



**Agency Charging Statement**

**Review Report**

February 2011

## Agency Charging Statement Review Report. February 2011

### Contents

<b>1.</b>	<b>Introduction</b>	<b>3</b>
<b>2.</b>	<b>The ACS Review Report</b>	<b>3</b>
<b>3.</b>	<b>Service Performance</b>	<b>3</b>
<b>4.</b>	<b>Forecast Financial Performance 2010/11 and 2011/12</b>	<b>4</b>
<b>5.</b>	<b>2011/12 Forecast Demand</b>	<b>5</b>
<b>6.</b>	<b>Forecast Costs for 2011/12</b>	<b>5</b>
<b>7.</b>	<b>ACS prices 2011/12</b>	<b>5</b>
<b>8.</b>	<b>Conclusions</b>	<b>7</b>
	<b>Appendix A – Demand by Service line</b>	<b>8</b>

## 1. Introduction

The User Pays regime commenced on 1 April 2008 following consultation by Ofgem through the Gas Distribution Price Control Review (GDPCR) process (2008-13)<sup>1</sup>. Standard Special Condition A15 (SSC 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 services and the charges themselves.

The charging methodology is outlined in the ACS and the Activity Cost Base methodology (ACB) appended to the ACS. In short, xserve 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 after adjusting for any over or under recovery in the previous year. This ensures the prices are, as far as reasonably practicable, cost reflective in accordance with SSC A15. There have been no changes to the charging methodology in the preparation of the updates to 2010/11 or the forecast for 2011/12.

This report reviews the financial position for the User Pays service provided by xserve for 2010/11 and outlines the ACS prices for 2011/12.

## 2. The ACS Review Report

It continues to be xserve's intention to produce this ACS review report at least annually in advance of the publication of the Gas Transporters revised ACS. This report provides details on the expected demand and financial outturn for 2010/11 and the forecast demand, costs and pricing for 2011/12 for User Pays Services. The report is intended to provide detailed supporting information to the updated Agency Charging Statement (ACS) which is expected to become effective from 1 April 2011.

xserve further intends to continue to demonstrate cost reflectivity of the services it provides through the periodic review of both costs and demand for the services with updates provided at User Pays User Committee (UPUC) as appropriate.

## 3. Service Performance

All of the User Pays services have been consistently delivered to the expected performance standards. Highlights include the Telephone Service Line continually exceeded its target of 95% service availability, with the call answering target of 90% within 30 seconds also being achieved. The IAD Service exceeded its target availability of 97% availability during core hours. The Email Report Service Line performance continues to hit 100% as did the Portfolio reports performance standard and the AQ Enquiries performance standards.

---

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

#### 4. Forecast Financial Performance 2010/11 and 2011/12

xoserve has completed an updated review of the costs for User Pays services for 2010/11, using the actual costs of providing the services from April 2010 to December 2010 and forecast costs for the remainder of the financial year to 31 March 2011. We have also produced the forecast revenue for the year.

We ask our customers every six months for an update on their demand for the services to inform our financial forecasts and pricing of the services. This year we have seen demand for a number of services run at a level higher than we had previously experienced and higher than we were forecasting as customers appear to be placed more value in using these services. This has resulted in a forecast over-recovery of revenue above the expected 6% margin for a number of service lines, most notably Email Reporting and IAD. xoserve has factored this over-recovery (£190,000) into the 2011/12 prices for the specific services where the over-recoveries occurred in order to rebate customers through a lower 2011/12 price.

In the table below we have outlined the forecast recovery for this year 2010/11, and the forecast for 2011/12 (taking into account this year's £190k over-recovery). Whilst the margin for each individual year varies, xoserve is forecasting an average 6% return across the two years which is in line with industry expectations.

**Table 1 - Financial Forecast 2010/11 and 2011/12**

	<b>2010-11 £m</b>	<b>2011-12 £m</b>	<b>Average £m</b>
Provision of Information	2.55	2.34	
Registered User portfolio Reports	0.11	0.09	
AQ Enquiry	0.06	0.04	
Must Reads	0.24	0.22	
Shipper Agreed Reads	0.08	0.09	
User Admissions	0.05	0.06	
MOD 192	0.01	0.01	
DM Elective	0.00	0.03	
<b>Total Revenue</b>	<b>3.11</b>	<b>2.88</b>	<b>2.99</b>
<b>Total Costs</b>	<b>2.72</b>	<b>2.89</b>	<b>2.81</b>
<b>Margin</b>	<b>0.39</b>	<b>-0.01</b>	<b>0.19</b>
<b>Return</b>	<b>12%</b>	<b>0%</b>	<b>6%</b>

## 5. 2011/12 Demand Forecasts

The 2011/12 forecast demand for services is based on customers' anticipated demand (where provided) and projected demand based on current and historic trend data. 2011/12 forecast demand is shown in Appendix A. As with previous years we intend to review these demand forecasts at the half-way stage of the year.

