

iGT UNC / iGT INC Consultation Response

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| Date | 29/02/2012 |
| Reference | iGT043 Modification Proposal Consultation |
| Title | Consolidation and Alignment of IGT Invoicing |
| Respondee | Andrew Margan, British Gas |
| Position on the Modification | Support Modification |

Overview

Following feedback via the iGT Modification Response process and via the iGT Mod Panel the below response is updated to address key points raised.

The feedback has not altered the original modifications objective to -

- Consolidate the invoicing data for SSP and LSP sites
- Aligning the format of the invoicing
- Aligning the format of the data

Feedback received was positive towards the change and although small system changes are required each party has confirmed these are manageable within appropriate time scales.

Therefore it is British Gas' understanding that the modification, should it be approved, will ensure the format of the invoicing is aligned to Shipper and iGT requirements in the short term, medium and long term.

By this British Gas means that as no iGT fully complies to the current iGT UNC, Section G, Pipeline and Transportation Charges, Appendix G-1 RPC Invoice Template, changes are required regardless.

In the medium term the changes will support the growth of the industry and ensure accurate and transparent charging.

In the long term the proposal delivers a future proof solution that enables the deliver of project Nexus and the Provision of single IGT Agency. At present due to non-alignment of the invoicing a single service provider could not deliver a single invoicing service.

Failure to approve this modification will maintain the status quo that no Shipper

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can accurately validate a single iGT Transportation charge as primary data is not provided. Therefore no Shipper is able to accurately pass through Transportation charges to customers. In an environment of austerity and pressures on customer bills and in a technical age that can deliver the solution it is unacceptable that the situation continues especially when you consider the iGT Transportation industry to be worth over £100m per annum.

British Gas would like to thank both Shippers and iGTs in understanding the importance of accurate billing and the support they have provided in developing this modification proposal. Through the industry working together to deliver the solution we believe the modification delivers benefits that out way any cost and therefore we look to the regulator to approve the proposal within the reasonable timescales as set out in Modification Proposal iGT043.

Below is the original response with amendments included.

Response Information and Comments

The objective of the invoicing backing data format, iGT UNC, Section G, Pipeline and Transportation Charges, Appendix G-1 RPC Invoice Template for Relative Price Control (RPC) Transportation charging of the RPC was to introduce an industry invoicing standard. The template has been in place since 2004 and we would suggest that the invoice template AppendixG-1 requires a review.

Following a review BG identified that shippers are unable to create the reassurance that the iGTs Transportation charging has been calculated correctly, because some of the primary data used to calculate the RPC Transportation rate is not present. This reassurance is important in an industry worth £100m. As the iGT portfolios grow Shipper's exposure to incorrect charging increases. The exposure for 1.2m supply points or £100m in cost is expected to grow further in the future.

British Gas has raised many disputes relating to the iGT Transportation rates in 2011. At stages of the disputes process, some iGTs were never able to show how the incorrect charge was calculated and how the new adjusted rate was calculated. British Gas was able to show how using the RPC methodology we had calculated a different value. Our disputes process delivered thousands of pounds in successful disputes, but British Gas would like to express serious concern that many disputes are outstanding because the charging is not transparent.

Modification iGT043 seeks to improve the Transportation invoicing data to enable Shippers to have the ability to calculate the RPC charge. We believe the modification achieves this by -

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- Reconfirming the backing data required
- Ensuring the additional information is required by all Shippers
- Aligning the format of the invoicing
- Aligning the format of the data

By reconfirming the backing data required we believe this to mean that mandatory backing data fields must be populated and should be populated when conditional, unless an exception in code exists. It is not the intention of this response to highlight where iGTs are non-compliant, but to seek a change where moving forward the iGTs provide the mandatory and conditional data to enable charging reassurance.

(The rules regarding the population of the fields including, field length, coding, mandatory, conditional etc has been amended in line with industry requirements as per the response feedback and through the input of the Mod Panel)

By increasing the information presented to Shippers we believe Modification iGT034 will ensure it is possible to calculate the Transportation charges received. The additional fields are -

- SSP SOQ. (SOQ converted from original AQ provided)
- iGT CSEP billing AQ. (AQ of CSEPs used for rate calculation)
- iGT CSEP billing SOQ. (SOQ of CSEPs used for rate calculation)
- CSEP AQ post AQ Review. (Updated CSEPs AQ by Shipper's portfolio)
- Meter Type. (E.g. Prepayment, Credit, Smart)
- Customer Corrector charge. (LSP meter corrector asset charge)
- Entry Transportation Rate. (Rate before annual adjustment)

The additional fields, (above) will also align the 'Transco equivalent' and the RPC invoice templates. Some iGTs charge sites above the 73,200kWh crossover on a separate invoice template. This leads to confusion and increased complexity.

