



Gazprom Marketing & Trading Retail Ltd  
Bauhaus  
5th Floor  
27 Quay Street  
Manchester  
M3 3GY

Tel: 0845 230 0011  
Fax: 0845 230 0022

Accounts/Billing  
0845 230 9088

e: [enquiries@gazprom-mt.com](mailto:enquiries@gazprom-mt.com)  
w: [www.gazprom-mt.com](http://www.gazprom-mt.com)

[Enquires@gasgovernance.com](mailto:Enquires@gasgovernance.com)

22<sup>nd</sup> February 2008

Dear Sir/Madam

#### **Agency Charging Statement (ACS) Consultation**

Gazprom Marketing and Trading Retail (GM&T-Retail) welcomes the opportunity to comment on the above consultation.

GM&T – Retail do not believe that the draft ACS meets the requirements of the proposed Gas Transporter Licence Standard Special Condition A15, Sections 7 and 11. The major defect of the draft ACS is the lack of transparency associated with deriving the charges for the Agency user pays services, making it impossible to assess whether the indicative charges are cost reflective. As a consequence of the lack of detail within the draft ACS, this response will concentrate on high-level principles.

GM&T-Retail do not believe there has been sufficient time to consider and develop all the necessary areas required for implementing a user pays regime. At present there are no transparent charging methodologies or a contractual framework agreed by Users and xoserve. As a consequence of the user pays regime being effective from the 1 April 2008, Users are expected to sign the contract for non-code user pays services by the 14 March 2008, providing only a 14 day turnaround from when the final version is available for review. Besides these vital areas still being developed, GM&T-Retail would also like to highlight two additional features that require implementation for an effective user pays regime. Firstly, an audit provision needs to be included, ensuring efficiency measures

are being undertaken by xoserve. As a result of no incentive being placed on xoserve to improve its operating efficiencies, we believe it is appropriate to audit xoserve. Auditing should provide the driver to ensure efficiencies are actively pursued. Secondly, providing the industry with a clear understanding of how any over-recovery of revenues, above the £3.3m at 2008/09 prices, will be dealt with is essential. Currently there is no mechanism to reallocate back monies to those that have overpaid for xoserve services. We believe it is not appropriate to state "that a review of the charges no more than six months after commencement of the new regime" is sufficient. The industry requires reassurance that any over-recovery will not merely benefit shareholders of xoserve.

GM&T-Retail have concerns associated with future charging changes under the user pay regime. As result of the lack of transparency associated with the charging methodology it is impossible to forecast any changes and the potential magnitude of these changes. This lack of transparency is further exacerbated through xoserve having no obligation to consult with the industry on any charging changes; the only requirement is raising the change with Ofgem who then have 28 days to provide a decision. We believe this type of opaque charging can also be detrimental to new entrants creating a barrier to entry. It is vital for the development of competition within the gas industry that the user pay services provided by xoserve are charged at a cost reflective price through a transparent charging methodology, allowing users to forecast any potential charging changes in the future.

To conclude, GM&T-Retail believe that further work is required in numerous areas to ensure an efficient user pay regime is implemented. We believe it may be unrealistic for the user pays regime to be effective from 1 April 2008, it may be appropriate for the industry to discuss the implications of a delay. It is vital for greater detail to be provided in the draft ACS to ensure transparent charging methodologies are established. Whilst it is unreasonable for Users to sign the non-code service contract for the 14 March 2008. Ofgem also needs to consider additional features like the introduction of auditing, before moving to its aim of the light touch regulatory environment. Greater monitoring of the user pay regime is initially necessary to ensure new entrants are not adversely impacted through a lack of transparency associated with future charging.

If you have any questions in relation to the points raised in this submission, please do not hesitate to contact me.

Yours faithfully

Glenn Nixon

Gas Operations Manager

Gazprom Marketing and Trading Retail Ltd