## 6. Forecast Costs for 2011/12

The forecast operating costs for providing the User Pays services for the period 1 April 2011 to 31 March 2012 are based on the 2010/11 costs of providing the services which are adjusted by inflation, forecast demand for the services in 2011/12 and an assessment of resources required to meet future demand.

The aggregate forecast cost of providing the User Pays services for 2011/12 is £ 2.89m. This represents the first increase in the cost of providing these services since the introduction of User Pays in 2008 and is due to a combination of the new DME service running for a full financial year and inflation. It is worth noting that in real terms the 2011/12 forecast cost represents a reduction of 25% against the cost of providing the User Pays services in 2008. Additionally, more services are now being provided to our customers under User Pays than in 2008.

## 7. ACS Prices 2011/12

In order to ensure prices continue to be, as far as reasonably practicable, cost reflective the prices to be included in the ACS for 1 April 2011 reflect the updated demand and cost assumptions, including accounting for the forecast 2010/11 over-recovery rebate. As detailed below the prices on five of the User Pays services lines are decreasing, whilst the prices on another three service lines are going up (mostly driven by a fall in demand for the services). The price for User Admission is also increasing. The changes to individual services are detailed below:

### Price Decreases

- IAD

The monthly charge per IAD account is reduced to £6.60, against an annual average charge of £6.90 per account per month in 2010/11. This reduction has been achieved through a combination of increasing demand for the service and a minor forecast over-recovery in 2010/11 due to customer indicated account deletions that did not materialise. As demand did not drop as forecast in 2010/11 the slight over recovery is being rebated through the proposed price reduction.

- **Email-Reporting**

The demand for this service has increased substantially, reversing an enduring trend of declining usage over the previous two years. This increased demand has resulted in a forecast revenue over-recovery for the 2010/11 period. This over-recovery will be returned to the service users by way of a downward adjustment of the 2011/12 prices. The price for a report of less than 1,000 MPRNs decreases to £55, and the price for a report of between 1,000 and 5,000 MPRNs decreases to £80. Note this is a temporary reduction; we are forecasting the price for a report of less than 1,000 MPRNs to be approximately £150 and the price for a report of between 1,000 and 5,000 MPRNs to be approximately £230 in the 2012/13 period, assuming demand remains constant. These forecast prices for 2012/13 prices still represent a 30% reduction against 2010/11 prices.
- **User Portfolio Reporting**

Increasing demand and efficiency savings mean that xoserve can deliver increased reporting volumes with fewer resources. Additionally this service line is forecasting an over-recovery above the 6% for 2010/11. As a result, the prices for User Pays reports are dropping by 26% this year to their lowest levels since the implementation of the User Pays regime. This service is also growing as new reports become available to customers.
- **M-Number DVD**

Increased demand for this service coupled with a forecast 2010/11 over-recovery being rebated to customers means that the price of the Annual M-Number DVD drops to £968, a saving of over £400 on the 2010/11 price.
- **AQ Enquiry**

AQ enquires are reduced from 2 pence to 1.5 pence per enquiry because of a forecast increase in demand.

### **Prices Increases**

- **Telephone Enquiries**

Prices across all telephone bands have increased as a result of decreasing demand for the service and inflation. Demand for the service has fallen by 21,000 calls. By way of example, Band B (the most popular Band) will see an increase of £324 for the year which results in an annual charge of £2,844.

- Shipper Agreed Reads (SARs)

SARs have experienced a substantial shift in demand away from facsimile to the electronic U01 file. Due to the drop in demand for the facsimile service the unit price has increased. Price increases to other service lines are a result of inflation increase coupled with a slight decrease in demand for U01. The prices for 2011/12 are:

  - 11 pence for a U01 file
  - £2.65 per email file
  - £9.20 per facsimile transaction
  
- Mod 192

Mod 192 prices have increased to £75 for a desk top resolution due to a drop in the demand for this service (desktop demand is down circa 75%). Costs have been reduced reflecting the fall in demand but a core level of staffing and fixed costs are still required to deliver this service.

The price for User Admission has increased to reflect the extra time it is taking to manage new entrants into the market.

