

**Consultation Response**

**iGT102:** Enduring solution for provisions that allow Contingency Invoicing in the event of System Failure by the CDSP.

Responses invited by: 06 December 2017

**Respondent Details**

Name: Neil Brinkley

Organisation: BUUK Infrastructure Limited, for and on behalf of GTC Pipelines Ltd, Independent Pipelines Ltd, and Quadrant Pipelines Ltd.

Support Implementation      X

Qualified Support      ☐

Neutral      ☐

Do Not Support      ☐

## **BUUK Infrastructure's key reasons for supporting IGT102 are as follows:**

**Cash flow risk mitigation** - There is a very real risk of cash flow issues arising if any System Failure was to occur. IGT102 safeguards the Pipeline Operator against these cash flow risks by introducing a robust process to ensure that invoices can be created accurately and paid with confidence by the Pipeline User. This ensures that the flow of cash from party to party remains uninterrupted as if the System Failure was to never occur.

**End customer bill impact** – IGT102 will introduce provisions that ensure invoicing will remain accurate during occurrences of System Failure, therefore eliminating any 'bill shock' risk on the end customer due to potential inaccurate invoicing of transportation charges if IGT102 was not to be implemented.

**Maintaining the operation of the network, safety and security of supply** – As IGT102 helps to ensure that cash flow issues do not materialise, the Pipeline Operator will hold sufficient working capital to maintain the operation of the pipeline and therefore there will be no impact to the end customer's supply. IGT102 enables a BAU situation to continue despite the System Failure within the CDSP system.

**System and data ownership no longer lies with the Pipeline Operator** – Since the implementation of Project NEXUS in June 2017, the CDSP has been responsible for many, if not all, of the Supply Point Administration (SPA) processes that the IGT Pipeline Operator used to manage, as well as having stewardship over the raw data used within the Pipeline Operators invoicing cycle. As the Pipeline Operator is no longer in control of these processes and this data, it seems appropriate to implement contingencies that allow for BAU to continue whereby a System Failure is out of the Pipeline Operators control (i.e. occurring within the CDSP System). Due to the limited liabilities model underpinning the Data Services Contract (DSC - the contract that procures the CDSP), the Pipeline Operator has no ability to contractually mitigate the downside risk associated with System Failure (s) that are outside of its control. If the DSC were a typical commercial contract, it is without doubt that liabilities to cover off System Failure would have been included. As the DSC is not a typical commercial contract, we believe that IGT102 is required at a code level to mitigate these liabilities.

**Clarifying areas of ambiguity in the code** – it should be noted that through workgroup discussions some parties felt that IGT102 is not necessary, however, discussions surrounding the actual procedure to be followed in the event of any System Failure pre-IGT102 further compounded the fact that the existing code legal text was ambiguous. Current practice within the code does not allow for the BAU manner to remain in times of System Failure as there are currently no fully defined processes. IGT102 will bring clarity to the governance underpinning both 'Estimated Invoices' and 'Contingency Invoices'. We believe that the benefits that IGT102 brings to the industry and the end consumer far outweigh the minimal cost associated with the minor system changes that may be required to implement the workgroup developed solution.

**Self-Governance Statement**

**Do you agree with the Modification Panel's determination with respect to whether or not this should be a self-governance modification?**

We agree with the Modification Panel's determination that IGT102 should not be considered through the Self-Governance route. As IGT102 has a material impact on the billing process in times of System Failure, and that without IGT102 there may be significant impact on the end consumer bill, it is our view that IGT102 should proceed to the Authority for final decision.

**Please state any new or additional issues that you believe should be considered**

We acknowledge that, whilst the post-NEXUS implementation period may have been the most likely timeframe for System Failure to manifest, it does not negate the fact that any form of System Failure can occur happen at any time. Industry systems are complex and ever changing. As we have seen in other industries, even the smallest mistake can lead to catastrophic System Failure (e.g. British Airways system failure in May and August of 2017). In addition, we are still seeing anomalies in data as a result of the CDSP activity. It would be prudent to mitigate against identified risks and IGT102 is a cost-efficient manner for ensuring BAU in the event of System Failure within the CDSP system.

**Relevant Objectives**

**How would implementation of this modification impact the relevant objectives?**

We believe that the implementation of IGT102 better facilitates Relevant Objectives A and F.

IGT102 will better facilitate Relevant Objective A as it will allow processes to be implemented that mitigate the tangible cash flow risk that the Pipeline Operator faces if a significant System Failure was to occur within the CDSP's system or as a result of the CDSP activity. IGT102 adds provisions that ensure cash flow risks do not materialise, thus meaning that the Pipeline Operator can continue to fund the operation of network and ensure that the means for supplying gas to end consumers is not interrupted.

IGT102 will better facilitate Relevant Objective F as it adds clarity and logic to an ambiguous area of the code. By introducing two distinct processes ("Estimated Invoicing" and "Contingency Invoicing") for invoicing during System Failure, it is now easier to understand which process is to be used depending on the circumstances in which said System Failure occurs. We believe that this is a significant improvement over the current drafting of Part G of the code.

## Impacts and Costs

### What development and ongoing costs would you face if this modification was implemented?

We anticipate minimal development costs to implement the solution as outlined in IGT102. Currently we cannot quantify these costs but expect to be able to implement the IGT102 solution without expending any additional resource in our IT systems department. The system change that is required to facilitate IGT102 is simply adding two more billing codes and there is no extensive development or testing needed. We expect that there will be no additional ongoing costs to support the implementation of IGT102 that would not otherwise be incurred should there be a System Failure without this formal change to the IGT UNC. Furthermore, throughout the workgroup lifecycle no large costs to any specific party, or the industry as a whole were identified or discussed.

## Implementation

### What lead time would you wish to see prior to this modification being implemented, and why?

Due to the minimal nature of the system change that is required, we feel that the IGT102 solution could be implemented 'overnight', however we recognise that other parties have expressed opinions that they may need to make system changes. Therefore, we would propose that a 3-month lead time prior to implementation should be adopted.

## Legal Text

### Are you satisfied that the legal text will deliver the intent of the modification?

We are satisfied that the IGT102 legal text fully delivers the intent of the modification. We are also supportive that the legal text wholly and accurately sets out the processes that are to be implemented in the IGT102 solution. We believe that the legal text also adds further clarity to the current drafting of Part G of the code, and will enable appropriate decisions to be made where various occurrences of System Failure arise.

## **Further Comments**

### **Is there anything further you wish to be taken into account?**

IGT102 was brought to the table containing a very different solution to its current incarnation. We do not disagree that the development process has been beneficial to IGT102 and has in fact allowed a better all-around solution to be developed. It should be noted, however, that the advancement of a solution in which system changes were required was at the request of a Pipeline User party. The original solution brought to workgroup by the proposer was an enduring approach to the IGT097 provisions for safeguarding against cash flow risks materialising, involving no system changes. During discussions at the three workgroup meetings, no mention of significant or material system development or implementation costs arose from any party.

**Responses should be submitted by email to [iGTUNC@gemserv.com](mailto:iGTUNC@gemserv.com)**