

**CODE MODIFICATION PROPOSAL No 0188A**  
**Introduction into the UNC of the Agency Charging Statement ("User Pays")**  
**Version 1.0**

**Date:** 18/01/2008

**Proposed Implementation Date:** 01/04/2008

**Urgency:** Non Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this Proposal**

The purpose of the proposal is to give effect to, and to identify the purpose of, the Agency Charging Statement in the UNC, and give effect to the ACS and associated documents as UNC Ancillary Documents. For clarity it is intended that the ACS, Contractual Documents including the Service Order, Service Schedule and Terms and Conditions should be included and referenced as ancillary documents to the UNC. Invoices raised under these arrangements would have the same status as other transportation invoices raised under UNC TPD Section S\* and shippers would be required to pay these invoices in accordance with the code even though the revenues do not form part of a Transporter's regulated revenue.

\* It may be necessary to bill some of the User accession arrangements outside of Section S if a charge is constructed to reflect the work undertaken in the user set up process that does not result in the applicant becoming a user.

**Proposed Business Rules**

**1. Status of the ACS in the UNC**

It is proposed that the Agency Charging Statement (the "ACS") is referenced in the UNC to give substance and effect to "User Pays" charging and invoicing, and is included as an ancillary document to the code.

In accordance with paragraphs 7 to 11 of Standard Special Condition A15 of a Gas Transporter's Licence, the Transporters will procure the preparation and publication of the ACS which will contain charges and the methodology for deriving such charges, for certain Transporter Agency Activities, ("ACS services"). ACS services would comprise two types of arrangement which will be referred to in this proposal as "code ACS Services" and "non-code ACS Services". A code service is an activity that is currently undertaken by a Transporter and is defined in the UNC; the code ACS services are located in UNC TPD Sections M3 and V2.

(Note: The ACS will also contain methodologies and charges for non-code ACS Services. These are services provided by xoserve, either on

behalf of transporters or in xoserve's own right. This proposal is concerned with both code and non-code ACS Services.)

## **2. Status of the User Pays Contractual Documents in the UNC**

The Contractual Documents associated with User Pays, including the Service Order document will be cross referenced within the ACS. No specific reference to these documents is required within the UNC, as this will be facilitated through the reference to the ACS. For clarity the Contractual Documents should sit as an Ancillary Document to the code.

## **3. Status of the User Pays Standards of Service in the UNC**

The Standards of Service document associated with User Pays will be cross referenced within the ACS. No specific reference to this document is required within the UNC, as this will be facilitated through the reference to the ACS. For clarity the Standards of Service document should sit as an Ancillary Document to the code.

## **4. Status of the User Pays Terms and Conditions Document in the UNC**

The Terms and Conditions document associated with User Pays will be cross referenced within the ACS. No specific reference to this document is required within the UNC, as this will be facilitated through the reference to the ACS. For clarity the Terms and Conditions document should sit as an Ancillary Document to the code.

## **5. Invoicing**

Code ACS Services would be invoiced in accordance with UNC TPD Section S as a new charge item on the Ad-hoc invoice.

Non-Code ACS Services would be invoiced by xoserve using a paper based system.

## **6. Code ACS Services**

The code ACS services are as follows:

- **Must Reads**

The ACS Service is the provision of a Meter Read in accordance with UNC TPD Section M3.6.1. The charge associated with this ACS service would cease to be included in the Transportation Charging Statement. This service would be invoiced by the Transporter.

- **Shipper Agreed Reads**

The ACS Service is the receipt by the Transporter of an Agreed Opening Meter Read submitted by a Proposing User in accordance with UNC

TPD Section M3.8.7. This service would be invoiced by the Transporter.

- **User Admission**

The ACS Service is the completion activities listed in UNC TPD Section V2.1.2, resulting in an Applicant User becoming a User. This service would be invoiced by National Grid NTS.

