











Stage 01: Modification		At what stage is this document in the process?
<h1>0578:</h1> <h2>Implementation of Retrospective Invoice Adjustment arrangements (Project Nexus transitional modification)</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 2px solid green; border-radius: 10px; padding: 5px; display: inline-block;">01 Modification</div> <div style="border: 2px solid blue; border-radius: 10px; padding: 5px; display: inline-block;">02 Workgroup Report</div> <div style="border: 2px solid purple; border-radius: 10px; padding: 5px; display: inline-block;">03 Draft Modification Report</div> <div style="border: 2px solid orange; border-radius: 10px; padding: 5px; display: inline-block;">04 Final Modification Report</div> </div>
<p>This modification identifies requirements relating to Retrospective Data Updates and Updated Meter Readings to enable an orderly and efficient transition from current UNC arrangements to those identified within UNC Modification 0434 - Project Nexus – Retrospective Adjustment</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> • considered at short notice • assessed by a Workgroup 	
	High Impact: Large Transporters and Shipper Users	
	Medium Impact: None	
	Low Impact: None	

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About this document:		 commercial.enquiries@xoserve.com
This modification will be presented at short notice by the proposer to the panel on 17 March 2016.		
The panel will consider the proposer's recommendation and agree whether this modification should be referred to a workgroup for assessment.		
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	12 April 2016	
Workgroup Report presented to Panel	16 June 2016	
Draft Modification Report issued for consultation	16 June 2016	
Consultation Close-out for representations	08 July 2016	
Final Modification Report published for Panel	11 July 2016	
UNC Modification Panel decision	21 July 2016	

1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this modification is expected to have a material impact on existing gas consumers. This is because the changes are a component of the suite of Project Nexus related UNC Modifications, all of which are necessary to implement the contractual arrangements underpinning the UK-Link replacement programme.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested because this is not a housekeeping matter.

Why Change?

The component of UNC Modification 0434 'Project Nexus – Retrospective Adjustment' pertaining to Updated Meter Readings will be implemented on 01 October 2016. As a consequence of implementation of UNC Modification 0573, the Retrospective Data Update elements of Modification 0434 will be implemented on 01 October 2017.

With the approval by the Authority of Modifications 0434 and 0573, it is necessary to ensure that there are appropriate transitional provisions within the UNC to facilitate an orderly progression from the existing UNC provisions to those implemented under Modification 0434.

Solution

Modification of the UNC is required to identify the terms under which Shipper Users may request retrospective adjustments to relevant invoices in accordance with the framework to be implemented under UNC Modification 0434. Transitional terms are required to allow Reconciliation Clearing Values to be re-calculated for those parts of an affected Reconciliation Meter Period, which fall either side of the Project Nexus Implementation Date and/or 01 October 2017.

Relevant Objectives

This Modification would enable clarity of arrangements concerned with the transition to Project Nexus implementation pertaining to reconciliation invoice adjustments, which is due for implementation on 01 October 2016 (Updated Meter Readings) and 01 October 2017 (Retrospective Data Updates). This facilitates GT Licence relevant objective f) Promotion of efficiency in the implementation and administration of the Code.

Implementation

No implementation timescales are proposed. However, this Modification could be implemented immediately upon direction and it would be desirable if this Modification were implemented by no later than the end of August 2016 to add certainty to the transition process.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification impacts the industry programme for replacement of UK-Link systems. This is because the requirements contained within this modification govern how Updated Meter Readings and Retrospective Data Updates are treated during the implementation period.

It is essential to the success of the UK Link Replacement Programme.

2 Why Change?

The Updated Meter Readings component of UNC Modification 0434 'Project Nexus – Retrospective Adjustment' is planned for implementation on 01 October 2016. The Retrospective Data Update element will be implemented on 01 October 2017. It should be noted that the 'phased' implementation timetable was enabled by implementation of UNC Modification 0573. Closely associated with this are implementation of the relevant systems and process changes by the Transporter Agency, Xoserve within the remit of the 'UK-Link Replacement' programme.

