

Enquiries@gasgovernance.com

19th February 2008

Dear Sir/Madam

Consultation Paper – Agency Charging Statement (ACS)

Thank you for giving ScottishPower the opportunity to respond to the above Consultation.

The Consultation seeks views on whether the draft ACS meets the requirements of the proposed Gas Transporter Licence Standard Special Condition A15, Sections 7 and 11. ScottishPower in principle supports the concept of a User Pays regime however this can only operate effectively within a robust contractual framework supported by transparent charging principles. We do not believe that adequate time has been allowed for these developments to take place. Due to the fact that the new Price Control becomes effective from 1/4/08 this has resulted in attempts to implement the User Pays regime within unrealistic timescales. Due to an absence of detailed information within the ACS, it is our view that it does not meet the required level of transparency, indicative charges are deemed not to be cost reflective and that the charging principles discriminate against small Shippers and Suppliers. We have provided our detailed comments below.

xoserve on behalf of Large Gas Transporters has produced a draft ACS with indicative charges for each User Pays service line. Taking into account the relative importance of some of these service lines to the Industry and the expected continued uptake of these services in aggregate by Shippers and Suppliers, it would appear that some of the charges set against individual service lines are excessive. Transporters are seeking collectively to recover approximately £3m through User Pays to offset the reduction in Allowed Revenue from the Price Control for the provision of these service lines. During the Price Control discussions between Ofgem and Transporters, the Industry has been advised that detailed costs relating to the delivery of these services were provided to Ofgem by Large Transporters and that these costs formed the basis for setting the level of excluded revenue. The majority of costs to be recovered through User Pays appear to be targeted at the provision of the IAD service, with indicative costs set at £480 per User per annum.

xoserve has to date provided no transparency or justification of why this or any other charge included within the ACS has been calculated and will not disclose the forecast volume of usage that they expect over the forthcoming year.

As a result of recommendations from the Customer Transfer Programme it was agreed that the IAD service should be provided directly to Suppliers via a mandatory schedule under SPAA. The terms of the SPAA Schedule dictate that Suppliers will utilise the IAD service prior to using the telephone enquiry service or fax communications. Directing Users of the service in this way would allow Transporters to manage their resources in an economic manner, would encourage greater use of the service by Suppliers and deliver benefits to the end consumers experience of the Change of Supply process. Based on indicative costs of an individual IAD login and charge bands for use of the telephone enquiry line, it would appear that xoserve are encouraging greater use of the telephone service as opposed to the website.

Within the electricity market, ECOES is provided as a web based information service making available similar information to Suppliers and their Agents as that provided under IAD. However annual operating and maintenance charges for ECOES are currently set at approximately £350k. It is envisaged that these costs are likely to decrease through contract re-negotiations with the Service Provider. Recovery of the costs associated with ECOES is made from Suppliers and DNOs. It has been reported by xoserve that 30k Users currently have access to the IAD service however xoserve fully expect this number to reduce as not all logins are used on a regular basis. Since the launch of ECOES the number of logins has in fact increased to 42k.

Based on the indicative charges provided by xoserve for operating and maintaining IAD, xoserve on behalf of Large Transporters are set to recover, for this service alone in the region of £14.4m based on 30k Users. ScottishPower would question the original value of costs assigned and agreed with Ofgem against the provision of each service line and in particular the IAD service. ScottishPower believe this level of charge to be totally unacceptable when taking into consideration the costs of providing the equivalent service within electricity. We believe that the IAD service is not being provided on a cost-reflective basis and that xoserve are discriminating against small Shippers and Suppliers by charging for access to IAD on a login basis rather than in relation to the number of MPRNs within a Shipper/Supplier portfolio or hits on the website. If an error has been made within the original costs provided by Large Transporters to Ofgem, Transporters should not be automatically permitted to recovery this revenue through User Pays.

Under the current service provision, there does not appear to be any scope for innovation or operating efficiencies. It would not appear that any additional or upgraded hardware is planned within the next Year, or that significant re-development of the IAD functionality is planned. The Industry has previously funded via Transportation Charges the development and set-up costs for the IAD service therefore the recovery of costs should relate only to the ongoing maintenance and service delivery of the system. Therefore the Industry has to be concerned at the over-inflated costs of operating IAD and question the value for money that the Industry is receiving by this service being provided by a monopoly Service Provider?

The ACS and supporting contractual framework rather than encourage participation within core Industry services has been presented to dissuade Shippers and Suppliers taking the services they require. We are currently attempting to reduce the logins that we require however in all likelihood the actual number required is likely to increase. If the indicate costs of £480 remains unchanged, we will have to restrict the number of logins we contract for and may have to selectively issue these to our

Agents based on priority. This is likely to have a detrimental impact on customer service and will reverse the benefits delivered by using a central online database for data provision.

We have used the IAD service as an example however the question of cost reflective charging could be applied to other User Pays service lines. We believe therefore that the methodology used to develop the ACS is flawed that that a thorough review of the charging principles needs to be undertaken in order to give re-assurance to Shippers and Suppliers that a value for money service is being provided in respect of the individual service lines. We believe that implementation of User Pays should be delayed until such time as a robust contractual framework and operating arrangements has been developed and agreed through engaging Industry dialogue.

If you wish to discuss any points raised in this letter do not hesitate to contact me.

Yours faithfully

Marie Clark
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ScottishPower