IGTs Responses

1. How long do outstanding transportation invoice payments build up before actions is taken by your organisation? **a)** As soon as the payment is late **b)** Less than 3 months **c)** Greater than 3 months **d)** Other (please specify)	All three respondents stated "as soon as the payment is late".
2. Please explain what debt procedures your organisation would apply for unpaid invoices?	Three responses were provided as follows: • One day past the due date an update is requested by email or telephone; Three days past the due date a follow up by email or telephone; Continued follow ups daily until payment received; The processes tend to be sufficient, except for when a Shipper's business fails and is therefore unable to pay. • Contact the Shipper with a notice of "speaking to legal" regarding the debt after 2 months; and • A notification is sent to the Shipper advising that Late Payment interest is now being applied to that invoice total and a request is sent again for payment to be made. If payment is not received after that sanction options would be explored.
3. What sanctions are available to your business and when would it apply them in the case of debt?	Three responses were provided as follows: • IGT UNC Section G clause 14 allows us to apply sanctions preventing a Shipper from registering additional MPRNs into their portfolio where outstanding debt exceeds £10,000. However it provides no protection against further debt accruing on their existing portfolio; • Late payment fees are invoked. If the debt is over £10,000 we can stop companies from connecting to our networks through Xoserve; and • Options are available to limit and contain potential debt. From calling in a solicitor and other third parties to collect the debt, to preventing registrations of the Shipper party via the Gas CDSP.

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4. What are the impacts of debts not being paid on your business?	Three responses were provided as follows: • Any unpaid debts will have an immediate impact on cash and cash forecasts. Depending on materiality of the amounts involved it may impact funds available for future investment in gas networks; • The impact of debts not being paid to our business would be cash flow problems and Suppliers loss; and • In the short term there is limited direct impact from debts building up. However, in the longer term such events (where bad debt in particular builds up) are then accounted for in annual budget planning which ultimately requires the balance sheets to allow the licenced entity to continue to function at the potential expense of some of its activities. These are to be assessed as and when required.
5. In the year 2020/21 how much do you charge each Shipper short code for transportation per month? What is the average, the minimum and the maximum per Shipper per month? (Potentially commercially sensitive)	Confidential responses provided, these will be passed onto Ofgem.
6. Is your organisation likely to implement the credit cover offered by Modification 132VV (Introduction of IGT Code Credit Rules) if it is implemented? If so, how and in what capacity will it be implemented?	Three responses were provided as follows: • We would ask all Shippers active on our network to provide some form of credit cover, in accordance with the provision of Modification IGT132VV; and • We would implement this and we would write a process of how this would be implemented within finance. One response was confidential and is to be provided to Ofgem.
7. Which of these options would your organisation accept as credit cover? Multiple options may be applicable - Parent company guarantee - Letter of credit - Cash - Escrow account deposit - Other (please specify	All respondents stated "letter of credit", two respondents stated "escrow account deposit" and two respondents stated "cash" and "parent company guarantee". A respondent also stated that they would be open to a number of collateral options to accommodate the Shipper parties, but a "Letter of Credit" would be the preferred.

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8. What are the impacts of Shipper failures on your organisation?	Three responses were provided as follows: • It could result in up to 2 months of non-recoverable transportation revenues. This has an immediate impact on cash, and cash flow forecasts; • Increase in bad debt within the organisation and results in a loss of cash flow; and • Affects the organisations cash flow and thus ability to fund its licenced activities from a loss of revenue without a means of recovering bad debt. Large and multiple such Shipper failures therefore represent a risk that resources are required to be taken away from the end consumer in operational tasks like interruptions and maintenance with these required to maintain the business as a whole. One response was confidential and is to be provided to Ofgem.
9. How many Shipper licenced entities (short codes) do you have agreements with? How many registered companies do they represent? How many company groups do they represent?	Confidential responses were provided, these will be shared with Ofgem.

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10. What factors in the credit process described in Modification IGT132VV (Introduction of IGT Code Credit Rules) will impact efficiency and why? Please provide the rationale. - Positively - Negatively - Neutral	Two respondents stated it affected them positively: • Having credit protections in place will provide greater certainty over cash inflows, and in turn greater certainty over funds available for investment in gas networks. The protections will allow for a reduced focus on time spent credit-checking, chasing debt, and generally spent discussing the financial position of Shippers and potential implications of Shipper failures; • It is acknowledged that Code Credit Rules aren't a silver bullet, and work to solely help limit the bad debt IGTs incur rather than remove it in its entirety. This does however present an improvement in the efficiency of how IGTs can manage the financial security of their networks with arrangements adopted and utilised in line with their counterparts in the Gas and Electricity markets; and • In terms of the IGT UNC itself, efficiency is presented by this change due to stripping out individual network code credit rules to establish a standardised approach for all IGT and Shipper parties. Removing the option of differing approaches to be adopted and thus potentially causing confusion and increased costs for the market to contend with. One respondent stated it had a neutral affect.
11. How might Modification IGT132VV (Introduction of IGT Code Credit Rules) impact competition for IGT's and if so, how? (Please provide supporting evidence where possible)	Three responses were provided as follows: • By removing some of the financial risks to IGTs may encourage more parties to enter the market; and • It is not anticipated IGT132VV will have an impact on competition between IGTs. Because of the nature of the methodology within the code credit rules the requirement and cost to implement is theoretically scalable to the business. i.e., the cost for IGTs to maintain is based on administrative activities of the arrangements rather than the collateral itself which lies with the Shippers. This therefore allows for IGTs to assess and monitor the risk of debt to their business and implement code credit arrangements as and when that risk rises.

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12. Does your organisation believe there are any key areas of concern in this Modification IGT132VV (Introduction of IGT Code Credit Rules) that have not been identified? Does your organisation have any other elements that you would like the Modification to include?	Two responses were provided as follows: • What happens if the shipper refuses to pay? How is this enforceable?; and • It is felt the Workgroup have done well to assess the content of the Code Credit Rules and their impact on the market. While it is acknowledged this Modification hasn't been accepted with welcome arms it has been widely acknowledged that its intent is supported with only the application and details of such arrangements requiring amending, which have been made through the Workgroup's efforts.