

**Agency Charging Statement
Draft Modification Report
for tbc**

1. Executive Summary

The User Pays regime commenced on 1 April 2008 following consultation by Ofgem through the Gas Distribution Price Control Review (GDPCR) process (2008-13)¹. Standard Special Condition A15 of the Gas Transporter Licence requires the Gas Transporters to produce and maintain a joint Agency Charging Statement (ACS) which sets out the scope of user pays services and core services, the charging methodology for user pays service and the charges themselves.

Paragraph 9 of Standard Special Condition A15 requires that for any modification to the ACS the licensee shall, together with the other relevant gas transporters, send a report to the Authority setting out:

- (i) the terms of the proposed modification; and
- (ii) a timetable for implementing the modification.

This Modification Report is submitted to support Modification Proposal 0276 Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity. Draft changes have been made to the ACS for the service line for development cost recovery (see page 15 of the ACS).

2. Methodology

The methodology for costing and pricing of the User Pays services is outlined in the ACS and the Activity Cost Base methodology (ACB) appended to the ACS, it remains the same as in previous ACS. In short, xoserve calculates the cost of providing the services (including administration costs and a margin of 6%) and divides it by the forecast demand in order to establish the price. This ensures the prices are, as far as reasonably practicable, cost reflective and non-discriminatory. xoserve reviews the demand for User Pays services and the cost of providing these services at least annually to ensure the services remain cost reflective.

This methodology is being applied to the charges associated with Modification Proposal 0276 Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity.

The Modification proposal details the formula for recovery of the development costs.

3. Recommendation

The Authority is requested to support the changes to the ACS which are intended to be effective from **tbc**.

¹ GDPCR consultation documents are available on Ofgem's website at <http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Pages/GDPCR7-13.aspx>