

Draft Modification Report
Allocation of unidentified gas following the appointment of the Allocation of Unidentified
Gas Expert (AUGE)
Modification Reference Number 0326
Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Background

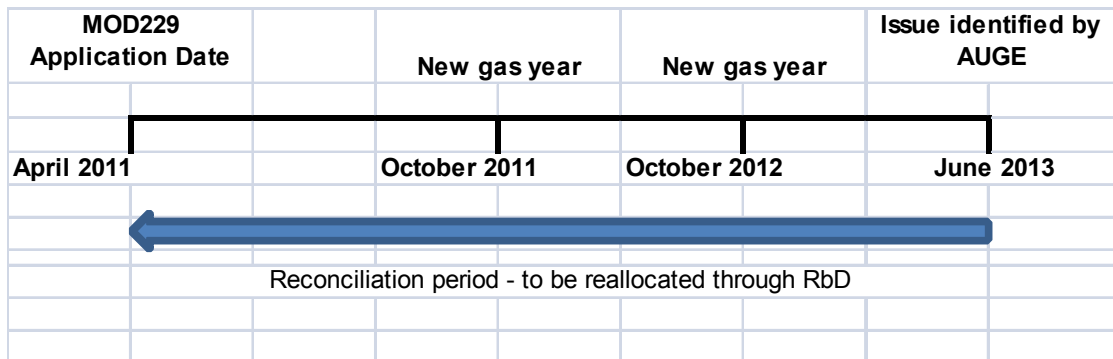
Ofgem recently approved Modification 0229, which will see the introduction of the Allocation of Unidentified Gas Expert (AUGE). Such an expert will create a methodology for the allocation of unidentified gas to rectify the current cross-subsidy where the SSP market is picking up costs associated with the LSP market, through the Reconciliation by Difference (RbD) process.

Modifications 0317 and 0317A, raised by Shell Gas Direct and Centrica respectively, propose an interim allocation solution which details a level of contribution to be made by the LSP sector until such time as the AUGE calculates and implements its own statement. These MODs also seek to ensure that the application date for the AUGE methodology is applicable from 1st April 2011. However, ScottishPower is concerned that there is the potential for issues to remain unallocated over the applicable period, even when the AUGE is appointed. Equally the current proposal under Modification 0229 does not ensure that the issues found and established by the AUGE are backed through the RbD process over the period to which they relate.

Proposal

It is proposed that the Application Date is set at 1 April 2011, but that coupled with this, any future issue identified by the AUGE is reconciled back, irrespective of when the issue was identified by the AUGE. Such issues would only be reconciled back to the 1st April 2011 date, where it can be demonstrated that the issue was prevailing at that time. We believe that the additional incentives require to be put in place to ensure that issues that contribute to the level of unidentified gas are recognised and brought to the attention of the AUGE at the earliest possible opportunity. For the avoidance of doubt, the application date will roll forward in line with the invoicing rules set in accordance with UNC i.e. Section S 1.4.4.

This principle is demonstrated below:



This Proposal will allow issues, such as Transporter notified metering errors, to be allocated to both the LSP and SSP sector, where the unidentified gas has involved both market segments. It also represents a rebasing of the risk to ensure that the LSP and SSP markets face the same risks of unidentified gas.

This Proposal would allow to both credit and debits. If the proposal were not accepted, then it would remain that the SSP market is cross-subsidising the LSP market, if issues go beyond a one year period. Therefore, potentially significant amounts of energy will continue to be allocated to the incorrect sector. This is not an effect that was contemplated within modifications 229 and 317/A, which look to ensure energy costs are appropriately and correctly assigned to the relevant market sector.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

This is a User Pays Proposal and would be embedded within the introduction of MOD0229 functionality; hence the provision of the xoserve elements of this service would be on a User Pays basis as provided for in MOD0229.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

100% to Users.

c) Proposed charge(s) for application of Users Pays charges to Shippers

All Shippers with Local Distribution Zone (LDZ) capacity to fund the development and set-up activities, in addition to the ongoing AUGE costs. Both sets of charges would be levied on applicable Shippers in proportion with their Supply Point Offtake Quantities (SOQs).

