

DRAFT CODE MODIFICATION PROPOSAL No xxxx

Introduction into the UNC of the Agency Charging Statement (“User Pays”)

Version 0.2

Date: xx/11/2007

Proposed Implementation Date: 1 April 2008

Urgency: Non-urgent

Proposer’s preferred route through modification procedures and, if applicable, justification for Urgency

It is proposed that this modification proposal is circulated to the Governance & Distribution Workstream for discussion and development of the Draft Modification Report.

Nature and Purpose of Proposal (including consequence of non implementation)

The purpose of the proposal is to give effect to, and to identify purpose of, the Agency Charging Statement in the UNC. Invoices raised under these arrangements would have the same status as other transportation invoices raised under UNC TPD Section S* and shippers would be required pay these invoices in accordance with the code even though the revenues do not form part of a transporter’s regulated revenue.

* It may be necessary to bill some of the User accession arrangements outside of Section S if a charge is constructed to reflect the work undertaken in the user set up process that does not result in the applicant becoming a user.

Proposed Business Rules

1 Status of the ACS in the UNC

It is proposed that the Agency Charging Statement (the “**ACS**”) is referenced in the UNC to give substance and effect to “**User Pays**” charging and invoicing.

In accordance with paragraphs 7 to 11 of Standard Special Condition A15 of a Gas Transporter's Licence, the Transporters will procure the preparation and publication of the ACS which will contain charges, and the methodology for deriving such charges, for certain Transporter Agency Activities, (“**ACS services**”). ACS services would comprise two types of arrangement which will be referred to in this proposal as “**code ACS Services**” and “**non-code ACS Services**”. An code service is an activity that is currently undertaken by a transporter and is defined in the UNC; the code ACS services are located in UNC TPD Sections M3 and V2.

(Note: The ACS will also contain methodologies and charges for non-code ACS Services. These are services provided by xoserve, either on behalf of transporters or in xoserve’s own right, that are scoped and defined outside of the UNC in a separate contractual arrangements. This proposal is only concerned with code ACS Services.)

2 Invoicing

Code ACS Services would be invoiced in accordance with UNC TPD Section S as a new charge item on the Ad-hoc invoice.

3 Code ACS Services

The code ACS services are as follows:

- **Must Reads**

The ACS Service is the provision of a Meter Read in accordance with UNC TPD Section M3.6.1. This charge associated with this ACS service would cease to be included in the Transportation Charging Statement. This service would be invoiced by the Transporter.

- **Shipper Agreed Reads**

The ACS Service is the receipt by the transporter of an Agreed Opening Meter Read submitted by a Proposing User in accordance with UNC TPD Section M3.8.7. This service would be invoiced by the Transporter.

- **User Admission**

The ACS Service is the completion activities listed in UNC TPD Section V2.1.2, resulting in an Applicant User becoming a User. This service would be invoiced by National Grid NTS.

Note: this charge may be split into two parts, one to reflect the IX connection costs, and one to reflect the rest of the user set up charge.

Consequences of non-implementation

In the current version of the UNC, Section M3 states that Must Reads charges are payable in accordance with the transporter's Transportation Statement. Under the User Pays proposals this would not be the case and by not amending the UNC we would not be consistent with the arrangements proposed to support new licence condition A15. As a very minimum this inconsistency needs to be removed, but it is our view that the ACS and the associated services / activities should be identified in the UNC for the purposes of clarity, given the fundamentally different treatment of xoserve costs, charges, the new charging statement and treatment of revenue.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 and 2 of the Gas Transporters Licence

We see the implementation of this proposal as fulfilling an obligation placed on each transporter by the proposed amendment of Standard Special Condition A15, due to take effect in April 2008 in conjunction with the ongoing development of the 2008-13 Gas Distribution Price Control Review, ("GDPCR"). We see this proposal as complimenting the proposed licence condition amendment and the associated downward adjustment of regulated revenue.

We believe the introduction of the ACS in the UNC complements the provisions of this new licence condition and, therefore, we see implementation as fulfilling relevant objective SS11(c).

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text:

The introduction of new charges would require amendments to system outputs to generate the new invoices. These invoices would need to be supported by new management information. Consequently, implementation would not require changes to core functionality but processes and procedures would need to be implemented by xoserve. It would also be necessary to specify and give notice of a new invoice charge items.

Note on Transportation Charging

At present the costs associated with undertaking the ACS services are incorporated into transportation charges and recovered as part of a transporter's regulated revenue.

Under the arrangements proposed by the Authority in the discussions surrounding the funding of xoserve in the current round of GDPCR, it is proposed that costs for certain activities are removed from regulated revenue funding arrangements and recovered separately as excluded revenue. Consequently, shippers will see a reduction in general transportation to the tune of £2.83m with new charges being developed to recover the regulated shortfall as excluded revenue.

Code Concerned, sections and paragraphs

[UNC TPD Sections B1.8, M3 and V2 (provisional view)]

Proposer's Representative

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Proposer

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