

Draft Modification Report	At what stage is this document in the process?
iGT097: Provisions for allowing consecutive estimated invoicing in the event of System Failure by the CDSP	<pre> graph TD A[01 Modification] --> B[02 Workgroup Report] B --> C[03 Draft Modification Report] C --> D[04 Final Modification Report] </pre>
Purpose of Modification:	
<p>The intent of the modification is to allow for the Pipeline Operator to be able to create and issue consecutive estimated invoices in the event of any CDSP related prolonged System Failure, or multiple periods of CDSP related System Failure that affect consecutive billing periods.</p>	
<p>This Draft Modification Report is issued for consultation responses. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.</p>	<p>The close-out date for responses is 13th April 2017, which should be sent to IGTUNC@Gemserv.com. A response template, which you may wish to use, is at http://www.igt-unc.co.uk/ewcommon/tools/download.ashx?docId=233.</p>
<p>High Impact: Transporters</p>	
<p>Medium Impact: None</p>	
<p>Low Impact: Shippers</p>	

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Timetable

Modification timetable:

Draft Modification Report issued for consultation	11 th April 2017
Consultation Close-out for representations	13 th April 2017
Final Modification Report available for Panel	18 th April 2017
Modification Panel decision	19 th April 2017

Any questions?

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1 Summary

What

The Pipeline Operator (“PO”) provides the Pipeline User (“User”) with invoices that are paid in arrears. In the event of any System Failure, the PO is allowed to submit an estimated invoice to the User. If the System Failure extends across more than one billing period, or if there are multiple System Failures that affect consecutive billing periods then the PO is not able to submit consecutive estimated invoices without the User’s permission. The User is under no obligation to accept, or pay the subsequent estimated invoice, which when considered in a post NEXUS and Funding, Governance and Ownership (“FGO”) environment presents cash flow risks for the PO. This is as the proposer believes a System Failure to occur in the instance that the Pipeline Operator is unable “generate information for communication” which can extend to data used for billing purposes that is to be sent by the CDSP to the PO. Noting the following is not an exhaustive list, such instances that could occur resulting in a System Failure as outlined above are initial data file load failure at NEXUS Go Live, blank data records within delta files for existing supply points and new supply points not appearing on the central system.

Why

Currently, if there was any form of prolonged System Failure (own system or third party) that spans more than a single billing period or multiple separate System Failures that occur in line with consecutive billing periods, then the PO will be unable to create and submit estimated invoices for the consecutive billing period after the initial estimated invoice was submitted, without the User’s permission.

The current IGT UNC provisions were written on the premise that the PO wholly controls systems and processing to provide data for billing purposes. Under FGO arrangements, both the PO and the User will be co-operatively responsible for the systems and processes managed by the Central Data Services Provider (“CDSP”). There is a mutual responsibility between PO and the User to ensure that these systems and process are resilient to failure. It is the proposer’s belief that the current IGT UNC drafting does not appear conducive to the co-operative nature of the PO/Users future relationship with the CDSP, whereby a PO must request permission to submit estimates invoices for consecutive billing periods even if, for example, the failure is within the remit of the User to remedy with the CDSP. The cash flow risk to POs is exacerbated under FGO arrangements whereby POs in the scenario above, would be unable to recover the transportation charges from the CDSP due to the limited liabilities under the Data Services Contract and associated ‘Not for Profit’ model.

This modification therefore seeks to remove the requirement on the PO to receive the User’s consent for submitting consecutive estimated invoices in the event of System Failure(s) that originate within the CDSP. The removal of the User’s consent in these narrow circumstances is expected to ensure equitable treatment whereby the situation is avoided that some Users are invoiced based on estimated data and others on potentially incorrect data.

The changes are intended to be a backstop measure and only used where required. The legal drafting has been created to reflect this as a proportionate safeguard against CDSP Systems Failure(s) and Systems Failure(s) that occur with the PO system are therefore not changed by this modification.

How

This modification seeks to:

- Amend the User Consent clause in relation to consecutive estimated invoices, to exclude occurrences of System Failure within the CDSP system.

- Amend the definition of System Failure to specifically include failure of the CDSP system to be able to generate and communicate information in whole or in part to the Pipeline Operator in the form and by the method set out in the data services contract.
- This modification will be time bound. It is proposed that the modification is implemented at the Project NEXUS Implementation Date and be in effect for 8 months. This will provide IGTs with comfort that NEXUS implementation has settled and bedded in whilst providing a 2 month contingency from the implementation of IGT80 (at PNID +6 months) whereby IGTs will be required to bill using the CDSP held data. The proposer has agreed that this modification should be time bound so that it can be considered as a matter of urgency. However the proposer is considering whether further industry changes are required on an enduring basis, If the proposer considers this so, a future modification may be raised.

2 Governance

Justification for Urgent Procedures

The Proposer has identified this modification as requiring Urgent status due to the impending implementation of Project NEXUS and potential cash flow risks that may arise. The proposer therefore views the change as urgent as it is linked to an imminent issue which may result in a significant commercial impact if not implemented.

Requested Next Steps

This modification should:

- proceed to Consultation
- be treated as urgent and should proceed as such under a timetable agreed with the Authority in order to be implemented at Project NEXUS Implementation Date (PNID).