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

To be determined.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of

(i) the combined pipe-line system, and/ or

(ii) the pipe-line system of one or more other relevant gas transporters;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

Some Shippers consider the early identification of issues that contribute to the level of unidentified gas and the subsequent re-apportionment of costs associated with these issues over the period in which these costs have been incurred, will result in an improvement in the distribution of unidentified gas costs between these market sectors. Some Shippers believe that there needs to be appropriate incentives on all Users to readily bring forth, to the attention of the AUGE, matters that have the potential to affect the level of unidentified gas.

Other Shippers disagree with the retrospective principles advocated by this Proposal.

Some Shippers consider that should the AUGE's analysis conclude that an issue(s) has consistently contributed to the level of unidentified gas, the ability to re-apportion energy charges back to the application date of 1st April 2011 or a period up to the maximum invoice period will give increased confidence to RbD Shippers on cost allocations.

Some Shippers consider the retrospective cost allocation to Shippers means that some Shippers will pick up a greater or less allocation of the costs based on their market

share now rather than at the time the issue was identified as being applicable and this is unfair.

Some Shippers consider that competition in the SSP market will be improved. This Proposal will ensure that costs that do not relate to SSP consumers are not being met by the Shippers in that market. It will improve the attractiveness of the SSP market to new entrants.

Other Shippers disagreed on whether this Proposal will ensure the fair allocation of costs between SSP and LSP Shippers.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Some Shippers consider that this Proposal seeks to ensure the framework being introduced under MOD0229 is complete in relation to ensuring costs of unidentified gas are appropriately associated and distributed to the correct market sector. Without this proposal unidentified gas costs that are clearly attributable to a period earlier than the one AUGE year will not be re-apportioned across the relevant market participants.

Some Shippers believe that the process being introduced by Proposal 0229 is complete and does not require reiteration.

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

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No implications have been identified.

b) Development and capital cost and operating cost implications:

See User Pays Section above

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

See User Pays Section above

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences identified.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No risk identified.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

System changes are expected though the Proposal may be able to utilise the mechanism introduced by MOD0229 with a reconciliation to take place back to a relevant date. This concept already exists as introduced by MOD0152 relating to the limitation on retrospective invoicing and invoice correction.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

Some Shippers believe administrative and operational costs to be significant to manage additional invoices from Transporters and the contractual requirement to pass these costs through to consumers. Other Shippers consider the administrative and operational costs of this process to be small. This Proposal will expand the timescales that these additional bills can be applied from.

Development and capital cost and operating cost implications

Some Shippers may need to make changes to their systems.

Consequence for the level of contractual risk of Users

Some Shippers consider that there is a risk in attempting to recover costs from Consumers who were supplied at the time the error occurred and were not subsequently supplied by the same Shipper when the error was subsequently identified.

Conversely some Shippers believe that failure to allocate these charges in a manner described by the Proposal will allow overcharging to remain unresolved.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

Some Shippers consider that there will be a fairer allocation of charges to consumers in the LSP and SSP markets. This will prevent any significant misallocation of costs.

Conversely some Shippers do not agree costs are significantly misallocated.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

None identified

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

Some Shippers believe this Proposal seeks to ensure that any future issue identified by the AUGE can be retrospectively adjusted to the AUG Application Date of 1st April 2011 or the maximum invoice date as set out in UNC Section S 1.4.4. They believe the benefits of this Proposal are that it will:

- Reduce the current cross-subsidy between the LSP and SSP sectors in a clear and simple way.
- Introduces an incentive on Shippers to identify to the AUGE at an early stage, those issues that may be contributing to the level of unidentified gas
- Introduces improved transparency and accuracy on the allocation of RbD
- Where the AUGE analysis determines that an issue has over a period of time contributed to the level of unidentified gas, that the retrospective adjustments can be made back to AUG Application Date of 1st April 2011 or to the maximum invoice period as set out in Section S. The party receiving the credit will not be unfairly disadvantaged as they would be under the current Mod0229 restrictions for within year cost reallocation.
- Incentivises market participants to make appropriate financial provisions in readiness for reconciliations back as far as 1 April 2011

Disadvantages

- The Proposal may result in additional administration costs for the Transporter Agency

Some Shippers believe this Proposal has the following disadvantages:

- The retrospective nature (i.e. either 1 April 2011 or another specified later date) will introduce some cost uncertainty to market participants.
- Will add significant cost and complexity to the Mod0229 process.
- Require a risk premium to be paid by I&C consumers. This would include the potential cost of the energy over the period, as well as significant administration costs for LSP Shippers to re-bill consumers where pass through contracts are in place.
- There is a risk that consumers will be prevented from closing their accounts with Suppliers.