Note: this charge may be split into two parts, one to reflect IX connection costs, and one to reflect the rest of the User set up charge.

## 7. Non Code ACS Services

The Non Code ACS Services are as follows:

- **Provision of Information**

The ACS Service is the provision of a supply point information service, as required by SSC A31.2 (d) of the Gas Transporter Licence to facilitate changes of supplier. This service includes Internet Access to Data, Telephone Enquiry Service, M Number DVD, and E-Mail Enquiry Service. This service would be invoiced by xoserve.

- **Reports**

The ACS Service is the provision of a series of standards of reports providing information about a Shipper's portfolio is available to Shippers. This service includes the Query Management – Standards of Service Report, the Portfolio Statement Report, the User Portfolio Report, the CSEPs Portfolio Statement Report, the Unique Sites – Portfolio Statement Report, the Annual Asset Portfolio Report, the Transco Asset Portfolio Report and the "Dead" Portfolio Report. This service would be invoiced by xoserve.

- **AQ Enquiry**

The ACS Service is part of the Annual Quantity Review and Appeals processes, where Shippers are able to submit meter read data and obtain a trail calculation of an Annual Quantity, commonly referred to as the Spec Calc. This service would be invoiced by xoserve.

- **Ad-hoc additional services**

Ad-hoc services are currently defined in the draft ACS as Ad-hoc services which are in addition to those provided above and which are not contestable, i.e. there is no alternative source for the additional service. These services would be invoiced by xoserve.

## Consequences of non-implementation

In the current version of the UNC, Section M3 states that Must Reads charges are payable in accordance with the Transporter's Transportation

Statement. Under the User Pays proposals this would not be the case and by not amending the UNC we would not be consistent with the arrangements proposed to support new licence condition A15. As a very minimum this inconsistency needs to be removed, but it is our view that the ACS and the associated services / activities should be identified in the UNC for the purposes of clarity, given the fundamentally different treatment of xoserve costs, charges, the new charging statement and treatment of revenue.

By not including the documents as Ancillary Documents to the code, these will be cross referenced within the UNC, but would not be subject to the normal Governance arrangements associated with UNC Documents. Whilst this is common practice for the Methodology Statements that are Licence requirements and cross referenced within the code, we are aware that these are subject to Ofgem approval. Whilst Ofgem has indicated that the ACS document will be subject to Ofgem's approval we are aware that they have indicated that they do not intend to approve the other associated documents, and are also considering as part of the Governance Review allowing Users to propose changes to the ACS. By including these documents as Ancillary Documents this will ensure appropriate Governance and enable Users to propose changes without the requirement for a Licence Condition change.

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

Not applicable

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

As an Alternative, this proposal should progress in parallel with National Grid Distribution's modification proposal 0188.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

Implementation of this proposal would fulfil an obligation placed on each Transporter by the proposed amendment of Standard Special Condition A15, due to take effect in April 2008 in conjunction with the ongoing development of the 2008-13 Gas Distribution Price Control Review, ("GDPCR") (Now accepted – 9/12/2007).

Provided both are implemented, this proposal would compliment the proposed licence condition amendment and the associated downward adjustment of regulated revenue. Hence introduction of the ACS in the UNC complements the provisions of this new licence condition and, therefore, implementation will fulfil relevant objective SSCA11(c).

By including all the documents associated with User Pays as ancillary documents to the code this proposal will enable the industry to propose changes that meet the

relevant objectives. This would ensure that the terms included in these documents were developed to promote competition between Shippers and ensure that all Shippers benefited, rather than just those who were best placed to work within the contractual requirements that were imposed on them. Implementation would therefore fulfil relevant objective SSCA11.1 (d).

**3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No impacts identified.

**4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**

**a) The implications for operation of the System:**

No impacts identified.

**b) The development and capital cost and operating cost implications:**

It is not anticipated that any capital costs would be incurred. It is anticipated that some development costs would be incurred, and there would be some on-going operating costs associated with the delivery of the code ACS services framework.