The demand for the DM Elective service is substantially less than forecast, however prices remain unchanged to maintain the viability of the service and encourage customers to use the service.

All price changes will become effective from 1 April 2011 and full details of all 2011/12 prices are outlined in the updated version of the ACS dated 1 April 2011 which is published on the Joint Office of Gas Transporters website @ [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk).

## **8. Conclusions**

xoserve continues to be committed to providing appropriate transparency to support the pricing of User Pays services in accordance with SCA15 and will continue to work closely with customers to monitor demand for services.

xoserve will also continue to work with its customers through the User Pays governance arrangements to enable effective and efficient operation of the User Pays arrangements for all concerned, and to ensure the ongoing development and delivery of services to meet customer requirements.

## Appendix A: Forecast Demands for User Pays Services

\* A number of services have been purchased part way through the year

Service Item	Service Detail	1 October 2010 Annual Forecast Demand (Apr- Mar)	1 April 2011 Annual Forecast Demand (Apr- Mar)	
1.Provision of Information	Internet based service to allow authorised users access to supply meter point data online. (Schedule 4 of the Conditions)	17,000	19,500	
	User Telephone Enquiry. Telephone call(s) to information centre to obtain Supply Meter Point data. (Schedule 7 of the Conditions)	Band B up to 1,000 calls	14	13
		Band C up to 5,000 calls	8	10
		Band D up to 20,000 calls	0	1
		Band E up to 50,000 calls	3	2
		Band F up to 70,000 calls	1	1
		Band G up to 150,000 calls	1	1
		Band H up to 250,000 calls	0	0
	Calls in excess of band	290	300	



	Provision of M Number DVD containing supply meter point data. (Schedule 5 of the Conditions)	Annual Service	16	16
		Ad Hoc Per DVD	0	0
	Provision of data by email for users Meter Point Reference Numbers. (Schedule 3 of the Conditions)	Per email report 1-999 MPRNs	790	1,000
		Per email report 1,000-5,000 MPRNs	20	60
2. Registered User Portfolio Reports	Query Management – Standards of Services	Annual Service (12 reports per year)	6	6
		Ad Hoc Service (per report)	0	0
	Registered User Portfolio Statement	Annual Service (12 reports per year)	25	25
		Ad Hoc Service (per report)	0	0
	Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	27	26
		Ad Hoc Service (per report)	0	0
	CSEPs Portfolio Report	Annual Service (12 reports per year)	16	16
		Ad Hoc Service (per report)	0	0
	Unique Sites Portfolio	Annual Service (12 reports per year)	6	6
		Ad Hoc Service (per report)	0	0
	Annual Asset Portfolio	Annual Service (one report per year)	15	15
		Ad Hoc Service (per report)	0	0

	Transco Asset Portfolio	Annual Service (12 reports per year)	16	16	
		Ad Hoc Service (per report)	0	0	
	Data Portfolio Snapshot	Annual Service (12 reports per year)	13	13	
		Ad Hoc Service (per report)	0	0	
	IAD Last Accessed Reports	Adhoc Service (per report)	1	1	
		Annual Service – 6 monthly (2 reports per year)	0	0	
		Annual Service – Quarterly (4 reports per year)	5	5	
		Annual Service – Monthly ports (12 reports per year)	4	4	
	3. AQ Enquiry	Provision of a Speculative AQ Value (Schedule 2 of the Conditions)		2,667,000	2,818,866
	4. Must Reads	One meter at the supply point		13,410	12,240
Two meters at the supply point		950	870		
Three or more meters at the supply point		1,140	1,040		
5. Shipper Agreed Reads	U01 File		27,000	21,000	
	Email File		23,000	30,000	
	Facsimile Transaction		3,000	550	
6. User Admission	Non Code Services		15	15	

8. USRV Resolution Service (MOD 192)	The resolution, by the Transporters agents, of a User Suppressed Reconciliation Value (USRV), in accordance with the Uniform Network Code	Desktop Resolution	250	100
		Desktop Resolution and asset verification visit resolution	170	40
10. Daily Metered Elective Services	DM Elective nominated meter points	Year 1	667	200
		Year 2	2,980	TBC
		Year 3 onwards	4,666	TBC
	Reconciliation error resolution		TBC	100
	Consumption Adjustments (ADJ1)		TBC	55
	DM Elective annual check read report		TBC	2
	DM Elective meter inspection report		TBC	2
11. MOD279 read and asset history report	Annual report per shipper short code	-	20	