal with this specific, or type of, reconciliation or is to cover all types of invoicing across all activities. This alternative modification seeks to amend the cut-off dates for all invoicing activities and invoice. This proposal takes into account billing periods, invoice queries, processing timescales and any potential implications due to Limitations Act 1980. If clarification for Mod 0117 confirms that the original proposal is also to apply to all invoice types and activities then the timescales for implementation will need to be considered as time will be required to develop detailed principles with the industry. To operate manual invoicing processes for all invoices whilst system changes are made would not be possible due to the high number of invoices involved (xoserve produce approximately 24,000 per annum).

Business rules will need to be developed to facilitate this alternative proposal, Gas Transporters have previously discussed this subject with xoserve and some high level work in this area has been carried out.

Proposal principles

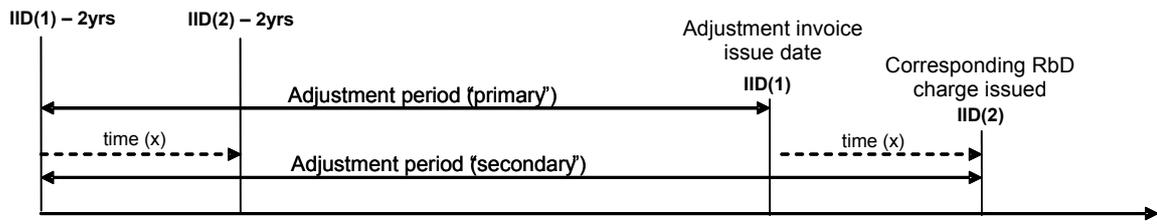
This alternative proposal covers all invoicing activities / triggers including:

Primary Charges (Monthly) – Commodity, Capacity and Energy

Reconciliation Charges – Reconciliation by Difference (RbD) Charges, DM/NDM reconciliation, LDZ Offtake reconciliation, I&C CSEP reconciliation and Suppressed Reconciliation (SRV / USRV)

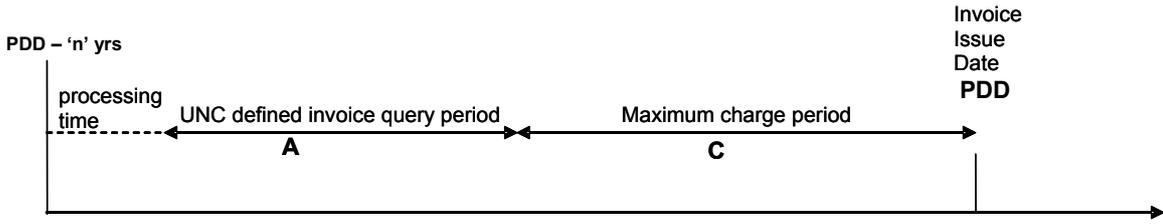
Adjustment Charges – Invoice queries, Operational queries and Consumption adjustments

Unlike invoicing that only involves a single supplier and customer, the transportation and energy charging regime is both a one-to-many and many-to-many relationship. Due to this it is not possible to simply have a cut-off period without considering ‘secondary’ invoices (a credit / debit triggered as a result of an adjustment). This is most apparent for some reconciliations and adjustments where the counter party is the Smaller Supply Point (SSP) market through the RbD process, which in some instances, is invoiced a month in arrears to the ‘primary’ reconciliation or adjustment. Because of the way in which counter party charging operates, merely setting a line in the sand (LIS) of 2 years (as suggested in Mod 0117) from Invoice Issue Date (IID) is not feasible as a proportion of the ‘secondary’ charge could not be invoiced as it would fall outside the 2 year period. This can be illustrated in the following way:



The time difference between IID(1) and IID(2) (shown as time (x)) will fall outside of the 2 year period and the corresponding RbD charge could not be processed.

Currently UNC parties have 18 months from invoice payment due date (PDD) to raise an invoice query, changing this period will also be considered under this alternative modification proposal. Where a query is upheld, an adjustment is processed. The maximum adjustment period is 18 months from the . invoice payment due date. Individual invoice queries may result in adjustment charges that can be debits or credits. The counter party to these adjustments (for commodity and energy charges) will be the SSP market through RbD. As with the reconciliations / adjustments the query period must be considered when limiting or defining the period for which invoices charges can be applied to.



To establish a suitable line in the sand (LIS) the maximum charge period (C) and the invoice query period (A), along with necessary processing time, need to be considered. This can not be a fixed date (as 1st February 1998 has been) and therefore must roll forward. Rolling forward on a daily basis would be unnecessary as invoices are issued on a monthly basis. Rolling forward on a monthly (or more frequent) basis will impose significant administrative burden to all parties involved as invoicing processes would be severely impacted. Rolling forward on six monthly basis would be more sensible with the date being adjusted every 1st April and 1st October, this would lead to 'C' varying by up to six months and clear cut-off periods would need to be established.

Advantages of Proposal

This alternative modification would deliver the objectives outlined in Mod 0117, whether the specific reconciliation concerned would be affected will depend on the content of the invoice issued and whether the invoice is issued before or after the proposed implementation of this alternative modification

The main advantages of this proposal are:

- Increased incentive on all parties to ensure data flows are accurate and timely
- Reduced potential size of any one-off reconciliation
- Reduction in the number of charge items on reconciliation invoices
- Costs more accurately targeted as allocations based on market share will be more reflective
- Reduction in uncertainty of costs for Smaller Supply Point Shippers
- Reduction in need for data retention by all parties
- Certainty for all parties regarding long term accruals and provisions

Unlike 117, an alternative proposal could allow time for more NDM LSP reads to be collected and reconciled under the provisions of M3.6, which is initiated on the 2nd anniversary of the last read of an Annually Read Meter.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

This alternative modification proposal will deliver the same benefits as Mod 0117 on a wider scale and therefore will better facilitate the following objectives;

This alternative modification proposal will further SSC A11.1 as it incentivises all parties to improve timeliness and accuracy of data and ensure that costs are targeted at the appropriate parties. The potential for a single reconciliation, such as the recent SE LDZ meter error, would be limited by the revised maximum charge period reducing the potential financial risk to all parties.

This alternative modification proposal will reduce barriers to entry for Smaller Supply Point Shippers, by reducing exposure of current parties to old charges/reconciliations.

This alternative modification proposal will improve efficiency by reducing the number of invoices and charges.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

There will be system impacts and changes will be required to xoserve systems, timescales and costs of the associated changes are as yet unknown, the Proposer recommends that the Transporters submit a Change Order (as defined in Schedule 10 of the xoserve Agency Service Agreement) to establish these. The costs associated with making the necessary system changes would be met by the Transporters through the xoserve change process.

The implementation timescales would have to be in line with the necessary system changes and any additional period agreed upon in order for parties to process transactions that would be disregarded post-implementation.

System impacts to UKLink to ensure correct compliance.

Proposals for LDZ reconciliations require no UKLink system change and could be implemented earlier.

Code Concerned, sections and paragraphs

UNC TPD Sections E and S

Proposer's Representative

Liz Spierling (Wales & West Utilities)

Proposer

Simon Trivella (Wales & West Utilities)

Signature

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