

0162: Review of information provision to Shippers in respect of forecasting the future path of transportation charges

Review Group Report
Review Proposal Reference Number 0162
Review of information provision to Shippers in respect of forecasting the future path
of transportation charges
Version 1.0

1 Introduction

This Review Group Report is presented for the UNC Modification Panel's consideration. The consensus of attendees is that this Review Group has finished its work in accordance with its Terms of Reference.

The principle aim of the Review Group's work was to examine and consider what information could be provided by the Gas Distribution Networks (DNs) to assist Shippers and Suppliers in managing transportation price risks and, therefore, assist Users to develop informed views on the likely path of future transportation charges and how these would be reflected within their respective supply charges.

The provision of the information is expected to reduce the risk faced as a result of uncertainty regarding the future level of transportation charges and, as a consequence, promote effective competition to the benefit of consumers.

2 Review Proposal

British Gas Trading raised Review Proposal 0162, for which the Terms of Reference are included as Appendix 1.

3 Review Process

In accordance with the Modification Rules, at its meeting on 19 July 2007, the Modification Panel determined that this Review Proposal should be referred to a Review Group for progression. This Review Group Report was subsequently compiled by the Joint Office of Gas Transporters, and approved by Review Group attendees.

4 Areas Reviewed

The Review Group discussions focussed on the following areas:

1. **Current Information Provisions** (as provided in accordance with Network Code Modification 0698 "Requirement for Publication of Transco's Billed Charges Against Target")
 - i) Non provision of an estimation of allowed revenue; and
 - ii) Non provision of an indication of allowed revenue movement over time (over/under recovery effects of actual versus allowed revenue).
2. **Allowed & Collected DN Revenue**
 - i) Development of UNC Modification Proposal 0186 "Provision of Cost Information" to reflect issues raised, and the subsequent raising of 0186A by Scotia Gas Networks;
 - ii) Consideration of the impact of the 2007 AQ Review on DN Collected Income;
 - iii) Agreement on the appropriate level, content and frequency of the proposed reports;
 - iv) Adoption of Modification Proposal 0186 reporting as a standard DCMF agenda item to ascertain the relevance of the information provided on an ongoing basis;
 - v) Concerns surrounding 0186 provisions going into the UNC; and

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- vi) Presentations including indicative figures as provided by the DNs and published on the Joint Office web site at: <http://www.gasgovernance.com/Code/Reviews/RG0162/01Nov07/>

3. UNC Modification Proposal 0160 “Provision of Cost Information”

- i) Consideration of the Regulatory Asset Value (RAV) going forward taking into account the Authority view;
- ii) Subsequently amended in light of the work undertaken by this Review Group; and
- iii) Withdrawal on 07 February 2008, following the raising of Proposal 0186.

4. UNC Review Proposal 0162 – Governance Considerations

- i) Consideration of adoption of either a UNC Related Document or DCMF based approach to future governance of revenue reporting. The new UNC related document could set out reporting requirements, and be modifiable either by agreement of the Uniform Network Code Committee (UNCC) (potentially requiring unanimity) or by implementation of a UNC Modification Proposal. Alternatively DCMF might be formally constituted within the UNC (potentially as a UNCC sub-Committee), setting out terms of reference and procedures for developing the reporting process.

5 Recommendation

The Modification Panel is invited to accept this report on the recommendation that:

1. No further work is required in respect of the Review Proposal;
2. Modification Proposals may be raised in due course by interested parties to:
 - Ensure an appropriate governance process is adopted for changing 0186 reporting requirements, including appropriate voting arrangements which protect the interests of all parties;
 - Identify and agree the basis for future (beyond the current Price Control Review) period forecasting; and
 - Remove Network Code Modification 0698 DN provisions, thereby avoiding unnecessary effort and duplication.
3. UNC Modification 0186 reporting to be a standard DCMF agenda item, with meetings arranged to coincide with information release.

Appendix 1 Terms of Reference

Purpose

A Uniform Network Code Review Group is required to review the current UNC arrangements regarding information provision to Shippers in respect of forecasting the future path of transportation charges.

Background

In order to assist in the management of transportation price risk faced by Shippers and Suppliers, Users need additional information to be supplied from the Gas Distribution Networks (GDNs) and NTS. This information would extend, and, in future, possibly replace, that already provided under the terms of Modification 0698 to Transco's Network Code. The aim of the information provision is to assist Users in forming an informed view of the likely future path of transportation charges which can then be appropriately reflected in supply charges. By reducing the risk faced as a result of uncertainty regarding the future level of transportation charges, effective competition would be facilitated to the benefit of consumers.

The primary objectives proposed for the review group are to reinforce equal access to meaningful information for all participants in a usable format, to increase information transparency and facilitate the provision of choice to customers by supporting competition.

The Review is intended to take a wide ranging view of the longer term transportation reporting requirements of Users from April 2008 and onwards through the next price control review period and beyond.

Scope

The Review Group should consider the information which it would be appropriate for the Transporters to publish. The information would relate, among other things, to:

1. the projected maximum allowed revenue permitted to be collected under the terms of each price control formula
2. the projected level of revenue which was anticipated to be collected at the time when transportation charges were set
3. the actual revenue collected during the year
4. an assessment of the causes of discrepancies between 2 and 3 above
5. an assessment of any movement in the projected maximum allowed revenue

It is also proposed that the Review Group considers the information to be provided in relation to all aspects of transportation charge generation, for example, reporting against all relevant incentives which affect the revenue collected by the Transporters and tracking the movement in allowed and collected revenue over time. The Review would also cover the frequency and format of information provision.

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Deliverables

The Group is asked to consider:

- Carrying out a data exercise on relevant information currently made available to Shippers
- On the information above, identifying the continuing relevance and any improvements required
- Identifying additional data items and timescales for provision together with an assessment of the expected benefits
- Assessing the likely costs of reporting provision and the best mechanism for delivery and formal publication.
- Assessing how the proposed changes better facilitate the relevant objectives
- Identifying how this information impacts on prices
- Identifying next steps and a suggested timescales

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above and making any recommendation that has consensus within the Group in the form of a Modification Proposal.

Limits

The Review Group will consider changes required to the following:

- Uniform Network Code.

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Composition

The Review Group will comprise the following representation

Name	Organisation
Julian Majdanski (Chair)	Joint Office of Gas Transporters
Helen Cuin (Secretary)	Joint Office of Gas Transporters
Alison Russell	British Gas Trading
Alistair Watson	Scottish Power
Brian Durber	E.ON Energy
Chris Logue	National Grid NTS

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Dennis Timmins	RWE Npower
Laura Lyons	Scottish Power
Lorraine Goodall	Scotia Gas Networks
Michael Painting	Total Gas & Power
Nick Wye	Waters Wye Associates
Phil Lucas	National Grid Distribution
Simon Trivella	Wales & West Utilities
Stefan Leedham	EDF Energy
Stephen Marland	National Grid Distribution
Steven Edwards	Wales & West Utilities
Tim Davis	Joint Office of Gas Transporters

Others may attend any meeting subject to the agreement of the Chair, consistent with the Chairman's Guidelines.

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

Information Sources

- Uniform Network Code – Sections (to be identified).
- GT, Shipper and Supplier Licences.
- GT Transportation Charging Methodologies
- Gas Act.
- Various Industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations.
 - Gas Safety (Management) Regulations.
 - Industry Codes of Practice as relevant.

Timetable

It is proposed that a maximum period of six months be allowed to conclude this review, with a final Review Group Report presented to the UNC Modification Panel no later than January 2008. *(Subsequently extended to May 2008)*

Note:

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.