By aligning the format of the invoicing we believe this means that Small Supply Points (SSP) and Large Supply Points (LSP) will be invoiced via the RPC invoice backing data template. We would expect that the property type code of the LSP site would be set to 'COM', which is the code for non-domestic sites.

(By aligning the format of the invoice, the proposal has been made to clear to allow separate SSP and LSP invoices to be sent and received. SSE and IPL use separate systems depending on the supply point. It is not the intention to force iGTs to merge or migrate their systems on to a new platform. Only to ensure

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separate systems comply with the invoicing format).

By aligning the format of the data we believe the modification addresses the issue of differing data formats being used for invoicing by the iGTs. An obvious interpretation is the date format. Many formats are used by the iGTs, but no iGTs comply with iGT UNC the code.

The value at stake for Shippers of not implementing Modification iGT043 is £100m which is a significant amount and the value is expected to grow. British Gas believes it is inappropriate for iGTs not to demonstrate clear and transparent charging.

Could a situation in the restaurant industry be acceptable that when customers receive a bill no transparency of the cost was possible? Customers in a restaurant would not pay without understanding their bill first. Applying this example to a Shipper environment when the validation process is audited we can not prove how the iGT Transportation rate was created and therefore our validation processes can not be signed off. This is causing increased internal concern.

Through the disputes process British Gas identified some RPC rates are being applied incorrectly. Disputes are outstanding and can not be reconciled as the billing information used by the iGTs is not available. British Gas is concerned that iGTs may not support this modification in an attempt to conceal incorrect charging.

If this modification is not approved

- Costs can not be passed through accurately to customers
- Opaque Transportation charging continues for Shippers
- Shippers and customers are exposed to incorrect charging
- The exposure to the risk of incorrect charging continues past an already unacceptable level
- iGT rate disputes will continue to be unresolved

It is detrimental to the industry that this modification is approved and implemented.

Implementation issues including impact on systems

Modification iGT043 will impact iGT billing systems and Shipper invoice validation systems. British Gas expects there to be cost associated with system changes, but we would like the opportunity to explain that system changes are necessary for iGTs to comply with current iGT UNC code, (iGT UNC, Section G, Appendix G-1 RPC

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invoice template).

As changes are necessary for all iGT systems the modification also seeks to capture data that will make the charging more transparent and ensure that additional future changes are not required. The additional data should already be held within the iGT system or be created through system coding.

(Via the response and attending modification panel iGTs have confirmed that the additional data requested is held in billing system databases, or simple coding will enable the data to be populated in the RPC Template and therefore made available to Shippers.

For example an iGT holds the Entry Transportation rate as an annual value. Coding will need to divide the rate by 365 to enable a daily rate.

For example SOQ data may not be held, although the AQ data is held. Converting the AQ value to a SOQ value is an important part of the validation and is required to calculate the Capacity element of the charging. The AQ data is easily converted to the SOQ value using the load factors, which is publicly available).

To ensure Modification iGT043 delivers a ‘future proof’ solution British Gas took reasonable steps to consult with Shippers and iGTs before the modification was submitted. We feel this encompassing consultation approach will mitigate the need future system changes. For example the modification has been carefully written to ensure it is fit for a Xoserve single service provider environment.

Due to system changes British Gas would expect a period of six months would be required to implement the system changes.

Facilitation of the relevant iGT objectives

British Gas believes the iGT Gas Transportation charging is opaque to shippers and requires improvement. For example to replicate the iGT Transportation calculation that derives the daily Transportation rate critical data is not provided in the invoice backing data. The lack of transparency is caused by the following.

- Invoice backing data mandatory fields are not populated
- The data used to recalculate the charging differs from the data provided
- Invoicing data formats are inconsistent between iGTs
- Invoicing formats are inconsistent for sites above 73,200kWh

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Although there is no evidence that would suggest deliberate miscalculations by the iGTs, British Gas believes that ensuring Transportation charging is accurate will motivate iGTs to manage their networks in a cost reflective and efficient manner. Inaccurate charging could lead to distortions in the costs recovered.

British Gas believes Modification iGT043 will ensure iGTs better fulfil their licence obligation, as per licence condition 4 (Charging of Gas Shippers), where the methodology for the RPC Transportation methodology is set out.

If there are any questions relating to this response of regarding Modification iGT034, please contact myself, Andrew Margan 07789 577327.

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