



**Agency Charging Statement**

**Review Report**

February 2009

For Review at UPUG

## Agency Charging Statement Review Report. February 2009

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## 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, 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 in accordance with SSC A15. There have been no changes to the cost allocation methodology in the preparation of the updates to 2008/09 or the forecast for 2009/10.

Progress continues to be made in respect of the governance arrangements for non-code user pays services. Through the User Pays User Group, which has met monthly since April 2008, the User Pays Contract Expert Group (UPCEG) and User Pays User Committee (UPUC), chaired by the Joint Office of Gas Transporters, are being established to take forward the governance and contractual arrangements for these services on behalf of the industry

## 2. The ACS Review Report

It is xoserve'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 2008/9 and the forecast demand, costs and pricing for 2009/10 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 2009.

xoserve 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 UPUC as appropriate.

It has been assumed that the approval of Mod 213V – Introduction of User Pays Governance Arrangements into the UNC - will happen during March and will therefore be included in a subsequent update to the ACS.

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<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>

### 3. Forecast Financial Performance 2008/09

xoserve has completed an updated review of the costs for User Pays services for 2008/09, using the actual costs of providing the services from April 2008 to December 2008 and forecast costs for the remainder of the financial year to 31 March 2009. The full year financial forecast is summarised below.

**Table 1. Financial Forecast 2008/09**

	Full Year Forecast October £m	Full Year Forecast February £m
Provision of Information	2.68	2.86
Registered User Portfolio Reports	0.09	0.09
AQ Enquiry	0.03	0.03
Must Reads	0.47	0.36
Shipper Agreed Reads	0.10	0.07
User Admissions	0.03	0.03
<b>Total</b>	<b>3.40</b>	<b>3.44</b>
<b>Total Costs</b>	<b>3.17</b>	<b>3.22</b>
<b>Margin</b>	<b>0.23</b>	<b>0.22</b>

Whilst the overall financial results are expected to be in line with those forecast in October, demand has varied across the majority of service lines resulting in some variations in costs and therefore revenues. Appendix B provides further information on the mix of fixed and variable costs incurred in providing the services.

Details of the demand assumptions used for the October update and the latest forecasts for this financial year are shown in Appendix A. The most significant change is the increase in the number of IAD accounts which has resulted in increased costs for helpdesk support as a result of a greater number of accounts.

### 4. 2009/10 Demand Forecasts

The 2009/10 forecast demand for services is based on customers' estimates and is shown in Appendix A. In addition it should be noted that the 2009/10 forecast demand includes a forecast in respect of new USRV Code Services, following the implementation of Modification Proposal 0192 - Introduction of DNO obligations to Facilitate Resolution of Unresolved USRV's - which is scheduled to be effective from 21 February 2009, and is currently with Ofgem.

## 5. Forecast Financial Performance 2009/10

The forecast operating costs for providing the User Pays services for the period 1 April 2009 to 31 March 2010 are based on the 2008/09 costs of providing the services taking into account the forecast demand for the services in 2009/10. The aggregate forecast costs of providing the User Pays services for 2009/10 are £3.2m.

The forecast also includes costs for the provision of the new USRV Code Service and a 'change budget' allowance of £25,000 allocated to non-code services, as agreed through industry governance meetings. The change budget provides funding for any proposed changes to the current non-code services. The expenditure against this change budget will be approved and managed through UPUC. These increases have been largely offset by ongoing efficiencies forecast in the delivery of the services.

The financial forecast for 2009/10 is summarised below:

**Table 2. Financial Forecast 2009/10**

	£m
Provision of Information	2.80
Registered User Portfolio Reports	0.08
AQ Enquiry	0.03
Must Reads	0.36
Shipper Agreed Reads	0.07
USRV (MOD192)	0.04
User Admissions	0.03
<b>Total</b>	3.41
<b>Total Costs</b>	3.20
<b>Margin</b>	0.21

## 6. ACS Prices 2009/10

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 2009 reflect the updated demand and cost assumptions. This has resulted in some changes to prices as detailed below:

- IAD  
The monthly charge per IAD account is reduced to £10.10, against an annual average charge last year of £12.38 per account per month. This reduction has been achieved through a combination of higher demand for the service and a forecast reduction in some operating costs.

- Telephone Enquiries

Prices across all telephone bands have been increased in the light of the latest forecasts for demand and associated costs. By way of an example Band B (the most popular Band) will see an increase of £260 for the year which results in an annual charge of £2,360.
- Email-Reporting

This service only has two regular customers and has seen a low level of demand. Whilst variable costs have been reduced where possible to address the decrease in demand the unit price has increased and results in the price for the report for less than 1,000 MPRNs increasing by £35 to £95 per report.
- Shipper Agreed Reads (SARs)

SARs has experienced a drop off in demand and the level has then remained flat during the rest of the year. This has enable xoserve to reduce the variable operating costs for this service resulting in a reduction in prices. The prices for 2009/10 are;

  - 10 pence for a U01 file
  - £1.50 of an email file (a £1.25 decrease in price)
  - £6.00 per facsimile transaction (a £2.24 decrease in price).
- Must Reads

Must Reads are currently under review by the Gas Transporters to ensure the basis of charging remains cost reflective.

