

Charges for Datalogger Bulletin Board Service

Draft Consultation Paper

1 Introduction

This paper sets out proposals for charges for access to within day DM datalogger information via an electronic bulletin board service.

Transco intends to offer this service to shippers in the summer of 1999.

Transco carried out a limited trial during 1998 with a small number of shippers to evaluate whether such a service was technically feasible and whether shippers and others would be interested in the facilities. Following that trial Transco received requests for wider availability of the service.

2 Services Offered

Users of the service will be able to access the information from their offices via an Internet browser and dial up facility. Hourly consumption data from the loggers for Daily Metered (DM) and interruptible supply points will be updated at four hourly intervals and posted to the bulletin board.

An additional option might be a facility which allows users to update consumption information 'on demand' by initiating a telephone call to the logger via the bulletin board. Development of this facility will take place slightly later than summer of 1999. However, Transco is investigating the costs and practicalities of alternatives to an on demand service, for example by offering hourly updates.

Users will also be able to view historical hourly information dating back to the start of 1998 (or when they took over the supply point, if this is later). Initially the information will be provided to users in a standard format, however Transco will work with users to produce a suite of reports that meet users' requirements. The proposed charges are based on one account per organisation and up to three days spent on installation and training at each organisation. The charges for additional training or support will be agreed on an ad hoc basis.

3 Costs Included

The proposed charges for the bulletin board are based on the marginal costs incurred by Transco in providing the service. The cost elements include the additional telephone calls required to the loggers, the purchase of additional computers and modems, and the costs of software development to store the information and allow secure access to information by users.

Of these costs, some will not vary, some will vary with the number of organisations and other costs will vary with the number of dataloggers for which information is posted on the BBS. Given this structure of the costs, Transco considered various options for the structure of the charges. A discussion of alternative charging structures is given in section 3.6. However, for simplicity of application and to minimise up front charges Transco's preferred option would be to levy the annual charge per logger on the first occasion information is requested for that particular logger. Shippers will be able to choose the loggers to appear on the BBS - there will be no requirement for a shipper's entire portfolio to be included.

Transco has assumed a two thirds take up of the service, on the basis that more than half the shippers but not all would be interested in the service.

3.1 IT Hardware Costs

As is normal practice for computer based services, two sets of additional computer equipment will be required to provide an adequate back up facility. The cost of purchasing these computers is just under £10,000.

The cost of the computer equipment will be recovered over a three year period in line with Transco's assumptions on the life of the bulletin board software in its current form. Normally Transco depreciates computer equipment over five years. However, for this service the equipment is specialist, and Transco does not expect that it could be put to an alternative use at the end of the three years. Transco's best estimate of the useful life of the software assumes that the service will last longer than one year but less than five. Software of this nature is changing rapidly, but a balance must be struck between continually upgrading software to reflect recent developments and allowing the product to become obsolete.

The annual equivalent cost for the computer equipment, taking into account a return of 7% per annum on the capital is £3,600.

3.2 IT Software Costs

The cost of developing the software from the version used in the trial to a 'production' version, allowing wider availability of the service, and the setting up of accounts for users is expected to be £30,000, with ongoing costs of £3,600 per annum in the second and third years to update the bulletin board service, giving a total cost of £37,200 over three years. These costs have been spread over three years, equivalent to £13,000 per year to recover the same amount in Present Value terms.

The initial development of the service will be carried out by contractors. Transco envisages that the expertise required to maintain and enhance the BBS will be transferred from contractors to Transco staff, so that the ongoing activities in the second and third year may be carried out by Transco staff at a weekly cost of £1,200. The weekly cost is calculated as follows:

Annual salary	£21,000
No. of days available per annum	220
No. of weeks available p.a.	44
Cost per week	£477.27
Uplift @ 150%	£715.91
Total per week	£1,193.18

There are three major activities in the development of the bulletin board system, set up and test accounts; security and final web page development; and on demand and user friendliness improvements. The costs are more or less equal between these three activities.

Enhancements to and maintenance of system, development of additional pages etc. in second and third years

3 weeks per year at £1,200 per week - £3,600 per annum

Software controls will be developed to ensure security of access, so that users can only view information to which they have legitimate access. The use of a standard Internet browser as the interface minimises the costs of development tools to access the bulletin board and also the amount of training and subsequent support required by users.

3.3 User Set Up Costs

In addition to setting up the account, time will be spent with users setting up the user accesses and training. Previous experience has shown that on average it takes three days to set up and train each user. Assuming that 70% of shippers with loggers take the service (18 users) at a cost of £500 per day the costs of this are expected to be £27,000, spread over three years.

3.4 Administration Costs

Additional administration activities, unrelated to software maintenance, will also be carried out. These activities include updating the security system, dealing with queries and invoicing the users. This is estimated to require the equivalent of one day per week by one full time person at an annual salary of £21,000. Including all support and sustaining costs, the annual cost is £12,410, calculated as before:-

Annual salary	£21,000
No. of days available per annum	220
No. of weeks available p.a.	44
Cost per week	£477.27
Uplift @ 150%	£715.91
Total per week	£1,193.18
Annual cost of one day per week	£12,410

3.5 Telephone Call Costs

The final additional activity required to support the bulletin board is the additional telephone calls required to the dataloggers. Six calls will be made daily (apart from the on demand calls), the cost of one of which is already included in the datalogger charges. Four hourly updates have been proposed by Transco to mitigate the risk of service degradation. If data is available at regular intervals the need for shippers to instigate additional calls should be reduced. Since at present telephone calls are made to collect within day information for Transco's Interruption Manager System (IMS) for two thirds of the year, only a proportion of the cost of additional calls is included. Each call costs 2.5p, giving an annual additional telephone call cost per logger of

$$2.5 * 5 * 365 = £45.62$$

Assuming that IMS uses the information for eight months of the year, the marginal cost is £15.21 per datalogger.

Transco proposes that since the major costs associated with the provision of the on demand service arise from the development of the software to support the activity that the costs of on demand are included within the per logger bulletin board charges. This simplifies the administration and charge structures. On the assumption that 90 (one per day for three months) on demand calls are made each year on average to a logger, at a cost of 2.5p per call the cost of on demand calls per logger is £2.25 per annum.

3.6 Proposed Annual Charge

The following table summarises the annual operating expenses and return on asset for the proposed bulletin board service:-

IT hardware (depreciation and return)	£3,600
IT software costs	£13,000
User set up costs	£9,000
Administration costs	£12,410

Total

£38,010

Assuming that the bulletin board service would be required for 1,750 dataloggers (70% of the DM population), a per logger charge based on the above costs would comprise a unit cost of £21.72 per datalogger, plus telephone charges of £17.46 per logger. The annual total proposed charge is **£39.18** per annum.

Of the costs, approximately 30% of the costs relate to the number of users on the system (user set up and the invoicing activities, about half the administration costs) and can be assumed to be driven by the number of users of the bulletin board. The remaining costs could be assumed to vary with the number of loggers whose information is posted on the board. An alternative charging structure would be to levy a per user charge plus a per logger charge. Using the costs and assumptions outlined above (18 users), the proposed charges would be:

User charge: **£845** per annum

Logger charge: £13.03 + £17.46 = **£30.49** per annum

4 Question for Consultation

Respondents are invited to comment on Transco's proposed charges for a bulletin board service for dataloggers.

Specifically, users are asked to comment on:

- which structure of the charge, as outlined above, is preferred
- if it were possible to provide hourly updates to the BBS for DM loggers, would this be preferable to the four hourly updates with on demand calls
- Shipper views on the standard format of information.