**c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

Development costs would be borne by the transporters. Ongoing operating costs associated with the delivery of each code ACS service would be included in the respective code ACS service charge.

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

By placing these documents as an Ancillary Document to the code there would be a transfer of contractual risk from Shippers to Transporters. This would be caused by the fact that Shippers would reduce their risk of being exposed to contract terms that they were unable to change, with an inverse impact on Transporters' contractual risk. However we believe that this risk would be minimised by the fact that any changes to Ancillary Documents have to gain UNC Committee approval, which the Transporters are represented on and have 50% of the vote. Further this proposal would also reduce Transporters' risk that they could be exposed to legal action as a result of unfair contract terms imposed on Shippers.

**5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

No impacts identified.

**6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

While no direct implications are anticipated as a result of implementing this Modification proposal, introduction of a User pays invoices would need to be supported by new management information. The implementation of the User pays concept would not require changes to core invoice system functionality, but revised processes and procedures would need to be implemented by xoserve. It would also be necessary to specify and give notice of invoice charge items.

**7 The implications for Users of implementing the Modification Proposal, including:**

**a) The administrative and operational implications (including impact upon manual processes and procedures)**

Additional invoices and supporting information may impose an additional administrative burden on Users. Additional administrative work would be required in support of the Uniform Network Code Committee as and when proposed changes to the Guidelines were put to that Committee for consideration.

**b) The development and capital cost and operating cost implications**

Users will be required to develop systems and processes to validate invoices generated as a result of User Pays.

**c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

By including these documents as Ancillary Documents to the code, Users would reduce their risk in comparison to the documents sitting outside of the code. As noted above this risk would be transferred from Shippers to Transporters, however we believe this risk transfer to be marginal and would be offset by a reduction in associated risks to Transporters.

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

No impacts identified.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

The introduction of User Pays on 1st April 2008 will become a regulatory

obligation should a proposed amendment to the transporters licence, (specifically SSC A15), be accepted during the formal consultation of new licence conditions developed to complement the GDPCR. The introduction of User pays into the code for code ACS services, together with new contracting arrangements for non-code services, provides xoserve with a revised income stream and new obligations. These matters would need to be dealt with by a revision to the ASA.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

- Ensures that documents referenced within the UNC are included within the UNC and subject to appropriate Governance.
- Enables Users and Transporters to propose changes to the documents that are beneficial to the industry and meet the relevant objectives.
- Reduces Shippers' risk associated with having contract terms imposed on them with no ability to change them.
- Reduces Transporters' risk associated with legal action as a result of imposing unfair contract terms.

**Disadvantages**

- Increases Transporters' risk associated with Users' ability to change contract terms through the UNC Governance process, however the impact of this is expected to be marginal as Transporters will be able to block any changes through the UNC Committee.
- Minor cost increase to maintain a formal document and manage modifications which may be proposed.

**11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

None

**12 Detail of all other representations received and considered by the Proposer**

None

**13 Any other matter the Proposer considers needs to be addressed**

**Note on Transportation Charging**

At present the costs associated with undertaking the ACS services are incorporated into transportation charges and recovered as part of a Transporter's regulated revenue. Under the arrangements proposed by the Authority in the discussions surrounding the funding of xoserve in the current round of GDPCR, it is proposed

that costs for certain activities are removed from regulated revenue funding arrangements and recovered separately as excluded revenue. Consequently, shippers will see a reduction in general transportation to the tune of £2.83m with new charges being developed to recover the regulated shortfall as excluded revenue.

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

It is proposed that this proposal is implemented to coincide with the enactment of User Pays principle and the ACS on 1<sup>st</sup> April 2008.

**15 Comments on Suggested Text**

**16 Suggested Text**

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** B1.8, M3 and V2 (provisional view)

**Proposer's Representative**

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**Proposer**

EDF Energy