- This Proposal creates additional complexity that will need to be addressed by Government to ensure that LSP consumers that are impacted by CRC and/or the proposed green deal can comply with legislation.
- There is a concern the benefits of reallocation will not be passed on to consumers.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

*Written Representations are now sought in respect of this Draft Report. Consultation End Date: **INSERT DATE**.*

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

15 Programme for works required as a consequence of implementing the Modification Proposal

System changes required allowing adjustments to previous billing periods.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Implementation should coincide with the date of the first AUG year.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20

Text

TPD Section E; DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

Add new paragraphs 10.5.5 and 10.5.6 as set out below:

10.5.5 In circumstances where a particular class of events or circumstances, or acts or omissions (on the part of Users, Suppliers, Transporters, consumers or other persons) is identified by the AUGE in any particular AUG Year (the “Current AUG Year”) leading to an Unidentified Gas Source which relates to prior AUG Years in addition to the Current AUG Year, paragraph 10 shall apply on the basis of a deemed AUG Table for each applicable prior AUG Year up to and including the first AUG Year (where relevant and subject to Section S 1.4.4) as set out in paragraph 10.5.6 below.

10.5.6 In accordance with paragraph 10.5.5. above, as soon as reasonably practicable following the adoption of the AUG Table for the Current AUG Year, a reconciliation and adjustment shall be made, for each User and each Reconciliation Billing Period in each prior AUG Year between:

(a) the User Unidentified Gas Amount as determined on the basis of the AUG Table for the Current AUG Year; and

(b) the User Unidentified Gas Amount as determined on the basis of the AUG Table as applicable in the relevant prior AUG Year;

and the net adjustment amount shall be calculated and paid by or to such User (and shall be invoiced and payable in accordance with TPD Section S), without interest in respect of the period prior to the due date of the relevant invoice for such adjustment amount.

Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report.

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

Agency Charging Statement

Applies from tbc

Deleted: 21 November 2010

Document Reference:	Agency Charging Statement
Version:	<u>tbc</u>
Status*:	<u>Draft to support Modification Proposal 0326</u> Modified against <u>live</u> ACS 21 November 2010
Effective Date:	<u>tbc</u>
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Issued on behalf of all Large Gas Transporters

1. Introduction & Background

- 1.1 This publication sets out the charging methodology, charges and scope for User Pays Services and the scope of Core Services which will apply from 1bc, as required by Standard Special Condition A15 (SSC A15) of the Gas Transporter Licence. xoserve provides these services on behalf of the Gas Transporters as the appointed Agency. This document is published jointly by the following organisations:

Deleted: 21 November 2010

National Grid Gas (Distribution)
National Grid Gas (Transmission)
Northern Gas Networks
Scotland Gas Networks
Southern Gas Networks
Wales & West Utilities

and does not override or vary any of the statutory, licence or Uniform Network Code obligations upon the above organisations.

- 1.2 User Pays Services are categorised as Code Services or Non-Code Services. Code Services are those relating to certain Gas Transporter obligations contained in the Uniform Network Code. Non-Code Services are all other User Pays Services.
- 1.3 Charges for Code Services will be invoiced in the name of the relevant Gas Transporter who will collect the associated revenue:
- (a) subject to (b), in accordance with Section S of the Transportation Principal Document of the Uniform Network Code and invoices will be issued by xoserve utilising the UNC invoicing processes, or
- (b) in accordance with invoices issued by xoserve not utilising UNC processes, where the User Pays Service is of the type described in Appendix 1, item 6(b), or of the type described in Appendix 1, item 6(a) and the applicant does not satisfy all of the User Accession arrangements under Section V2 of Transportation Principal Document of the Uniform Network Code.
- 1.4 For Non-Code Services, except for Ad Hoc services for which paragraph 1.5 will apply, Conditions for the Provision of Services and Service Schedules will be published by xoserve and users of such services shall request services via a Service Request. Charges for Non-Code Services will be invoiced in the name of xoserve who will collect the associated revenue in accordance with the published Conditions. Invoices will be issued by xoserve, their frequency depending on the nature and use of the service. Further details are provided in the Conditions.
- 1.5 Where a user wishes an alternative service which is not contestable, it may request an Ad-hoc Additional Service on a bilateral basis as described in Appendix 1, paragraph 7.

- 1.6 For all User Pays Services, supporting information will be provided with each invoice to allow users of such services to validate their invoices.