UNC Modification 0434 identifies the enduring arrangements concerned with reform of reconciliation invoice adjustments. However, at all stages of development of the regime, it was recognised by the industry that 'transition' arrangements under the UNC would be required. In this case terms are required to enable Shipper Users to request adjustment of relevant reconciliation invoices following implementation of Project Nexus on 01 October 2016 (for Retrospective Data Updates, 01 October 2017) with respect to adjustment periods prior to Project Nexus Implementation. Without this there could be an adverse financial impact of Shipper Users and ultimately to consumers through inaccurate cost targeting in the period immediately following implementation of Project Nexus.

As a Shipper User is able to request the retrospective update of a relevant reconciliation invoice in accordance with the terms introduced under UNC Modification 0434 it is possible that, in the case of:

- An Updated Meter Reading that part of the affected Reconciliation Meter Period may fall both before and after the Project Nexus Implementation Date;
- a Retrospective Data Update that part of the affected Reconciliation Meter Period may fall both before and after the Project Nexus Implementation Date and/or also before and after 01 October 2017.

Accordingly transitional rules are needed to make clear the basis on which Reconciliation Clearing Values will be re-calculated for those parts of an affected Reconciliation Meter Period falling either side of the Project Nexus Implementation Date and/or either side of 01 October 2017.

3 Solution

Modification of the UNC is required to facilitate the retrospective adjustment of relevant invoices (under the rules specified within UNC Modification 0434) for periods prior to the Project Nexus Implementation Date. It will be noted that rules are required to ensure a 'phased' implementation of Modification 0434 i.e. Updated Meter Readings on 01 October 2016 and Retrospective Data Updates on 01 October 2017.

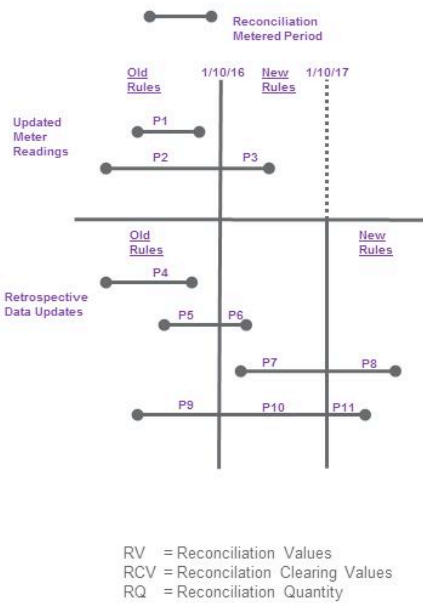
Transitional terms are required as follows:

- Where appropriate the relevant invoice adjustment would be processed as follows:
 - For Larger Supply Points (LSPs) subject to validation of the request there would be a financial adjustment.
 - For Smaller Supply Points (SSPs) there would be no financial adjustment made with respect of any period prior to the Project Nexus Implementation Date.

- No invoice adjustments will be processed for any period prior to the Code Cut Off Date
- If the retrospective update request applies to a period prior to the Code Cut Off date, the amendment date must be set to the Code Cut Off Date.

For the purposes of illustration of the solution the following diagram shows possible affected Reconciliation Meter Periods and the table sets out the basis on which new Reconciliation Clearing Values will be determined based on the rules set out in paragraph 5.6.3 (and whether or not the site is post-Project Nexus Implementation Date individually reconciled or not) of the proposed legal text

Treatment of Affected Offtake Reconciliations



	Individually-Reconciled	Not Individually-Reconciled
P1	RVs determined in accordance with New Rules	No re-determination
P2	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	No re-determination
P3	RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation	RVs determined in accordance with New Rules
P4	Reconciliation Values determined in accordance with New Rules	No re-determination
P5	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	No re-determination
P6	RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation	RVs determined in accordance with New Rules
P7	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	RVs determined in accordance with New Rules
P8	RQ and RCV determined under New Rules for purposes of Unidentified Gas Reconciliation	RVs determined in accordance with New Rules
P9	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	No re-determination
P10	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	RVs determined in accordance with New Rules
P11	RQ and RCV determined under Old Rules for purposes of Aggregate NDM Reconciliation	RVs determined in accordance with New Rules

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, no User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays modification.
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.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

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.	None
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.	Positive
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

This Modification would enable maximum flexibility for Shipper Users in respect of arrangements concerned with reconciliation invoice adjustments under the proposed 'Project Nexus' regime and due for implementation on 01 October 2016 (Updated Meter Readings) and 01 October 2017 (Retrospective Data Updates).

