

Final Modification Report	At what stage is this document in the process?
<h2>iGT097:</h2> <h3>Provisions for allowing consecutive estimated invoicing in the event of System Failure by the CDSP</h3>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> <span style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px;">Modification</span> </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> <span style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px;">Workgroup Report</span> </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> <span style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px;">Draft Modification Report</span> </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> <span style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px;">Final Modification Report</span> </div> </div>
<p><b>Purpose of Modification:</b></p> <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>Panel consideration is due on 19<sup>th</sup> April 2017  <i>(delete as appropriate following Panel's decision)</i>                      The Panel recommends implementation</p>
	<p><i>(delete as appropriate following Panel's decision)</i>                      The Panel does not recommend implementation</p>
	<p>High Impact:                      Transporters</p>
	<p>Medium Impact:                      None</p>
	<p>Low Impact:                      Shippers</p>

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Timeline			 <a href="mailto:Gethyn.Howard@bu-uk.co.uk">Gethyn.Howard@bu-uk.co.uk</a>
<b>Modification timetable:</b>			 01359 245754
Draft Modification Report issued for consultation	11 <sup>th</sup> April 2017		
Consultation Close-out for representations	13 <sup>th</sup> April 2017		
Final Modification Report available for Panel	18 <sup>th</sup> April 2017		
Modification Panel decision	19 <sup>th</sup> April 2017		

## 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 (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 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 Energy Regulators	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 1<sup>st</sup> 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.](#)

.....

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 Consultation

The Authority invited representations from interested parties on 11<sup>th</sup> April 2017 with the close out for responses being on the 13<sup>th</sup> April 2017. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Indigo Pipelines	Support	A - positive	<ul style="list-style-type: none"> <li>Mitigates against financial risks faced by Pipeline Operators if CDSP fails to provide billing data.</li> <li>Needs to be implemented 01/06/17 in line with Project Nexus/SSP</li> </ul>
Brookfield Utility	Support	A - positive B - positive	<ul style="list-style-type: none"> <li>We believe that NEXUS presents a risk to IGTs as data may not be received in part or in whole from the CDSP. Where such issue occurs either due to a prolonged or multiple CDSP systems issue that spans consecutive billing periods, the IGT requires permission from the Shipper to invoice on an estimated basis. Such permission is not guaranteed and consequently presents a cash flow risk to IGTs. This modification therefore removes the requirement for the IGT to obtain permission from Shippers where a data issue occurs within the CDSP system that requires the IGT to generate consecutive estimated invoices.</li> <li>We acknowledge the views of some Shipper organisations that the current IGT UNC drafting can be interpreted in a way and that the contingency rules would only apply if the Pipeline Operator is unable to generate an invoice and that the circumstances outlined in IGT097 could be invoiced without invoking such contingency rules. BUUK believes the modification is required but would highlight that the net impact of this modification if approved would have the same net result in invoicing terms as the Shippers who believe IGTs can invoice in any case.</li> <li>We are cognisant of the modification being open ended and allowing IGTs to effectively bill on estimated bills indefinitely. We have consequently amended the modification so that is effective only for 8 months from implementation which provides 2 months 'cover' from the implementation of IGT080 whereby IGTs would be required to invoice using the CDSP data only. We reserve the right however to conduct a wider review of contingency arrangements.</li> <li>We believe Objectives A) and B) are both facilitated as ensures the economic and efficient operation of the pipeline by avoiding cash flow risks to IGTs. This will avoid IGTs having to make short term credit arrangements resulting in a higher and inefficient cost of capital. Objectives a) and b) are both facilitated as the modification applies equally to BUUK as it is does to all IGTs.</li> </ul>
British Gas	Support	F – positive A - unsure	<ul style="list-style-type: none"> <li>IGT cash flow is reliant on invoicing shippers (Users) for Transportation charges. We accept IGTs should be given some flexibility to estimate an invoice if there is information system failure. Therefore, we support the proposal.</li> <li>IGT UNC sets out that IGTs will invoice User on a monthly basis. We therefore believe this proposal furthers relevant objective (F) Promotion of efficiency in the implementation and administration of the Code.</li> </ul>

			<ul style="list-style-type: none"> <li>• We are not convinced how these arrangements further relevant objectives A) Efficient and economic operation of the pipe-line system. For example, the pipeline is unlikely to be run more efficiently as a result of this change.</li> <li>• We have a concern regarding the governance of this proposal. The concern is twofold – The solution only contains the words “As above”. Good governance should ensure the solution business rules are clear and legal text reflects these rules.</li> <li>• We are concerned the 8-month rule does not appear to form part of the Modification solution. Therefore, the solution and Legal text do not align. We believe the solution and legal text should align. We also believe the Modification should explain why the 8-month rule is transitional and not enduring.</li> </ul>
ESPUG	Support	A - positive	<ul style="list-style-type: none"> <li>• ESPUG agrees with the intent of the modification that the modification is being raised as a backstop. Currently, the iGT UNC provides that in the event of an iGT system failure, the iGT is allowed to submit an estimated invoice to Shippers’. ESPUG believes if the system failure extends across more than one billing period, then 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.</li> <li>• This modification is being raised to offer assurance in the unlikely case there is a delay/issue. It should be noted that this modification is being aligned with iGT080 and that current evidence of the handling of the IDL file by the CDSP makes this a reasonable modification in order to mitigate risk.</li> <li>• ESPUG fully agrees that this modification better facilitates relevant objective (A), efficient and economic operation of the pipe-line system Both iGTs and Shippers’ will have clear guidance and clarity on this specific scenario based on this modification.</li> <li>• ESPUG also made the following observation in relation to the Authority letter agreeing urgent status to support that there is “an imminent issue or current issue that if not urgently addressed may cause a significant commercial impact on parties” . ESPUG is currently engaged in all relevant forums and is committed to ensuring that PNID is achieved. ESPUG rely solely on the IDL to provide us with an accurate view of our Supply Point Register. This is provided to us daily by our CDSP, and whilst ESPUG have been committed to testing this through Market Trials Core and Regression, multiple defects have led to low confidence in the file. This subsequently required escalation to RIAG and a deep dive session chaired by OFGEM. Questions remain outstanding in regards to a documented catch up process and we believe this modification will circumvent the failed production should it occur post go-live. This modification is being raised to offer assurance in the unlikely case there is a delay/issue. It should be noted that this modification is being aligned with iGT080 and that current evidence of the handling of the IDL file by the CDSP makes this a reasonable modification in order to mitigate risk.</li> </ul>