2. Scope of User Pays and Core Services

- 2.1 User Pays Services are those services listed in Appendix 1.
- 2.2 The number and scope of User Pays Services are as shown in Appendix 1 of this document but such number may be revised from time to time by a modification to the Agency Charging Statement made in accordance with SSC A15.
- 2.3 Core Services are those services which are Transporter Agency Activities as defined in Section V6.5 of the Transportation Principal Document of the Uniform Network Code and which are not User Pays Services.

3. Charging Methodology

- 3.1 The objectives of the charging methodology, as specified in SSC A15, are that:
- (a) Charges should, as far as reasonably practicable, reflect the costs in providing the services;
 - (b) Charges should not unduly discriminate between or unduly prefer any person or class or classes of person.
- 3.2 The charging methodology for the User Pays Services detailed in Appendix 1 is that the charge for each service will be set based on a forecast of costs to deliver the forecast demand for the service. The costs used to derive the charges will reflect the cost of employees and other expenses that can be directly associated with the provision of the service (excluding the original cost of developing the systems used to deliver the services), plus an appropriate level of overhead (property, systems etc) determined using an activity cost basis methodology (Appendix 3). The charges allow for a reasonable margin to be made when demand is at the forecast level.
- 3.3 In the event of new or amended services being treated as User Pays Services, the charging methodology will be reviewed once the details of the services have been defined.

4. Charging Basis and Charges

- 4.1 The charging basis and charges for each of the User Pays Services is shown in Appendix 1. For the services categorised as Non-Code, further details of the triggers for incurring charges are provided in the Conditions for the Provision of Services and Service Schedules published by xoserve. The Conditions also include details of the invoice dispute process for Non-Code Services.

- 4.2 The principles for charging for User Pays Modification Proposals are set out in UNC MOD213V and shall be in accordance with UNC Modification Rules, and pursuant to the User Pays Guidance Document.
- 4.3 The charges in respect of Service Item 10 (UNC Modification Proposal 0224 Facilitating the use of AMR in the Daily Metered Elective Regime) are consistent with the charging methodology principles detailed in Section 3, above. However, due to the phased nature of user forecast demand for the services, detailed in Appendix 2, the transactional charges have assumed a cost recovery period of two years from initial implementation. On completion of the initial two years these service charges will target a year in year cost recovery and will be reviewed in accordance with paragraph 4.4 below.
- 4.4 Gas Transporters are required to keep this publication under review and may from time to time modify the statement. It is anticipated that a review will take place at least annually and any review of this statement shall include, where necessary, an update of Appendix 2 (Forecast Demand), even if the updates do not result in subsequent changes to the charges outlined in Appendix 1.
- 4.5 All charges will become effective from the date of the statement and shall continue to be invoiced in line with the published Conditions.

Appendix 1 – Schedule of User Pays Services and User Pays Service Charges

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
1.Provision of Information	A range of services supporting the provision of information to various parties.	Non Code service	Those persons entitled to receive the service.	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)	Monthly Charge for an IAD Account	£7.65
				User Telephone Enquiry. Telephone call(s) to information centre to obtain Supply Meter Point data. (Part 6 of the Conditions) *Band A equates to pay-as-you-go at £3.20 a call. This is aimed at infrequent callers.	Band A*	-
					Band B up to 1,000 calls annually (charged in 12 equal monthly instalments)	£2,520 pa
					Band C up to 5,000 calls annually (charged in 12 equal monthly instalments)	£12,324 pa
					Band D up to 20,000 calls annually (charged in 12 equal monthly instalments)	£42,948 pa
					Band E up to 50,000 calls annually (charged in 12 equal monthly instalments)	£88,332 pa
					Band F up to 70,000 calls annually (charged in 12 equal monthly instalments)	£109,800 pa

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
					Band G up to 150,000 calls annually (charged in 12 equal monthly instalments)	£150,300 pa
					Band H up to 250,000 calls annually (charged in 12 equal monthly instalments)	£193,236 pa
					Charge per call in excess of annual band	£3.20
					Charge per call in excess of monthly allowance	£3.20
				Provision of M Number DVD containing supply meter point data. (Part 4 of the Conditions)	Annual Service	£1,400 pa
					Ad Hoc Per DVD	£759
				Provision of data by email for users Meter Point Reference Numbers. (Part 2 of the Conditions)	Per email report 1-999 MPRNs	£218
					Per email report 1,000-5,000 MPRNs	£321
2. Registered User Portfolio Reports	A range of portfolio information reports available to Users. (Part 5 of the Conditions)	Non Code service	Shippers under UNC	Query Management – Standards of Services	Annual Service (12 reports per year)	£252 pa
					Ad Hoc Service (per report)	£60

