

Modification proposal:	Independent Gas Transporter Uniform Network Code (IGT UNC): Enduring solution for provisions that allow Contingency Invoicing in the event of a system failure by the CDSP (IGT102)		
Decision:	The Authority ¹ directs that modification IGT102 be made ²		
Target audience:	IGT UNC Parties and and other interested parties		
Date of publication:	5 February 2018	Implementation date:	To be confirmed by the IGT UNC secretary

Background

The independent Gas Transporters (IGTs) are required by Standard Condition 11 of their licence to procure certain services and systems through a common agent. This change was given practical effect as part of Project Nexus, implemented 1 June 2017. Since that date, Xoserve – formally referred to as the Central Data Services Provider (CDSP) – has provided services to IGTs that include the invoicing of shippers.

Reliance upon the CDSP for shipper invoicing prompted concern amongst the IGTs over the potential risk to their cash flows in the event of a CDSP system failure. These concerns led to IGT097 being raised and subsequently implemented. IGT097 removed the requirement for IGTs to obtain shippers’ consent to issue estimated invoices for consecutive months in event of a CDSP system failure. The invoicing arrangements applicable in the event of a failure on the part of the IGT itself remained the same. IGT097 was intended to be timebound, expiring eight months after its implementation. This allowed it to be in effect for the implementation of both the Project Nexus systems and for IGT080S³, which mandated the use of CDSP data for transportation billing. As such, IGT097 ceased to have effect 1 February 2018.

The modification proposal

IGT102 proposes to replace the recently expired contingency invoicing arrangements with broadly equivalent, but enduring arrangements.

IGT UNC Panel⁴ recommendation

At its meeting of 20 December 2017 the IGT UNC Panel voted by a majority to recommend that IGT102 be implemented.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 December 2017. We have considered and taken into

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ See: IGT080S: ‘[Mandating IGT use of data as administered by the Pipeline Operators’ Agency for Shipper Transportation Billing](#)’.

⁴ The IGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the IGT UNC Modification Rules.

account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR⁵. We have concluded that:

- implementation of IGT102 will better facilitate the achievement of the relevant objectives of the IGT UNC;⁶ and
- directing that it be made is consistent with our principal objective and statutory duties.⁷

Reasons for our decision

Only five responses were received to the consultation on IGT102. Of those, the three responses from IGTs were in favour. One of the two shipper responses gave the proposal qualified support, while the last was opposed. We have assessed IGT102 against relevant objective (f) and consider that it would have a neutral impact upon the other relevant objectives.

Relevant objective (f): the promotion of efficiency in the implementation and administration of the IGT UNC

Whilst the IGT respondents who supported IGT102 did so in part on the basis that it would mitigate risk to their cash flows in the event of a CDSP system failure, the respondent who was opposed suggested that alternative invoicing arrangements would already achieve this. The respondent who offered qualified support also considered that IGT102 may be superfluous, but had no particular reason to object to its implementation.

The fact that the IGTs have now raised two separate modifications in this area suggests that they consider this risk to be material. Whilst we agree that this proposal relates to an unlikely event, we are sympathetic to the argument that such a system failure could have a high impact on IGTs were it to occur. It would therefore be prudent to mitigate this risk.

Given that even in the absence of IGT102 estimated invoices may be issued, we consider that this proposal is primarily about the relative certainty and administrative efficiency of the processes to be used. Having robust contingency arrangements codified in the IGT UNC would seem to provide a greater degree of certainty and be more efficient than the IGTs having to come to individual arrangements with each shipper. We therefore consider that IGT102 would better facilitate relevant objective (f).

Decision notice

In accordance with Standard Condition 9 of the Gas Transporter Licence, the Authority directs that modification proposal IGT102: '*Enduring solution for provisions that allow Contingency Invoicing in the event of a system failure by the CDSP*' be made.

Rob Salter-Church

Interim Senior Partner, Consumers and Competition

Signed on behalf of the Authority and authorised for that purpose

⁵ IGT UNC modification proposals, modification reports and representations can be viewed on the IGT UNC website at: www.igt-unc.co.uk

⁶ IGT UNC relevant objectives are set out in Standard Condition 9 of the Gas Transporters Licence, available on the Ofgem website at: <http://epr.ofgem.gov.uk>

⁷ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.