

iGT UNC / iGT INC Modification Proposal

Date	20 th July 2007
Urgency	Non-urgent
Reference	iGT006
Status	For Consultation
Title	Issue of estimated transportation invoices in the event of system failure
Proposer	David Speake, ES Pipelines
iGT UNC / Pipeline Operator	iGT UNC
Modification Proposal Dates	<i>Circulation: 22/08/07</i> <i>Response: 13/09/07</i> <i>Circulation of DMR: 04/10/07</i> <i>Response to DMR: 25/10/07</i> <i>FMR sent to authority: 30/11/07</i> <i>Suggested Implementation date: Feb 08</i>

<p>Urgency</p> <p>NA</p> <p>Background</p> <p>Pipeline Operators invoice Pipeline Users for transportation charges on a monthly basis. Currently, if Pipeline Operators are unable to produce this invoice as a result of system failure, there exists no formalised contingency to allow estimated invoices to be issued. Such a situation would currently be dealt with by ad-hoc agreements requiring communication by the Operator to all parties, with the potential of varying arrangements between individual parties. It would seem sensible to protect Pipeline Operators' revenue streams by codifying a formal contingency arrangement. This would also provide certainty to Pipeline Users that normal payment cycles will not be delayed in such circumstances.</p> <p>The UNC contains provisions and this iGT UNC modification proposal will seek to replicate them, in order to prevent disruption to Pipeline Operators' revenue streams and provide certainty to Pipeline Users of regular and timely invoices.</p> <p>The Proposal</p> <p>The modification will allow the Pipeline Operator to generate estimated transportation invoices in the case where their system that would normally do this has failed and as a result no invoice document has been produced or submitted within 7 days after the expected date. Such an estimated invoice will be a valid invoice and must be accepted as such by the Pipeline User, subject to the provision of supporting data and an explanation of the basis of estimation. The proposal also allows for dispute of such an estimated invoice or estimation method by the Pipeline User, and disallows consecutive monthly estimated invoices, unless by specific agreement.</p> <p>Note that the proposal does not mandate that the Pipeline Operator submits an estimated invoice in the case of system failure. The purpose is to allow the ability to do so, and if so,</p>



to ensure that supporting data is provided and to allow Pipeline Users a route to 'challenge' the estimated invoice or method of estimation, by discussion with the shipper.

To follow this to conclusion, the Pipeline Operator and Pipeline User's discussion should result in an agreed (potentially revised) estimate, which will be the amount payable. If there is no agreement, the Pipeline User will raise an Invoice Query, which will proceed in accordance with Clause G 15 (will become G 16).

A system failure may be an event or circumstance affecting the IT system of a Pipeline Operator that affects the ability of that Pipeline Operator to generate information for communication or to give or receive communications associated with that information. It is not envisaged that planned downtime would constitute system failure.

Suggested timescale for implementation

According to standard implementation timescales.

How will the proposal operate?

New Clause "Estimated Invoice Document" to be inserted after Clause 4 of Part G. Subsequent clauses to be adjusted.

Facilitation of the relevant objectives

The Proposer believes that the modification will better facilitate the "efficient and economic operation of the pipe-line system" by adding certainty where no provisions are currently in place, and by aiding uninterrupted revenue streams. By standardising what could currently be a differing approach between Pipeline Operators and Pipeline Users in the event of system failure, "effective competition between relevant shippers" is also improved.

Proposed Legal Text

No legal text is proposed at this stage, but the relevant text from the UNC has been included here for reference. The Proposer suggests that any legal text for the iGT UNC could be based on this, with appropriate changes to cross-referencing and terminology. For example, it may be necessary to state what constitutes a 'system failure' i.e. add this to defined terms, and which system(s) are being referred to etc.

The Proposer recommends that the Panel procures Legal Text to be included in the Draft Mod Report.

UNC text:

Section 5

1.9 Contingencies

1.9.1 Subject to paragraph 1.9.4, in the event that, as a result of a Code Contingency, the Transporter is unable to produce or submit any Invoice Documents within 7 Days



after the expected date (in accordance with paragraph 1.4) of submission thereof:
(a) the Transporter may prepare and submit an Invoice Document (as an Ad-hoc Invoice) containing estimated Invoice Amounts;
(b) such an Invoice Document will be a valid Invoice Document; and
(c) for the purposes of paragraph 1.3.4, the supporting data to be provided with the Invoice Document will be an explanation of the basis of estimation.

1.9.2 Where the User believes that the Transporter's estimate or basis of estimation is materially inaccurate, the User shall as soon as reasonably practicable after receiving the Invoice Document (and in any event before the Invoice Due Date) contact the Transporter and discuss the estimate or basis of estimation with a view to agreeing upon a more accurate estimate of the amount which is payable, which amount (if so agreed) shall be the amount payable by the User in respect of the estimated Invoice Document, but without prejudice to paragraph 1.8.1 or 4.3.

1.9.3 Where (following discussion under paragraph 1.9.2) the User raises an Invoice Query under paragraph 4.2.1:

(a) paragraph 4.2.1(c)(i) shall apply on the basis of the detail provided of the basis of estimation; and

(b) for the purposes of paragraph 4.2.1(c)(ii), the User shall specify the amount by which the User reasonably believes the Transporter's estimate to be under-or over-stated.

1.9.4 Except with the agreement of a User, the Transporter may not on the occurrence of any Code Contingency submit Invoice Documents containing estimated Invoice Amounts under this paragraph 1.9 in respect of consecutive Billing Periods.

1.9.5 Where in accordance with the Contingency Procedures the Transporter submits Invoice Documents, which do not contain estimated Invoice Amounts, such Invoice Documents shall be submitted in the format required in paragraph 1.3.4.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001