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Registered User Portfolio Statement	Annual Service (12 reports per year)	£384 pa
					Ad Hoc Service (per report)	£155
				Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	£1,788 pa
					Ad Hoc Service (per report)	£890
				Registered User Portfolio (for User portfolios exceeding one million Supply Points)	Service Charge on application to xoserve	
				CSEPs Portfolio Report	Annual Service (12 reports per year)	£384 pa
					Ad Hoc Service (per report)	£60
				Unique Sites Portfolio	Annual Service (12 reports per year)	£384 pa
					Ad Hoc Service (per report)	£60
				Annual Asset Portfolio	Annual Service (one report per year)	£1,500 pa
					Ad Hoc Service (per report)	£2,370

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Transco Asset Portfolio	Annual Service (12 reports per year)	£612 pa
					Ad Hoc Service (per report)	£180
				Data Portfolio Snapshot	Annual Service (12 reports per year)	£612 pa
					Ad Hoc Service (per report)	£180
			Those persons entitled to receive the service.	IAD Last Accessed Report	Adhoc Service (per report)	£50
					Annual Service – 6 monthly (2 reports per year)	£75
					Annual Service – Quarterly (4 reports per year)	£125
					Annual Service – Monthly (12 reports per year)	£325

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
3. AQ Enquiry	Tool to calculate a Speculative AQ Value of a Users Supply Meter Point on provision of meter read information.	Non Code service	Shippers under UNC	Provision of a Speculative AQ Value (Part 1 of the Conditions)	Per AQ Enquiry Requested	£0.02
4. Must Reads	If a shipper does not provide meter readings in compliance with the Uniform Network Code, the Gas Transporter may initiate processes to obtain a meter read, referred to as a 'must read'. A charge will be made for each must read.	Code services	Shippers under UNC	One meter at the supply point – National Grid Distribution	Per Read Requested	£51.92
				Two meters at the supply point – National Grid Distribution	Per Read Requested	£76.14
				Three or more meters at the supply point – National Grid Distribution	Per Read Requested	£100.35
				One meter at the supply point – Scotland Gas Networks	Per Read Requested	£62.72
				Two meters at the supply point – Scotland Gas Networks	Per Read Requested	£89.38
				Three or more meters at the supply point – Scotland Gas Networks	Per Read Requested	£116.04
				One meter at the supply point – Southern Gas Networks	Per Read Requested	£63.78

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Two meters at the supply point – Southern Gas Networks	Per Read Requested	£90.44
				Three or more meters at the supply point – Southern Gas Networks	Per Read Requested	£117.10
				One meter at the supply point – Northern gas Networks	Per Read Requested	£57.80
				Two meters at the supply point – Northern gas Networks	Per Read Requested	£88.60
				Three or more meters at the supply point – Northern gas Networks	Per Read Requested	£120.40
				One meter at the supply point – Wales & West Utilities	Per Read Requested	£63.98
				Two meters at the supply point – Wales & West Utilities	Per Read Requested	£127.96
				Three or more meters at the supply point – Wales & West Utilities	Per Read Requested	£241.92
5. Shipper Agreed Reads	Where Users cannot agree with an estimated opening reading, xoserve will load an	Code services	Shippers under UNC	U01 File	Per Read	£0.10
				Email File	Per Read	£2.00

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
	agreed revised reading submitted by the incumbent shipper.			Facsimile Transaction	Per Read	£7.00
6. User Admission	<p>The delivery and installation of IX equipment on the applicant's premises are required to enable the sending and receipt of communications under the Gas Transporter's Network Code.</p> <p>In addition, in order to accede to a Gas Transporter's Network Code a number of conditions are required to be satisfied. This process requires administration.</p>	Code services	Applicant Users who wish to be admitted to UNC	(a) The delivery and installation of IX equipment	Charged after accession to UNC ¹	Price on Application
		Non Code service		(b) Administration of the shipper admission process.	Charged on application.	£4,130

¹ Applicant users will be required to sign an IXN installation agreement which will provide for the recovery of installation and removal costs in the event that an applicant user does not become a shipper user, as per current arrangements.

