

User Pays Proposed Governance Approach – For Discussion

In order to ensure the new User Pays arrangements are administered in the most equitable and effective manner the users of the services need to have a greater degree of control over these arrangements. The User Pays Contract is unlike the majority of industry agreements as it not framed as a multilateral agreement – it has been drafted as a bilateral agreement which makes it difficult to map a governance structure from other industry agreements onto it. To overcome the bilateral nature of the contract it will be necessary to set up two new industry groups one to focus on the legal aspects of the contract and one to focus on the non-code user pays arrangements.

User Pays Services – Contract Expert Group

The Contract Expert Group should be set up to liaise with xoserve on the User Pays contract, conditions, termination fees, termination notice etc similar to the MRA Services Agreement and Finance Expert Group. This group would have defined responsibilities and whose remit would exclude detailed discussion of the costs/benefits of adding additional services to the User Pays arrangements and any user pays services governed by the UNC. The group would be made up of shippers/suppliers in their role as users of User Pays services and xoserve acting in their role as service provider.

User Pays User Committee

The second group should focus on the provision of the User Pays services and should be a representative group where parties either represent their own companies views on which services should and should not be added to the contract; or act on a constituency representative basis. Detailed discussion would be limited to non-code User Pays services. Voting arrangements will need to be put in place and there are a number of options on how this can work:

Representative Committee

- X number of Shippers/Suppliers with voting rights
- X number of Gas Transporters with a veto right (this veto can only be applied where a GT Licence obligation is at risk and would be open to challenge via Ofgem)
- Ofgem representative – observer
- xoserve – service provider

Changes to the contract will require a threshold of success from those group members who hold voting rights and are representing their own company's views rather than acting as independent experts.

xoserve do not have voting rights as they are the industry service provider for User Pays Services

Constituency Committee

- X Number of Shippers/Suppliers with voting rights
- X Number of Gas Transporters with a veto right as above
- Ofgem representative – observer
- xoserve – service provider

Changes to the contract will require unanimous support of the voting members of the group. This option will require commitment from the voting group members to consult with their constituencies to ensure they are representing their views and wishes.

xoserve do not have voting rights as they are the industry service provider for User Pays Services

Services Identified by xoserve or User Pays Users

Where new services are identified by xoserve or User Pays Users as being appropriate for inclusion within the non-code User Pays arrangements; these services should be presented to the User Pays User Committee. The UPUC should assess the services to determine whether there is agreement that these services should form part of the non-code user pays arrangements. If there is agreement that these are non-code user pays services there should be a defined change programme associated with delivering them and associated ACS changes. If the UPUC does not believe the services meet the criteria for non-code User Pays services they will not be accepted as non-code user pays services. xoserve or the User Pays User will then have to approach Ofgem to request that the services are included with their price control, or raise a UNC Modification proposal.

This group can also act as an information hub to receive updates on future non-code User Pays service implementations this will be on an information only basis.

Where services have to be added to the contract as an outcome of regulatory change or the UNC modification process disclosure of the details of the change and xoserve's proposed approach will pass through this group for information only. User Pays Users should have early sight of proposed system changes and identified costs at an early stage of the UNC modification process. The Joint Office will play an integral role in this communication exercise.