Npower	Do Not Support	No comment	<p><b>We have some concerns and questions we would like clarification on</b></p> <ul style="list-style-type: none"> <li>• How often are these system failures likely to occur?</li> <li>• What evidence is there to support the possibility of a system failure?</li> <li>• How long are these system failures likely to last?</li> <li>• What is the current billing protocol / what has been done in the past, when system failures have spanned consecutive billing periods?</li> <li>• Are invoices still issued or 'held back'?</li> <li>• What type of invoices are likely to be affected by system failures?</li> <li>• Are estimated invoices ever reconciled once failures are resolved and the PO regains the ability to issue invoices based on actual charges?</li> <li>• Or is it agreed between parties, that estimated invoices are paid without any difference in charges ever being recouped or reimbursed?</li> <li>• Are there any guidelines around the length of time consecutive estimated invoices can continue to be issued, and therefore the length of time a shipper continues to receive estimated invoices?</li> <li>• We understand the why this Mod would provide billing assurance for the PO, we would like to understand if the shipper's request to receive invoices based on actual charges is affected?</li> <li>• When invoices are issued, is there a means of determining whether an invoice is estimated or actual?</li> <li>• Without the need of permission from the 'User', how would an estimated invoice / continued issuing of estimated invoices, be recognised?</li> <li>• In the instance of estimated invoices being issued, how would PO invoice data held within PO systems, be reconciled to CDSP systems once the failures were resolved, in order for data to be consistent/uniform in both systems?</li> </ul>
E.ON	Do Not Support	F – positive A - unsure	<ul style="list-style-type: none"> <li>• We do not support the principles of this modification because the provision of the data via the CDSP and contingency invoice process is focussed around the ability to invoice e.g. an invoice cannot be raised due to a System Failure rather than data errors.</li> <li>• Our belief is the iGTs would still be able to invoice in the event of any CDSP data problems as the iGTs can still create a physical invoice (albeit manually). The evoking of the contingency procedure should be because iGTs cannot invoice; not because of any missing/incorrect data. We believe this section has been misinterpreted to cover the data rather than the invoice.</li> <li>• A contingency invoice could be based on the iGTs last portfolio view e.g. the snapshot at the commencing of the non-effective days, if the issue happened directly after Nexus implementation (noting the first Nexus impacted billing run is PNID+1 month not PNID). The invoice could be withdrawn and re-issued once the up to date information is received. There</li> </ul>

			<p>is already a code provision to allow invoice corrections so we do not believe these changes add any value or create the suggested safeguards.</p> <ul style="list-style-type: none"> <li>• We are concerned, if approved, the amendments may impact the smaller Shippers who may not have the cashflow to cover an incorrectly estimated contingency invoice; we do not feel the same protections are being applied both ways.</li> <li>• In summary, the changes being proposed add no benefit to the text already approved for Project Nexus implementation. In the event a contingency invoice is required - it should be because the iGTs are unable to invoice and not because of data issues with the CDSP; these should be managed with the CDSP not via iGT UNC amendments.</li> <li>• We do not believe it supports Objective A but instead it facilitates Objective F as it would be linked to administration of the code and how contingency invoices are treated in the event they are issued.</li> </ul>
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## In Summary:

- Six responses were received to the consultation for iGT097, incorporating three responses from Pipeline Users, and three responses from Pipeline Operators.
- Three Pipeline Operators and one Pipeline User offered support for this Modification. Two Pipeline Users opposed this Modification's implementation with one raising a number of issues that they believed needed to be better understood before they could assess their opinion.
- Where indicating support, all Pipeline Operators agreed that the Modifications better facilitated Relevant Objective A) Efficient and economic operation of the pipe-line system. One also believed that the proposal supported Relevant Objective B.
- The two Pipeline Users that commented on the Relevant Objectives were unsure that this Modification facilitated A) but did state that it better facilitated Relevant Objective F).
- One Pipeline Operator provided additional evidence on why they believed there was an imminent or current issue that justified the need for this modification to be addressed as Urgent.
- Five of the respondents stated that they agreed that the proposed Legal Text supported the requirements of the solution. One respondent believed that as the Solution did not set out the business rules it was not possible to determine that the Legal Text aligned with the Solution.
- Five respondents supported implementation at PNID if the proposal were to be approved. One recommended implementation with a 6 month lead time.

## 10 Panel Discussions

*The Code Administrator will provide a summary of the Panel discussions that inform any decisions taken. This will include a record of Panel's views on the representations, the outcome of any votes and, where alternates exist, Panel's preference.*

### Discussion

Insert text here

## Consideration of the Relevant Objectives

Insert text here

## Determinations

Insert text here

## 11 Recommendations

### Panel Recommendation [to Authority]

Members recommended:

- that Modification 097 should [not] be implemented