

To  
Large Gas Transporters

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22<sup>nd</sup> February 2008

### **Agency Charging Statement**

#### **Response to Consultation Paper on Behalf of all Large Gas Transporters**

British Gas supports the proposed funding arrangements for xoserve by introducing a core services plus user pays approach. In our view the introduction of a user pays mechanism provides :

- A more appropriate allocation of costs across industry participants
- An ability for users to procure additional services/differing service levels
- A conduit to delivery industry reform that is both efficient and effective

However we do not believe that the present Agency Charging Statement as currently drafted meets the requirements of the proposed Gas Transporter Licence Standard Special Condition A15. Section 11 of the Condition states that "The charges for the user pays services should as far as reasonably practicable, reflect the costs in providing the service..", we not do believe that the charges as currently stated are cost reflective.

Our main concern is with regard to the cost of an IAD account. The proposed charge for an IAD Registered User Account is £40 per month. British Gas has actively encouraged the use of the IAD system to verify meter point reference details and customer addresses. This helps to prevent erroneous transfers and improve data quality.

We have been proactive and transparent in advising xoserve of our future requirements for IAD accounts, this being around 2,500. More transparency is required from xoserve. We have only recently been notified that the revenues targeted by the IAD service have been based on an industry wide total of 4,700 accounts. However the underpinning rationale as to how 4,700 accounts will be reached has not been provided. Given the current industry volumes of around 15,000 we do not believe it is realistic that suppliers will reduce their numbers down to 4,700 in less than 6 weeks.

Should IAD accounts reduce to 4,700, this would provide an annual income to xoserve of £2.256 m. This would seem an excessive cost to run the IAD system when compared to comparable services in the electricity market. Improved transparency regarding the make up of these costs and any cost drivers would better inform debate as to how charges should be recovered, and provide confidence that as service delivery costs reduce so will charges.

More widely user pays has reinforced our view that suppliers need greater influence over charging methodologies. Presently we are unable to propose any alternative charging methodologies to this one, or to dispute any decisions in this area.

We have written to xoserve directly informing them that we expect our volume of IAD accounts could be reduced to 2,500 by 1<sup>st</sup> April and have asked them to amend the price of an IAD account accordingly. We note in your consultation that Gas Transporters have agreed to review the charges no more than six months after commencement of the new regime, however given the expected over recovery we would expect xoserve to amend the charges before the commencement of the new regime.

We believe the requirements of Special Condition A15 could be met by xoserve providing the required transparency of costs and by reducing the IAD charge appropriately.

Yours sincerely

Kevin Woollard  
Regulatory Manager  
British Gas