

Steve Ladle  
IGT UNC Panel Chair

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Date: 11 April 2017

Dear Steve

**IGT097: Provisions for allowing consecutive estimated invoicing in the event of System Failure by the CDSP**

We have received a request that modification proposal IGT097: '*Provisions for allowing consecutive estimated invoicing in the event of System Failure by the CDSP*' follows the urgent modification procedures.<sup>1</sup>

**Background**

On 14 January 2015 the Authority directed a modification to the Standard Conditions of the Gas Transporters (GTs) licence.<sup>2</sup> The effect of the modification is to require that the independent GT (IGTs) procure certain services and systems through a common Agent, bringing them into line with the existing such obligation upon the other GTs. This change will be given practical effect as part of Project Nexus, incorporating the IGTs into central IT systems for the first time. The new IT systems are scheduled to go live on 1 June 2017.

Project Nexus, will fundamentally change the basis of supply point administration and gas settlement, not least for the IGTs, whose invoicing of shippers will be administered by the common Agent, Xoserve, now referred to as the Central Data Services Provider (CDSP).

Currently, the IGT UNC provides that in the event of an IGT system failure, the IGT is allowed to submit an estimated invoice to the Gas Shipper(s). However, if the system failure extends across more than one billing period, the IGT is not able to submit consecutive estimated invoices without the Shippers' consent.

IGT097 proposes to remove this requirement for the Shippers' consent to consecutive estimated invoices in the specific event of a system failure of the CDSP. Provisions relating to any failure on the part of the IGT would remain as they are. The proposer contends that this modification is necessary, as their cash flow would otherwise be heavily reliant upon the operation of the CDSP. The proposer notes that the construct of the CDSP contract means that they are unable to manage this risk effectively, for instance through backing it off into the CDSP contract.

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<sup>1</sup> Modification proposal IGT097 can be found on the IGT UNC website at:

[www.igt-unc.co.uk/Modifications/Open+Modifications/iGT097](http://www.igt-unc.co.uk/Modifications/Open+Modifications/iGT097)

<sup>2</sup> See: [www.ofgem.gov.uk/ofgem-publications/92454/projectnexusletterfinal.pdf](http://www.ofgem.gov.uk/ofgem-publications/92454/projectnexusletterfinal.pdf)

On 7 April 2017, the proposer amended IGT097 such that its provisions would be time-bound, expiring eight months from its implementation. We understand that the proposer chose this period of eight months in order to ensure that IGT097 also covered the expected implementation of IGT080<sup>3</sup> in the November 2017 scheduled IGT UNC release, which will further increase the IGTs reliance on the CDSP.

## Our decision

In coming to our decision we have assessed the request for urgency against our published guidance.<sup>4</sup> We have considered in particular whether it is linked to “*an imminent issue or current issue that if not urgently addressed may cause a significant commercial impact on parties*”.

We acknowledge that the implementation of the CDSP arrangements and in particular the implementation of new IT systems on 1 June 2017 represent a significant change to both Shippers and IGT operations. All parties have been engaged in thorough testing as part of Project Nexus, which completed to a sufficiently satisfactory level for the programme to substantively exit the Market Trials regression-testing phase on 24 March 2017. Therefore, whilst we have no reason at this stage to believe that the CDSP will encounter any problems in issuing invoices on behalf of IGTs, we acknowledge that parties have some residual concerns and that this area perhaps more than any other could have significant commercial implications if issues do arise.

We note that the proposal would only apply in the event that the system failure is of sufficient materiality to prevent the production or submission of *any* invoice documents within 7 days of the expected date. To the extent that this could cause serious cash flow implications for both the IGT expecting to receive monies, and for the Shippers’ who may face a growing indebtedness and the prospect of an unusually large invoice that is immediately due for payment. We are therefore satisfied that it is appropriate for this proposal to follow an urgent timetable, allowing for clarity of what the contingency arrangements may (or may not) be in the event of a CDSP system failure. We therefore accept the proposer’s suggested timetable as follows:

Process	Date
Draft proposal discussed at: <a href="#">IGT modification workstream</a>	4 April 2017
Amended proposal Issued for consultation	11 April 2017
Consultation closes	13 April 2017
Draft modification report ready for panel	18 April 2017
Modification panel recommendation	19 April 2017
Authority decision requested by	26 April 2017
Implementation (if applicable)	1 June 2017

For the avoidance of doubt, our decision on urgency should not be taken as an indication of our views on the merits of IGT097. The Authority will make a decision on IGT097 in due course and in accordance with the appropriate process after taking into account all relevant considerations.

Yours sincerely

**Rob Salter-Church,**  
**Partner, Consumers and Competition**

Signed on behalf of the Authority and authorised for that purpose

<sup>3</sup> See: IGT080: ‘Mandating iGT use of data as administered by the Pipeline Operators’ Agency for Shipper Transportation Billing’.

<sup>4</sup> See: [www.ofgem.gov.uk/system/files/docs/2016/02/urgency\\_criteria.pdf](http://www.ofgem.gov.uk/system/files/docs/2016/02/urgency_criteria.pdf)