

Modification proposal:	Independent Gas Transporter (iGT) Uniform Network Code (UNC): Estimated Transportation Invoices (iGT UNC 006)		
Decision:	The Authority ¹ directs that this proposal be made		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	9 January 2008	Implementation Date:	27 June 08

Background to the modification proposal

Part G of the iGT UNC provides that Pipeline Operators shall invoice Pipeline Users with respect to Transportation Charges no later than 5 Business Days after each Billing Period. A Billing Period is defined as a period of one calendar month.

The ability to generate invoices is dependent on the computer systems of the Pipeline Operator. In the event of the failure of such computer system rendering the Pipeline Operator unable to generate invoices by the due date, there are currently no contingent arrangements in the iGT UNC that would allow for estimated invoices to be submitted. This has resulted in different Pipeline Operators adopting varied practices with respect to Pipeline Users in the event of such computer system failure and can result in the disruption of revenue streams.

The modification proposal

The modification proposal provides for the Pipeline Operator to generate an estimated Transportation invoice in the event of a failure of its computer system rendering it unable to generate an actual invoice. This option is available to the Pipeline Operator if it is unable to generate an invoice after the expected date.

Should the Pipeline Operator avail itself of this option then it is required to provide supporting data with an explanation of the basis of the estimation. If the Pipeline User considers the estimate provided is materially inaccurate then prior to the invoice due date it must discuss the estimate with a view to agreeing an estimated amount that would become payable. If the parties are unable to reach an agreement then the Pipeline User may still raise an Invoice Query under Section G, paragraph 16 using the estimated supporting data that has been provided.

The proposal further provides that unless otherwise agreed with the Pipeline User, the Pipeline Operator may not, as provided for under this proposal, submit estimated invoices for two consecutive billing periods.

The proposer believes that this proposal will better facilitate achievement of relevant objective (a), *the efficient an economic operation of the pipeline system*, since it would add certainty where currently no provisions exist. The proposer also considers the proposal would better facilitate achievement of relevant objective (d), *effective competition between relevant shippers*, by standardising practices between all Pipeline Operators and Pipeline Users.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

iGT UNC Panel² recommendation

At its meeting of 21 November 2007 the iGT UNC Panel unanimously recommended implementation of iGT UNC006.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 28 November 2007. The Authority has considered and taken into account the responses to Gemserv's consultation on the modification proposal which are attached to the FMR³.

The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the iGT UNC⁴; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁵.

Reasons for the Authority's decision

We consider that it is beneficial for both Pipeline Operators and Pipeline Users to operate in a stable business environment. One of the factors that can be of aid in achieving and maintaining such stability is regular and accurate billing and payment cycles. The ability to achieve regularity and accuracy has been greatly enhanced by computerisation of processes culminating in the generation of invoices. However, on occasion such systems may fail to operate correctly. In such circumstances, we consider it is prudent to have in place the option to use estimations to ensure the regularity of billing and payment cycles is maintained. We consider that providing such an option will better facilitate achievement of applicable iGT UNC objective (a).

In the event that an estimated invoice is provided, Ofgem agrees with many of the respondents who suggested that the estimated amounts should be supported by data explaining the basis of the estimation. We also consider that the codification of the requirement for the Pipeline User to enter into discussions with the Pipeline Operator with a view to agreeing any disputed charges will be a positive change that will encourage good business relationships. Ofgem consider this aspect will also better facilitate achievement of relevant iGT UNC objective (a).

We note that an unintended consequence of the proposal may be that the obligation as to when an actual (computer generated) invoice should be sent has been extended. Paragraph 5 of the iGT UNC provides that such invoice should be provided no later than 5 business days after the billing cycle. Paragraph 9.1 of the proposed text in iGT UNC006 provides that if no such invoice is provided within 7 days after the expected date (in accordance with paragraph 5) then the Pipeline Operator may prepare and submit an estimated invoice. Effectively this could mean a computer generated invoice need not be sent until 14 days (or maybe longer in the event of the relevant period incorporating non

² The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

³ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁴ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

⁵ 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.

business days) after the closure of a billing cycle. There has also been inconsistent use of the terms 'business days' and 'days' between these two paragraphs and it is unclear if this is intended or not.

Whilst none of the respondents provided comments in support of the proposer's assertion that the proposal would better facilitate relevant objective (d), nor did any dispute it. To the extent that a standard approach by GTs to matters such as contingency arrangements can allow for efficiency gains, particularly within shippers back office operations, we would agree that this proposal will have a positive effect in furthering relevant objective (d). We note that the provisions inserted by this proposal mirror those already in effect in the UNC of the Large Transporters.

Notwithstanding this potential ambiguity as to when a computer generated invoice must be sent by, for the reasons set out above we consider that overall iGT UNC006 better facilitates achievement of the applicable iGT UNC objectives, particularly relevant objectives (a) and (d).

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority, hereby directs that iGT UNC modification proposal 006: *'Estimated Transportation Invoices'* be made.



Mark Feather,
Director of Industry Codes and Licensing, Corporate Affairs
Signed on behalf of the Authority and authorised for that purpose.