

xserve



respect > commitment > teamwork

# Mod 229 charging basis for User Pays service



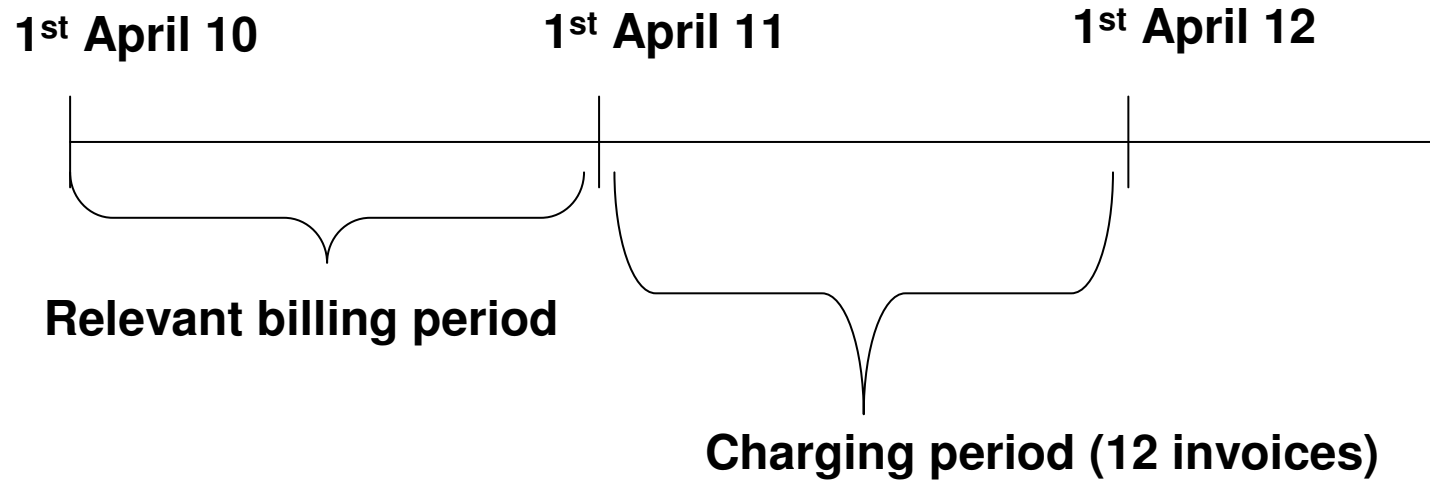
# Mod 229 Charging Basis for User Pays service

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- Two elements to Mod 229 charges
  - a) Charges associated with unidentified gas
  - b) Charges for performing the service itself
- This proposal is only associated with the charges for performing the services
- A cheaper operational service is being proposed

# Mod 229 Charging Basis for User Pays service

## Current charging approach



**Xoserve costs incurred (AUGE contract, provision of data etc) in the relevant billing period are charged throughout the following year.**

# Mod 229 Charging Basis for User Pays service

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- Current charging basis summary
  - Annual charge for the service calculated at end of relevant billing period (31<sup>st</sup> March each year)
  - Divided by 12
  - Invoiced over the forthcoming year based upon daily aggregate SOQ values
- This basis roughly mirrors the charging basis for the Unidentified Gas

# Mod 229 Charging Basis for User Pays service

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- At the end of each relevant billing period Xoserve will compile the costs incurred in that period
- Xoserve will prepare a modified ACS for submission to Ofgem containing the total User Pays charge
- This will be accompanied with a report (to be published on the JO website) summarising the activities performed throughout the period
- Once the modified ACS is not vetoed the charging can commence

# Mod 229 Charging Basis for User Pays service – issues with current charging basis

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- Requires new reports and invoicing processes to be developed
- Requires daily and monthly management activities
- Twelve invoicing activities

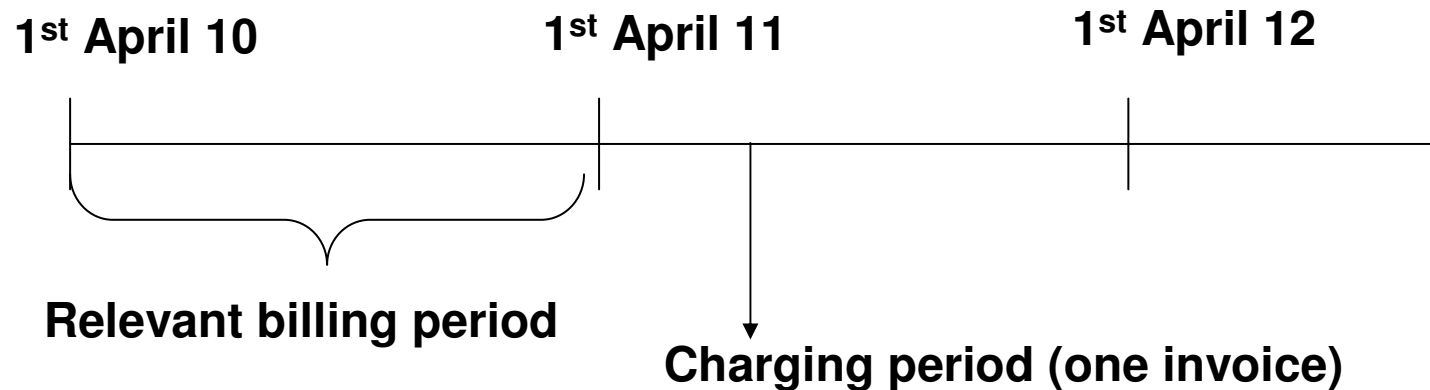
# Mod 229 Charging Basis for User Pays service – proposed revised basis

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- Annual charge for the service calculated at year end (31<sup>st</sup> March each year) - as now
- Charge invoiced in one value
- Two options for charging basis
  - a) Based upon SOQ values as at 31<sup>st</sup> March each year
  - b) Based upon an average of SOQ values at the end of each month for the relevant billing period (average of 12 monthly SOQ values)(either option is cheaper in terms of development and operational costs than the present arrangements)

# Mod 229 Charging Basis for User Pays service – proposed revised basis

## Proposed charging approach



Xoserve costs incurred (AUGE contract, provision of data etc) in the relevant billing period are charged in one invoice.



# Mod 229 Charging Basis for User Pays service – proposed revised basis

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- **Reasons for change**
  - Once divided by 12 and apportioned across shippers the monthly invoice values are very low.
  - This proposal reduces industry operational costs for performing this User Pays service – one invoice activity not 12
  - It provides a simplified invoicing process for all Shippers and GTs
  - This proposal probably avoids approx £10,000 of xoserve operational costs plus there are benefits to Shippers and GTs
  - It does not materially affect the financial impact to shippers

# Mod 229 Charging Basis for User Pays service – proposed revised basis

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- Next steps
- Assuming Distribution Workgroup support proposal (either (a) or (b) see slide 7) a modified ACS will be submitted to Ofgem
- Assuming non-veto, charges incurred for the relevant billing period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 will be invoiced on this new basis.