

**Modification Report**  
**Invoicing Arrangements for Late Payments**  
**Modification Reference Number 0220**  
**Version 3.0**

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

**1            The Modification Proposal**

Currently under UNC Section S 3.5 “*where any amount payable under an Invoice is not paid on or before the due date, the paying party shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made.*”

E.ON UK fully supports the incentive, but Shippers are reliant on Transporters to raise the debit/credit Interest Invoice, as per the Operational Rules Governing the Supply of Invoices Charges Via the Ad-Hoc Process document. Under UNC there is no timescale defined within which the Transporter must raise an Interest Invoice and Shippers are unable to raise Interest Invoices. This could result in a situation whereby Interest Invoices are not raised in a timely manner, or the Transporter could raise only late payment debits (i.e. if the Shipper has paid late), but fail to raise late payment credits (i.e. if the Transporter has paid late). This could lead to a perverse situation where late payments costs are only recovered by the Transporter.

E.ON UK believes that the timing and raising of an Interest Invoice needs to be clarified within the UNC, which will ensure appropriate invoice behaviour is maintained whereby no party is disadvantaged inappropriately.

It is therefore proposed that a change to UNC Section S 3.5 is required, to define the time period in which the Interest Invoice (triggered as a consequence of late payment) is to be issued by the Transporter. It is proposed that the UNC be amended to state that an Interest Invoice be raised no more than 35 days after the date of the late payment.

For the avoidance of doubt, this proposal applies equally to values which are credits and debits to shippers. The proposal applies only to Gas Transportation Invoices and will exclude Energy Balancing Invoices. No change is proposed to the Invoice Due Date of the Interest Invoice as specified within Section S3.1.2(b)

**2            Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

***Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (b): so far as is consistent with sub-***

*paragraph (a), the 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;*

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

EDF Energy state that “Standard Special Condition A5 of the GDN and NTS Licences requires the Transporters to develop a charging methodology so that “compliance with the charging methodology results in charges which reflect the costs incurred by the Licensee in its Transportation business.” This proposal will ensure that costs are targeted at those who are causing them to be incurred in a timely manner. This could therefore be seen to facilitate this relevant objective, albeit marginally.”

***Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the 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;*

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the 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;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;***

Implementation of this Proposal would clarify that Interest Invoices need to be raised in a timely manner by Transporters. Implementation would therefore better facilitate “*the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code*”.

### **3 The implications of implementing the Modification Proposal on security of**

**supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

**4 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:**

**a) Implications for operation of the System:**

No implications for the operation of the system have been identified.

**b) Development and capital cost and operating cost implications:**

There is no direct capital, development or operating costs on Transporters resulting from this proposal.

**c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No such costs have been identified and, therefore, no additional cost recovery is proposed.

**d) Analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequence is anticipated.

**5 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

No such consequence is anticipated.

**6 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

No implications for the UK Link system of the Transporters have been identified.

**7 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

***Administrative and operational implications (including impact upon manual processes and procedures)***

It is anticipated that, if implemented, this Proposal would enhance clarity around the current administrative procedures regarding raising Interest Invoices.

***Development and capital cost and operating cost implications***

EDF Energy considers that ensuring the timely issuing of Interest Invoices will benefit Shippers in their matching on their settlement systems. This could therefore reduce operational costs.

***Consequence for the level of contractual risk of Users***

No adverse consequences have been identified.

**8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

No adverse implications have been identified.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- Transporters and Shippers will have clear guidelines regarding the raising of debit/credit Interest Invoices.
- There will be adequate incentives to ensure Interest Invoices are processed by the Transporters in a timely manner.

**Disadvantages**

WWU states that the original draft version of the Modification Proposal included the ability for the User to net off any credit Interest Invoice amount that was not raised within the required timescale, of a suitable debit Invoice. They consider that, by removing this, the potential benefits of the Modification Proposal have been diminished. This Modification Proposal does not provide the User with any suitable remedy, to recover the interest amount, should a Transporter not comply with its obligation.

**11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Representations were received from the following parties:

<b>Organisation</b>	<b>Position</b>
Corona Energy	Supports
E.ON UK	Supports
EDF Energy	Supports
National Grid Distribution	Supports
National Grid NTS	Supports
Northern Gas Networks	Qualified Support
RWE Npower	Supports
Scotia Gas Networks	Supports
Scottish and Southern Energy	Supports
Wales & West Utilities	Supports

Northern Gas Networks offer qualified support as they are concerned about the timing of data provision at least five days in advance of the invoice and that this process takes 1-2 days. For the invoice to be issued within 35 days of the late payment, the Transporter must begin the process by the 28<sup>th</sup> day (35-5-2=28) after the late payment is received. While this may seem a reasonable timescale it is possible that a monthly process such as that operated by Northern Gas Networks may miss the 35 day deadline.

**12 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

**13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

**14 Programme for works required as a consequence of implementing the Modification Proposal**

No programme of works would be required as a consequence of implementing

the Modification Proposal.

**15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

Implementation is recommended by 31 December 2008.

**16 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

At the Modification Panel meeting held on 20 November 2008, of the eight Voting Members present, capable of casting ten votes, ten votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommended implementation of this Proposal.

**18 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

**19 Text**

**UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT**

**SECTION S – INVOICING AND PAYMENT**

*Add new paragraph 3.6.6 to read as follows:*

3.6.6 Except in the case of late payment of a Balancing Invoice, where pursuant to paragraph 3.5.1 interest is payable by a Transporter or a User, the Transporter shall submit to the relevant User, an Interest Invoice within 35 Days of the Day on which payment is made.

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**