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
7 Ad-hoc additional services	Ad-hoc services which are additional to those provided in items 1 to 6 inclusive and which are not contestable, i.e. there is no alternative source for the additional service.	Non Code service	Shippers under UNC	As agreed at the time of request.	Priced by quotation	Priced by quotation
8. USRV resolution service (UNC Modification 192 refers).	The resolution, by the Transporters agent, of a User Suppressed Reconciliation Value (USRV), in accordance with the Uniform Network Code	Code Services	Shippers under UNC	Desktop resolution service only	Per USRV resolution	£53
				Desktop and asset verification visit resolution, National Grid Gas Distribution North Thames LDZ	Per USRV resolution, including the costs of the asset verification visit	£105
				Desktop and asset verification visit resolution, National Grid Gas Distribution East Anglia, East Midlands, West Midlands, North West LDZs	Per USRV resolution, including the costs of the asset verification visit	£99
				Desktop and asset verification visit resolution, Wales & West Utilities Wales North, Wales South and South West LDZs	Per USRV resolution, including the costs of the asset verification visit	£99

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Desktop and asset verification visit resolution, Scotland LDZ (including Scottish Independent Networks) and South East and Southern LDZs	Per USRV resolution, including the costs of the asset verification visit	£101
				Desktop and asset verification visit resolution, Northern Gas Networks North East and Northern LDZs	Per USRV resolution, including the costs of the asset verification visit	£97
9. User Pays DCA (UNC Modification 213V refers)	The provision of Detailed Cost Analysis (DCA) document to support a User Pays Modification Proposal, in accordance with UNC Modification Rules	Code Services	Shippers under UNC	A DCA document, provided by the Transporters, to the UNC Committee or UNC Work Group to support a non – implemented User Pays Modification Proposal	As set out in UNC MOD213V and in accordance with UNC Modification Rules, and pursuant to the User Pays Guidance Document with reference to individual quotations provided by the Transporters for the provision of DCA document	Priced on quotation
10. Daily Metered Elective Regime (UNC Modification 224 refers)	To facilitate the use of Automated Meter Reading (AMR) equipment in the business market a user may elect, on a voluntary basis, to use their own AMR equipment to supply daily meter readings to the relevant Transporter	Code Services	Shippers under UNC	The development costs incurred as a result of the implementation of modification 224. A one off charge in accordance with MOD0224 methodology, to be based on the number of eligible meter points on the modification implementation date	Per meter point in End User Category (EUC) band 6, 7, 8 and 9.	Tbc
					Per meter point in End User Category (EUC) band 5	Tbc
					Per meter point in End User Category (EUC) band 4	Tbc

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Provision of daily meter read activities, provision of supporting information and invoicing services	Daily charge per DM Elective nominated meter point	£0.28
				Investigation and resolution of user created daily metered reconciliation error	Per reconciliation error resolution	£60
				Resolution and processing of consumption adjustment	Per consumption adjustment (ADJ1)	£37
				Provision of DME annual check read report	Ad Hoc service (per report)	£55
				Provision of DME meter inspection report	Ad Hoc service (per report)	£55

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
11. Apportionment of Unidentified Gas activity, (UNC Modification 229 refers)	<p>Set-up service</p> <p>A mechanism to apportion unidentified gas is to be developed and applied on an ongoing basis.</p> <p>The set-up activities include appointing an expert to develop a methodology to apply unidentified gas, and the means of assessing the amount of unidentified gas.</p> <p>This set up activity occurs each time an expert is appointed. There may be more than one set-up activity occurring within a year</p>	Code Service	Shippers under UNC incurring LDZ capacity invoice charges	<p>The activities in the set-up service include:</p> <ul style="list-style-type: none"> - Establishment of terms of reference for the expert - Tender activity - Contract development activity - Appointment activity - All other set-up activities associated with the contractual appointment of the expert - Relevant xoserve operational set up charges e.g. transportation invoicing set up for unidentified gas volumes - The development of tools to facilitate the Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)) Mod 326 refers 	<p>The charging basis is:</p> <p>1. Set-up costs incurred for the period between 1 April and 31 March each year divided by 12.</p> <p>2. This value then Invoiced to Shippers in 12 equal instalments for the forthcoming year using the formula below to determine the Shipper charge for each relevant billing period;</p> <p>Total aggregate SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period) as a percentage of the total aggregate SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period)</p>	<p>Total industry charge to be recovered for the forthcoming year to be confirmed each June</p>

