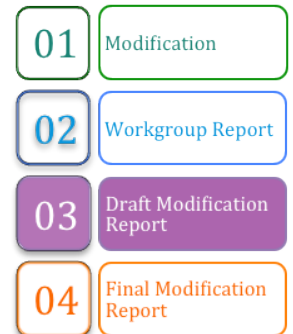


Stage 03: Draft Modification Report

0447S:

Exception to Code Cut Off Date for energy Balancing debt Recovery purposes

At what stage is this document in the process?



This modification proposal seeks to introduce an exception to the Uniform Network Code (UNC) Transportation Principal Document (TPD), Section S1.4.4, which states that no Invoice Document shall contain an Invoice Item or Invoice Amount relating to a period prior to the Code Cut Off Date. The proposed exception will apply only where an Invoice Item or Invoice Amount relates to invoicing of recovered energy balancing debts pursuant to X.4.



Responses invited by 15 April 2013.



High Impact:
None



Medium Impact:
Shippers



Low Impact:
None

0447S

Draft Modification Report

21 March 2013

Version 1.0

Page 1 of 7

© 2013 all rights reserved

Contents

1	Summary	3
2	Why Change?	4
3	Solution	5
4	Relevant Objectives	6
5	Implementation	7
6	Legal Text	7
7	Recommendation	7

About this document:

This Draft Modification Report is issued for consultation responses, at the request of the Panel on 21 March 2013. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

The close-out date for responses is 15 April 2013, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at: www.gasgovernance.co.uk/0447

The Panel will consider the responses and agree whether or not this self-governance modification should be made.



Contact:
Joint Office



enquiries@gasgovernance.co.uk



0121 623 2115

Proposer:

Beverley Viney



Beverley.viney@nationalgrid.com



01926 653547

Transporter:

**National Grid
Transmission**

Systems Provider:

Xoserve



commercial.enquiries@xoserve.com

0447S

Draft Modification Report

21 March 2013

Version 1.0

Page 2 of 7

© 2013 all rights reserved

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification.

Why Change?

UNC TPD Section S1.4.4 does not permit any Invoice Document to contain an Invoice Item or Invoice Amount which relates to a period prior to the Code Cut off Date, 1st April in Formula Year t-4.

Section X3.4 recognises that the recovery of debt can extend over significant timescales and may result in debt recovery that is associated with invoice periods prior to the Code Cut Off Date. As a result, recovered debts that relate to an invoice period prior to the Code Cut Off Date are prevented from being appropriately settled with the relevant shippers and will remain in the Balancing Neutrality bank account indefinitely. Therefore, Relevant Users will not receive the credits, which under Section X3.4.5, recovery of debt provisions, they are entitled to.

Solution

This modification proposes to introduce an exception to the Code Cut Off Date where it arises pursuant to TPD Section X3.4 where monies are received following the completion of Directed Recovery Steps.

Relevant Objectives

This modification will impact positively upon relevant objective D.

Relevant Objective D: Securing of effective competition: - facilitates improvements in correctly allocating recovered debt which reduces gas community risk to socialised bad debt.

Implementation

As Self-Governance procedures apply, implementation could be sixteen business days after a Panel decision to implement (subject to no Appeal being raised).

2 Why Change?

The issues that this modification seeks to address were initially raised and developed by the Energy Balancing Credit Committee. National Grid NTS volunteered to sponsor the modification, on behalf of the Committee, in order that the proposed revisions to Code may continue to progress through the Modification Proposal process.

TPD Section S1.4.4 UNC

In April 2008 TPD Section S1.4 was introduced following the implementation of Modification Proposal 0152V "Limitation on Retrospective Invoicing and Invoice Correction". This proposal, outlined by Review Group 0126, aimed to appropriately limit Adjustments and Reconciliations, which at that time could be back dated to 1ST February 1998, with a rolling 5 year backstop date (Code Cut Off Date).

Initially, this provision did not impact the re-allocation of recovered debt under TPD Section X, as the allocation was calculated via a methodology which did not reference Users' market shares as at the original Invoicing Date. However, in April 2009 Modification Proposal 0235 "Recovery of Debt and Smearing of Revenues via Energy Balancing Neutrality" was implemented, which amended TPD Section F. The effect was to redefine the relevant Adjustment Day and calculations used for an Adjustment Neutrality Amount to reference the original invoice period rather than the date of payment, thus potentially creating Invoice Items or Invoice Amounts relating to a period prior to the Code Cut Off Date.

Consequently the situation can arise where part or all of an outstanding debt recovered pursuant to TPD Section X3.4. is received after the Code Cut off Date; therefore these modifications have the effect of preventing the re-allocation of some recovered debt indefinitely.

This leads to remaining monies held in the Balancing Neutrality bank account indefinitely, rather than being appropriately allocated to the relevant Users, which under Section X3.4.5, recovery of debt provisions, they are entitled to.

3 Solution

TPD Section S1.4. UNC Exception

This modification proposes to introduce an exception to the Code Cut Off Date when this is to credit/debit the monies recovered due to a Directed Recovery Step(s) carried out in accordance with TPD Section X3.4. This will result in an Invoice Item or Invoice Amount relating to a period prior to the Code Cut Off Date for this exception only.

For Information "**Code Cut Off Date**" is defined as, in relation to any Day within a Formula Year (t), the Code Cut Off Date is 1st April in Formula Year t-4.

The Code Cut Off Date exception would also apply to any costs that may be incurred as a result of the provision detailed in Section X3.4.5; where the costs incurred by National Grid NTS in taking necessary "Directed Recovery Steps" are greater than the value of the debt recovered. We note that Xoserve in their capacity of managing Energy Balancing Credit arrangements, on behalf of National Grid NTS do not anticipate any such costs being greater than the value of debt recovered. We believed that this concern may be further mitigated by virtue of provisions outlined in Section X3.4.2 which states that, "The Energy Balancing Credit Committee shall direct National Grid NTS as to what recovery steps (if any to take)... To recovery Energy Balancing Debt from a Defaulting User" and X3.4.3 where National Grid NTS, "in relation to Energy Balancing Debt will and shall be entitled to discontinue taking Directed Recovery Steps... where the Energy Balancing Credit Committee has authorised it to do so.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
No system changes are required for the implementation of this modification proposal and no User Pays costs are anticipated.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
None
Proposed charge(s) for application of User Pays charges to Shippers.
None
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
None

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) 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.	None
c) Efficient discharge of the licensee's obligations.	None
d) 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.	Positive
e) 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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Relevant Objective D: Securing of effective competition.

Relevant Objective D: Securing of effective competition: - facilitates improvements in correctly allocating recovered debt which reduces gas community risk to socialised bad debt.

5 Implementation

It is anticipated that this modification would have no material impact on processes and no additional cost.

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement (subject to no appeal being raised).

6 Legal Text

Text

The following Text has been provided by National Grid NTS at the request of the Modification Panel.

TPD Section S1.4.4:

1.4.4 No Invoice Document shall contain an Invoice Item or Invoice Amount that shall relate to any Day or period prior to the Code Cut off Date provided that such Code Cut Off Date shall not apply in respect of an Invoice Item or Invoice Amount which relates to Recovered Amounts or Recovery Costs pursuant to Section X3.4.

7 Recommendation

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this self-governance modification.