

Modification	At what stage is this document in the process?
<h1>IGT102:</h1> <h2>Enduring solution for provisions that allow consecutive estimated invoicing in the event of System Failure by the CDSP.</h2>	<div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; background-color: #e6f2ff; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; background-color: #f1e8ff; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; background-color: #fff9e6; padding: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>The intent of the modification is to extend the provisions that were written into the iGT-UNC under iGT097. These provisions allowed 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. The provisions introduced in iGT097 were time bound, and expire in February 2018. It is the intent of this modification to allow for these provisions to be brought into code permanently after the expiration date.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 16th August 2017. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact: Transporters</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Shippers</p>

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Timetable		 email address  telephone Proposer: Neil Brinkley  neil.brinkley@bu-uk.co.uk  01359 302451 Other: Gethyn Howard  gethyn.howard@bu-uk.co.uk  01359 245754
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	5 September 2017	
Amended Modification considered by Workgroup	dd month year	
Workgroup Report presented to Panel	dd month year	
Draft Modification Report issued for consultation	dd month year	
Consultation Close-out for representations	dd month year	
Variation Request presented to Panel	dd month year	
Final Modification Report available for Panel	dd month year	
Modification Panel decision	dd month year	

1 Summary

What

The Pipeline Operator (“PO”) provides the Pipeline User (“User”) with invoices that are paid in arrears. In accordance with the provisions under iGT097, and in the event of any System Failure, the PO can 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 can submit consecutive estimated invoices without the User’s permission (as per iGT097). These provisions were implemented as pre-iGT097, the User was 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 may present cash flow risks for the PO. Furthermore, System Failure can occur in the instance that the Pipeline Operator is unable to “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 include blank and/or incorrect data records within delta files for existing supply points and new supply points not appearing on the central system. Therefore, the intent of this change proposal to implement an enduring solution to the issues originally outlined in the iGT097 modification proposal, and to extend the scope of System Failure to include potential instances of markedly incorrect data received by the PO from the CDSP.

Why

Post-February 2018, 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. Currently, iGT097 provisions allow for the PO to submit these consecutive estimated invoices, therefore mitigating cash flow risk to the PO.

Under FGO arrangements, both the PO and the User are 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 processes are resilient to failure. It is the proposer’s belief that when the current iGT097 drafting falls away (post-Feb 2018) the PO will again be at risk of cash flow issues, and furthermore would create a situation that does not appear conducive to the co-operative nature of the PO/Users 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 develop an enduring solution to the issues identified in iGT097. iGT097 was approved for implementation by Ofgem and subsequently written into the iGT UNC on 1st June 2017. These original provisions were to dampen the effect of any potential occurrences of System Failure, and to mitigate any cash flow risks that may occur in such situations, by removing 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. It should be noted that these provisions could

only be invoked where the System Failure originates within the CDSP, not within the PO's system; the proposer believes it would be against the cooperative nature of the new PO/User/CDSP relationship to allow for the modification to be extended to include System Failure within the PO's system. 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.

As in iGT097, these 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:

- Retain the current User Consent clause in relation to consecutive estimated invoices, which excludes occurrences of System Failure within the CDSP system (Part G, paragraph 9.3(b)).
- Retain the definition of System Failure which specifically includes 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'.
- Introduce guiding principles for PO's to follow in the estimation of invoices. These best practice principles are:
 - Estimation of invoices should be based on the last invoice amount paid by the User
 - Where possible, new connections should be highlighted as a separate line on the estimated invoices.
 - In reconciliation, any retrospective charges and/or credits not previously accounted for will be levied by way of an adjustment.
- Interest should not be applied on the reconciliation of estimated invoices.

2 Governance

Justification for Normal Procedures

The modification should be treated as normal status as it does not meet any of the criteria for Urgent, Self-Governance or Fast Track status.

Requested Next Steps

This modification should:

- Be assessed by a Workgroup.

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. POs have the ability to produce estimated invoices in the occurrence of such an event (until February 2018), after which the code will revert to its old provisions, meaning that again, POs will be unable to submit consecutive estimated invoices without the permission of Pipeline Users, and such Users are under no obligation to accept such estimated invoice, presenting cash flow risks to POs. This is particularly pertinent as the PO may not have the ability to resolve the System Failure with the CDSP. When iGT097 arrangements fall away and old provisions return, the PO is again at risk of cash flow issues which are further exacerbated under FGO arrangements. This is whereby POs, in the event of a Shipper refusing 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 indefinitely extend the provisions under iGT097 which removed 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. As with the original iGT097 arrangements, these 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

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 and accurate data for transportation billing purposes.

7 Implementation

The proposer believes that this modification should be implemented at 1st February 2018.

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

8 Legal Text

Text Commentary

The legal text retains the definition of System Failure from iGT097, which added a second event or circumstance in which a System Failure can occur. This instance is where the CDSP is unable 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.

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.

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 event 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.~~

9.6 For the purposes of submitting Invoice Documents containing estimated Invoice Amounts under paragraph 9.4, the follow principles should, as far as reasonably practicable, be adhered to:

- (a) Estimation of invoices should be based on the last invoice amount paid by the User;
- (b) Where possible, new connections should be highlighted as a separate line on the estimated invoices;
- (c) In reconciliation, any retrospective charges and/or credits not previously accounted for will be levied by way of an adjustment; and
- (d) Interest should not be applied on the reconciliation of estimated invoices.

.....

- 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

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Normal governance procedures should apply
- Refer this proposal to a Workgroup for assessment.