All price changes will become effective from 1 April 2009 and full details of all 2009/10 prices are outlined in the updated version of the ACS, dated 1 April 2009 published via the Joint Office of Gas Transporters website @ [www.gasgovernance.com](http://www.gasgovernance.com).

## 7. Conclusions

xoserve is committed to provide appropriate transparency to support the pricing of User Pays services in accordance with SSCA15 and will continue to work closely with customers to monitor demand for services.

xoserve will also continue to work with its customers to implement 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 April 2008 Annual Forecast Demand (Apr-Mar)	1 October 2008 Annual Forecast Demand (Apr-Mar)	08/09 Latest Forecast Demand (Apr – Mar)*	1 April 2009 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)	12,500	13,900	15,380	16,700	
	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	2	11	16	10
		Band C up to 5,000 calls	3	6	6	7
		Band D up to 20,000 calls	3	3	3	1
		Band E up to 50,000 calls	1	2	1	3
		Band F up to 70,000 calls	1	1	2	1
		Band G up to 150,000 calls	0	1	1	1
		Band H up to 250,000 calls	0	0	0	0
	Calls in excess of band	40,000	2,000	400	350	
	Provision of M Number DVD containing supply meter point data. (Schedule 5 of the Conditions)	Annual Service	10	13	13	13
Ad Hoc Per DVD		0	0	0	0	

Service Item	Service Detail		1 April 2008 Annual Forecast Demand (Apr-Mar)	1 October 2008 Annual Forecast Demand (Apr-Mar)	08/09 Latest Forecast Demand (Apr - Mar)*	1 April 2009 Annual Forecast Demand (Apr-Mar)
	Provision of data by email for users Meter Point Reference Numbers. (Schedule 3 of the Conditions)	Per email report 1-999 MPRNs	1,820	1,100	1,060	1,170
		Per email report 1,000-5,000 MPRNs	200	50	95	70
2. Registered User Portfolio Reports	Query Management – Standards of Services	Annual Service (12 reports per year)	12	8	8	7
		Ad Hoc Service (per report)	4	0	0	0
	Registered User Portfolio Statement	Annual Service (12 reports per year)	12	25	25	24
		Ad Hoc Service (per report)	4	0	0	0
	Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	10	26	26	24
		Ad Hoc Service (per report)	4	0	0	0
	CSEPs Portfolio Report	Annual Service (12 reports per year)	0	16	16	16
		Ad Hoc Service (per report)	6	0	0	0
	Unique Sites Portfolio	Annual Service (12 reports per year)	0	5	5	7
		Ad Hoc Service (per report)	0	0	1	0
	Annual Asset Portfolio	Annual Service (one report per year)	20	15	15	14
		Ad Hoc Service (per report)	5	0	0	0



Service Item	Service Detail		1 April 2008 Annual Forecast Demand (Apr-Mar)	1 October 2008 Annual Forecast Demand (Apr-Mar)	08/09 Latest Forecast Demand (Apr-Mar)*	1 April 2009 Annual Forecast Demand (Apr-Mar)
	Transco Asset Portfolio	Annual Service (12 reports per year)	20	17	17	15
		Ad Hoc Service (per report)	5	0	0	0
	Data Portfolio Snapshot	Annual Service (12 reports per year)	6	18	18	12
		Ad Hoc Service (per report)	0	0	0	0
3. AQ Enquiry	Provision of a Speculative AQ Value (Schedule 2 of the Conditions)		2,555,300	2,500,000	2,575,000	3,139,000
4. Must Reads	One meter at the supply point		42,900	42,000	30,500	31,000
	Two meters at the supply point		1,500	1,500	2,600	2,400
	Three or more meters at the supply point		600	600	2,800	2,600
5. Shipper Agreed Reads	U01 File		30,000	3,000	2,450	2,400
	Email File		60,000	34,000	37,500	37,400
	Facsimile Transaction		1,000	2,800	2,575	2,500
6. User Admission	Non Code Services		n/a	n/a	7	8
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	n/a	n/a	n/a	400
		Desktop Resolution and asset verification visit resolution	n/a	n/a	n/a	200

**Appendix B.**

**Allocation of costs between fixed and variable costs based on updated 2008/09 forecasts**

	Fixed	Variable
Provision of Information	47%	53%
Registered User Portfolio Reports	62%	38%
AQ Enquiry	46%	54%
Must Reads	63%	37%
Shipper Agreed Reads	69%	31%
User Admissions	35%	65%
<b>Total</b>	<b>50%</b>	<b>50%</b>

**Breakdown of direct staff costs and other costs based on updated 2008/09 forecasts**

	Direct Staff Costs	Other Costs
Provision of Information	23%	77%
Registered User Portfolio Reports	36%	64%
AQ Enquiry	49%	51%
Must Reads	33%	67%
Shipper Agreed Reads	23%	77%
User Admissions	65%	35%
<b>Total</b>	<b>25%</b>	<b>75%</b>