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
	Ongoing service Ongoing application of the methodology	Code Service	Shippers under UNC	<p>The activities for the ongoing service include:</p> <ul style="list-style-type: none"> - Support provided to the expert in undertaking its activities - Convening meetings to discuss the statement - invoicing the values provided by the expert - All other activities not included within the set up charge 	<p>The charging basis is:</p> <p>1. Ongoing costs incurred for the period between 1st April and 31st March each year divided by 12.</p> <p>2. This value then Invoiced to Shippers in 12 equal instalments for the forthcoming year using the formula below to determine the Shipper charge for each relevant billing period;</p> <p>Total aggregate SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period) as a percentage of the total aggregate SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period)</p>	<p>Total industry charge to be recovered for the forthcoming year to be confirmed each June</p>

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
12. Adjustment Apportionment of Unidentified Gas activity (Modification 0326 Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)) refers	Ongoing service	Code Service	Shippers under UNC	Invoicing the values provided by the Expert	100% charges to Shippers. The charging basis is: 1. Ongoing costs incurred for the period between 1st April and 31st March each year divided by 12. 2. This value then Invoiced to Shippers in 12 equal instalments for the forthcoming year using the formula below to determine the Shipper charge for each relevant billing period: Total aggregate SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period) as a percentage of the total aggregate SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period)	Tbc

Other Charges and Payments

Service Item	Type	Service Detail	Charging Basis	Charge (£)
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Service Item	Type	Service Detail	Charging Basis	Charge (£)
1.Provision of Information	Non Code service	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)	Daily Failure Rate for IAD services	£0.36
		User Telephone Enquiry Service Volume Band reduction charge. (Part 6 of the Conditions)	On reduction of the contracted User Telephone Enquiry Service Volume Band	£500

Appendix 2: Updated Forecast Demand

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
1.Provision of Information	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)		17,700
	User Telephone Enquiry. Telephone call(s) to information centre to obtain Supply Meter Point data. (Part 6 of the Conditions)	Band B up to 1,000 calls	14
		Band C up to 5,000 calls	8
		Band D up to 20,000 calls	0
		Band E up to 50,000 calls	3
		Band F up to 70,000 calls	1
		Band G up to 150,000 calls	1
		Band H up to 250,000 calls	0
		Calls in excess of band	290
	Provision of M Number DVD containing supply meter point data. (Part 4 of the Conditions)	Annual Service	16
		Ad Hoc Per DVD	0
	Provision of data by email for users Meter Point Reference Numbers. (Part 2 of the Conditions)	Per email report 1-999 MPRNs	790
		Per email report 1,000-5,000 MPRNs	20
2. Registered User Portfolio Reports	Query Management – Standards of Services	Annual Service (12 reports per year)	6
		Ad Hoc Service (per report)	0
	Registered User Portfolio Statement	Annual Service (12 reports per year)	25
		Ad Hoc Service (per report)	0
	Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	27
		Ad Hoc Service (per report)	0

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
	CSEPs Portfolio Report	Annual Service (12 reports per year)	16
		Ad Hoc Service (per report)	0
	Unique Sites Portfolio	Annual Service (12 reports per year)	6
		Ad Hoc Service (per report)	0
	Annual Asset Portfolio	Annual Service (one report per year)	15
		Ad Hoc Service (per report)	0
	Transco Asset Portfolio	Annual Service (12 reports per year)	16
		Ad Hoc Service (per report)	0
	Data Portfolio Snapshot	Annual Service (12 reports per year)	13
		Ad Hoc Service (per report)	0
	IAD Last Accessed Report	Adhoc Service (per report)	1
		Annual Service – 6 monthly (2 reports per year)	0
		Annual Service – Quarterly (4 reports per year)	5
		Annual Service – Monthly (12 reports per year)	4
3. AQ Enquiry	Provision of a Speculative AQ Value (Part 1 of the Conditions)		2,667,000
4. Must Reads	One meter at the supply point		13,410
	Two meters at the supply point		950

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
	Three or more meters at the supply point		1,140
5. Shipper Agreed Reads	U01 File		2,700
	Email File		23,000
	Facsimile Transaction		3,000
6. User Admission	Non-Code Services applicants		15
8. USRV filter failures	Desktop resolution		250
	Desktop resolution including site visit		170
10. Daily Metered Elective Services	DM Elective nominated meter points	Year 1	667
		Year 2	2,980
		Year 3 onwards	4,666
	Reconciliation error resolution		330
	Consumption Adjustments (ADJ1)		165
	DM Elective annual check read report		6
	DM Elective meter inspection report		6
11 Apportionment of Unidentified Gas activity, (UNC Modification 229 refers)	Set up service		Once or more per year
	Ongoing service		Once per year

Activity Cost Base (ACB) in xoserve

An Overview of the Methodology

1.0 Background

The purpose of this paper is to provide a summary of the Activity Cost Base (ACB) methodology used in xoserve.