The Modification is required to provide clear rules and guidance to Transporters and Shipper Users on the treatment of data existing and provided under the UNC before and during implementation of the UK-Link Replacement Programme (including Project Nexus). The measures identified can be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

5 Implementation

No implementation timescales are proposed. However, this Modification could be implemented immediately upon direction and it would be desirable if this Modification were implemented by no later than the end of August 2016 to add certainty to the transition process.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). The rationale for this is explained below.

Pre Project Nexus Implementation

The changes will affect the UK Link Replacement programme prior to implementation. This is because it is necessary to determine for the purposes of systems build how Retrospective Adjustments are to be addressed.

Project Nexus Implementation

As above

Post Project Nexus Implementation

This Modification contains transitional terms and obligations, which will expire over time.

7 Legal Text

Text

TRANSITION DOCUMENT, PART IIF ¹

Delete TPD Section E6.9 and TD Part IIC paragraph 17.1.2 (and insert 'Not Used') and insert the following text as a new paragraph 5.6 in TD Part IIF to read as follows:

5.6 Retrospective Adjustments

5.6.1 The New Rules (as to Retrospective Data Updates and Updated Meter Readings) are effective on and after the Implementation Date, subject to:

- (a) the further provisions of this paragraph 5.6; and
- (b) in the case of Retrospective Data Updates only, TD Part IIC paragraph 23.1.

5.6.2 In the event a User submits:

- (a) a Retrospective Data Update Notification and the Update Effective Date;
- (b) an Updated Meter Reading for which the Read Date,

is earlier than the Implementation Date, then for the purposes of TPD Section M6.7.4 and M6.8.3 paragraph 5.6.3 shall apply.

5.6.3 Where this paragraph applies:

- (a) in relation to a System Exit Point which was Individually-Reconciled:
 - (i) for each Affected Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Values shall be carried out by reference to the Updated

¹ TD Part IIF contains the core Project Nexus transitional rules introduced under Modification 0528V.

- Data or Updated Meter Reading in accordance with the New Rules and on the basis referred to in paragraph 3.2.4(a);
- (ii) where an Affected Offtake Reconciliation is a Transitional Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Quantity and the Reconciliation Clearing Value shall be carried out for the First Period and the Second Period on the basis referred to in paragraph 3.2.4(b) for the purposes of Unidentified Gas Reconciliation (under the New Rules) and Aggregate NDM Reconciliation (under the Old Rules);
- (b) in relation to a System Exit Point which was not Individually-Reconciled:
- (i) no determination (or re-determination) of the Reconciliation Values shall be carried out in relation to an Affected Offtake Reconciliation in respect of which the Reconciliation Metered Period ended prior to the Implementation Date;
- (ii) in respect of an Affected Offtake Reconciliation which is a Transitional Offtake Resolution the determination (or re-determination) of Reconciliation Values shall be carried out in accordance with the New Rules by reference to the Updated Data for the Second Period only and on the basis referred to in paragraph 3.2.5.

5.6.4 Where a Previous Registered User submits a request to the Transporter under Section M 6.7.5(b) in relation to an Affected Offtake Reconciliation to which paragraph 5.6.3 applies, the replacement of Reconciliation Values in relation to the part of the Reconciliation Meter Period(s) in respect of which such User was the Registered User of the System Exit Point shall also be in accordance with paragraph 5.6.3.

8 Recommendation

The Proposer invites the Panel to:

- Determine this modification should be considered at short notice;
- Should not be subject to self-governance; and
- Progress to Workgroup assessment.