3 Why Change?

With the implementation of Project NEXUS, there is a risk that data may not be fully or accurately provided by the CDSP to POs. Though POs have the ability to produce a single invoice as an estimate, POs are unable without the permission of Pipeline Users to produce consecutive estimated invoices and such Users are under no obligation to accept such estimated invoice, presenting cash flow risks to POs. This is particular pertinent as the PO may not have the ability to resolve the System Failure with the CDSP. The cash flow risk to POs is exacerbated under FGO arrangements whereby POs in the event a Shipper refuses permission to generate an estimated invoice, would be unable to recover the transportation charges from the CDSP due to the limited liabilities under the Data Services Contract and Not for Profit model.

This modification therefore seeks to remove the requirement on the PO to receive the User's consent for submitting consecutive estimated invoices in the event of System Failure(s) that originate within the CDSP. The changes are intended to be a backstop measure and only used where required. The legal drafting has been created to reflect this as a proportionate safeguard against CDSP System Failure(s) and System Failure(s) that occur with the PO system are not therefore changed by this modification.

Reference Documents

No additional reference material expected outside of the IGT UNC document or annexes

4 Solution

As above

5 Impacts & Other Considerations

No impacts anticipated or other considerations required for this modification

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

No impact foreseen or anticipated

Consumer Impacts

None foreseen or anticipated

Workgroup Impact Assessment

As Urgent status was requested and agreed by the Authority, the required timetable did not allow for the modification proposal to be sent to a workgroup.

6 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
(A) Efficient and economic operation of the pipe-line system	Positive
(B) Co-ordinated, efficient and economic operation of <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation agreements 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	None
(G) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of	None

This change will avoid potential cash flow issues for Pipeline Operators where the CDSP is unable to provide the PO with full data for transportation billing purposes.

7 Implementation

The proposer believes that this modification must be implemented at Project NEXUS Implementation (PNID) which is currently anticipated to be June 1st 2017 will only apply for a period of 8 months immediately following PNID.

There are no costs expected as a result of this modification.

8 Legal Text

Text Commentary

The legal text introduces a new event or circumstance in which a System Failure can occur. This new instance is where the CDSP is unable to generate and communicate information in whole or in part to the Pipeline Operator in the form and by the method set out in the Data Services Contract between the Pipeline Operator and the CDSP.

This CDSP originated event is then carved out of the requirements under Part G paragraph 9.4 where the PO requires the agreement of a Pipeline User to issue consecutive estimated Invoice Documents in the event of a System Failure or multiple System Failures that occur in respect of Consecutive Billing Periods. As such, in the event that the CDSP experiences issues in providing data to POs that may impact consecutive billing periods, the PO is able to bill on an estimated basis. This modification will only apply for a period of 8 months immediately following PNID.

For clarity, the drafting regarding permission for the issuing of consecutive estimated invoices where the issue originates within the PO system remains unchanged.

Suggested Text

Section G

9 Contingencies

9.1 Subject to paragraph 9.4, in the event that, as a result of a System Failure, the Pipeline Operator is unable to produce or submit any Invoice Documents within 7 Days after the expected date (in accordance with paragraph 5) of submission thereof:

- (a) the Pipeline Operator may prepare and submit an Invoice Document containing estimated Invoice Amount(s);
- (b) such an Invoice Document will be a valid Invoice Document; and
- (c) supporting data will be provided with the Invoice Document together with an explanation of the basis of estimation.

9.2 Where the Pipeline User believes that the Pipeline Operator's estimate or basis of estimation is materially inaccurate, the Pipeline User shall as soon as reasonably practicable after receiving the Invoice Document (and in any event before the Invoice Due Date) contact the Pipeline Operator 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 Pipeline User in respect of the Invoice Document issued in accordance with paragraph 9.1, but without prejudice to paragraph 8.1 or 18.

9.3 Where (following discussion under paragraph 9.2) the Pipeline User raises an Invoice Query under paragraph 17.1:

- (a) paragraph 17.1 (c)(i) shall apply on the basis of the detail provided of the basis of estimation; and
- (b) for the purposes of paragraph 17.1 (c)(ii), the Pipeline User shall specify the amount by which the Pipeline User reasonably believes the Pipeline Operator's estimate to be under- or over-stated.

9.4 Except with the agreement of a Pipeline User, the Pipeline Operator may not on the occurrence of any System Failure described by paragraph 21.2(c)(i) submit Invoice Documents containing estimated Invoice Amounts under this paragraph 9 in respect of consecutive Billing Periods.

9.5 For the avoidance of doubt paragraph 9.4 shall not apply in respect of an even described by paragraph 21.2(c)(ii)

9.6 The provisions outlined in the event of a System Failure under paragraph 21.2(c)(ii) shall only apply for the period of 8 months immediately following the implementation of Modification Proposal IGT097.

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21.2 (c) "System Failure" is an event or circumstance affecting:

- (i) the Computer 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; or
- (ii) the ability of the CDSP to generate and communicate accurate information in whole or in part to the Pipeline Operator in the form and by the method set out in the Data Services Contract between the Pipeline Operator and the CDSP (unless the Pipeline Operator and the CDSP have agreed otherwise)

For the avoidance of doubt, planned Computer System downtime that has been notified by the Pipeline Operator or by the CDSP to the Pipeline Operator does not constitute System Failure.

9 Recommendations

Recommendation to Interested Parties

This report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification. Parties are reminded that the consultation period closes on the 13th April 2017 so that the iGT UNC Panel can consider the modification and any responses on the 19th April prior to delivering its recommendation to the Authority on whether or not the Proposal should be implemented.