Obligations are placed on Network Operators by Standard Special Condition A15(3)(ii) of the Gas Transporters' licence – "the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being the scope of agency, are separately assessed and reported."

The ACB methodology described below is intended to meet this obligation.

2.0 Activity Cost Base Methodology

The scope of the methodology is the activities included in Schedule 2 of the Agency Services Agreement (ASA) which specifies the services xoserve provides to the Network Operators. The services are shown in three levels of detail – Service Line (e.g. Provide and maintain Supply Point Register), Service Description (e.g. Manage Supply Point Register) and Service Requirement (e.g. Respond to Supply Point enquiry).

The cost base is split into five distinct areas.

- Employee costs (e.g. Salaries & Associated Costs, Agency and Travel & Subsistence).
- Non Employee costs (e.g. Printing and Stationary, Training and Telephones).
- Bought in services (Non IS) (e.g. Property, M Numbers, and Business Services).
- Bought in Services (IS Core).
- Bought in Services (IS projects).

Cost drivers are used to apportion costs for each area to each service line. Different drivers are used depending on the nature of cost involved. For example, activities that are labour intensive can be driven using proportions of manpower time spent against those activities. Cost drivers will be explained in greater detail in the next section.

3.0 Cost Driver Selection

The cost drivers used are as follows.

3.1 Employee costs

3.1.1 Direct - Departments who deliver ASA services

xoserve uses a well established system to record time taken against activities. The activity codes from this system have been mapped to the most appropriate ASA service lines. Costs are allocated to service lines in proportion to the amount of resource used to complete the activity. Direct staff numbers are used to drive Salary and Associated Costs whilst Agency numbers are used to drive Agency costs.

3.1.2 Support – Departments not delivering specific ASA services

The resources and costs of those departments who are not involved with the delivery of specific ASA services (e.g. HR, Finance & Business Support) are attributed in proportion to the total direct resource per service line.

3.2 Non Employee Costs

Where non employee costs are incurred as a result of delivering a particular service (e.g. RbD Audit), these will be allocated directly to that service line. The remainder of non staff costs are allocated across all service lines in proportion to the direct and support resource against it.

3.3 Bought in Services (Non IS)

Non IS bought in services are treated in the same way as non employee costs. Several bought in services can be allocated directly to service lines (e.g. Domestic M Number service outsourced to National Grid). The remainder of this type of bought in service are allocated to service lines in proportion to the direct and support resource against it.

3.4 Bought in Services (IS Core)

IS charges can be broken down into a number of categories. The bulk of the charges are incurred in running and maintaining applications such as Gemini, Invoicing 95 and Sites & Meters. Categories such as asset leasing charges, software licence costs and application workpacks are allocated to the relevant software application that has incurred the cost.

The total application costs are then allocated to the relevant service lines based upon recommendations provided by appropriate experts within the business.

The remainder of the categories are driven to service lines in proportion to the direct and support resource against it. These are :-

- Network Infrastructure
- Desktop
- Helpdesk
- Contract Management (purchase)

3.5 Bought in Services (IS Projects)

Expenditure incurred under Change Budget and Business Improvements categories is allocated, with input from xoserve Business Projects, to the most appropriate service line. For example, any changes or improvements to the Supply Point Register will be allocated to that service line.

Infrastructure upgrade costs are allocated to the specific application which has benefited from the work being undertaken.

The cost drivers used are summarised below.

4.0 Summary

The ACB methodology developed for xoserve ensures that costs are allocated to activities using the most appropriate drivers: -

- Where possible, resource costs being allocated in proportion to time taken to complete activities.
- If a non staff or bought in service cost is incurred in the delivery of one or more service lines then the cost is allocated directly to the relevant service lines only.
- The cost of applications is driven to service lines based on advice from appropriate experts from within xoserve.

Summary of Cost Drivers

