

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Consolidation and alignment of iGT invoicing (iGT043VV)		
Decision:	The Authority ¹ directs that the proposal be made		
Target audience:	Independent Gas Transporters (iGTs), Parties to the iGT UNC and other interested parties		
Date of publication:	29 June 2012	Implementation Date:	Next scheduled release after 29 March 2013

Background to the modification proposal

In January 2004 a Relative Price Control (RPC) was introduced to regulate iGT transportation charges to domestic sites, consuming less than 73,200kWh. Modification iGT007V was approved by the Authority on 7 February 2008, introducing a standard RPC invoicing template into the iGT UNC as Appendix G-1.² It was considered that use of a standard file format could improve communication between parties and lead to efficiency gains, particularly by allowing shippers to adopt standard and systemised procedures.

For sites consuming more than 73,200kWh, iGTs may invoice charges by way of an 'I&C' invoice³, which is separate to the RPC invoice and is not required to follow the same template.

Prior to the raising of this modification proposal, EON and British Gas bilaterally contacted relevant iGTs to confirm if the I&C invoice charges could be issued in the RPC invoice template, with the objective of simplifying the invoicing and achieving industry efficiencies. RPC and I&C backing data formats differ, and additional fields in the RPC file template would be required in order to facilitate this consolidation and alignment.

The modification proposal

This modification proposal was raised by British Gas and seeks to consolidate and standardise the gas transportation invoices, whilst improving the transparency of the charge items. In particular, by aligning iGT RPC and I&C invoicing backing data and introducing a consolidated invoice template to achieve a common format. The modification would remove Appendix G-1 of the iGT UNC, containing the standard RPC invoicing template, and insert a revised RPC Invoice Template as an ancillary document under Appendix K-2. Whilst the modification requires that all RPC and I&C invoices be issued using this revised template, these invoices can be sent separately.

iGT UNC Panel recommendation

The modification was considered at the iGT UNC panel on 16 May 2012. The Panel voted in favour of implementing the modification by a majority of 4 votes to 2.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 23 May 2012. The Authority has concluded that:

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.

² <http://www.ofgem.gov.uk/Licensing/GasCodes/IGTCodes/Mods/Documents1/iGTUNC007vD.pdf>

³ 'Industrial and commercial' invoice.

1. implementation of the modification proposal would better facilitate the achievement of the relevant objectives of the iGT UNC as defined in Standard Condition 9 of the Gas Transporters Licence⁴; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties.

Reasons for Authority's decision

A total of 11 parties responded across two industry consultations on the original modification proposal and on its first variation. A third consultation on the final variation was undertaken - no further responses were received to this. Of the parties who responded to the initial consultations, six supported the modification, two gave qualified support and three did not support the modification. Objective (d) was the only objective considered to be relevant by a majority of respondents (six parties), although no specific arguments were given as to how this change might improve effective competition between relevant shippers/suppliers.

Members of the iGT UNC Panel who voted in favour of the modification considered the proposal to better facilitate relevant objectives (b) and (f). Those against implementation considered that the cost implications to pipeline operators would produce little or no gain and therefore would adversely impact objectives (a) and (b).

We consider the modification better facilitates relevant objective (f), and is neutral in relation to all other objectives.

Relevant objective (f): ...the promotion of efficiency in the implementation and administration of the network code

Respondents in support of the modification proposal cited that this change would improve transparency and consistency in iGT gas transportation charging, providing assurance to shippers that the charges have been calculated correctly and enabling more efficient validation. One respondent commented that despite previous attempts to standardise file formats a lack of standardisation still exists which results in parties adopting manual processes.

We support moves to improve standardisation which lead to efficiencies and improved transparency in industry processes and consider that further alignment and consolidation of the iGT invoicing format will further relevant objective (f). We are also content that further changes to the RPC invoice template be made under the 'self governance' arrangements relating to changes to iGT UNC ancillary documents.

Respondents who were not in favour of this modification proposal considered that the information presently required by the RPC invoice template should be sufficient to validate monthly transportation charges. It was stated that much of the additional information requested by the modification is equally available to shippers. As such, they could carry out these calculations and build them into their validation processes without the need for change. It was further suggested that it was not clear why it is more efficient for iGTs to provide the additional calculations rather than the shippers. We consider that it is reasonable for the service provider to be responsible for providing the relevant billing information in a format which clearly explains how charges have been calculated to their customers as opposed to customers having to make subsequent and

⁴ Gas transporter licence standard conditions

<http://epr.ofgem.gov.uk/EPRFiles/Gas%20Transporter%20Standard%20Licence%20Conditions%20-%202010-11-2011%20-%20Current%20Version.pdf>

potentially misleading calculations. We also consider that improving transparency and efficiency in transportation charging could reduce queries and disputes, which is beneficial to all parties.

It was further put forward in the consultation responses opposing the modification that this change may be redundant in light of the future possibility of iGTs being required to use a Single Service Provider for billing, as part of Project Nexus. However, this possibility is not something likely to occur in the near future and as such we do not consider that this would be relevant to the present decision.

Those Panel members who voted against the modification cited a potentially adverse impact on objectives (a) and (b), relating to the efficient and economic operation of the pipeline systems. However as this modification only relates to the format of the invoice template and the information that is to be provided, and does not relate to the charges themselves, we do not agree that there will be a detrimental impact on these objectives.

Decision notice

In accordance with SLC 9 of the Gas Transporter licence, the Authority directs that modification proposal iGT043VV: "Consolidation and alignment of iGT invoicing" be made.

Declan Tomany

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Signed on behalf of the Authority and authorised for that purpose