

## Industry Dialogue on xoserve Services and their Funding

### Workgroup Minutes

Monday 19 November 2007

Ofgem, 9 Millbank, London SW1P 3GE

#### Attendees

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Alex Thomason	(AT)	National Grid NTS
Andy Miller	(AM)	xoserve
Chris Smith	(CS)	xoserve
Collette Baldwin	(CB)	EON
James Crossland	(JC)	Corona
Jemma Woolston	(JW)	Shell Gas Direct
Joel Martin	(JM)	Scotia Gas Networks
Jon Dixon	(JD)	Ofgem
Kevin Woollard	(KW)	British Gas Trading
Laura Doherty	(LD)	RWE Npower
Mark Cox	(MC)	Ofgem
Martin Brandt	(MB)	SSE
Marie Clark	(MC)	ScottishPower
Richard Street	(RS)	StatoilHydro
Savita Shaunak	(SS)	EDF Energy
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Ladle	(SLa)	Gemserv

#### 1.0 Introduction

TD welcomed all attendees to the meeting.

#### 2.0 Minutes of last meeting

The minutes of the 29 October meeting were accepted.

##### 2.1 Review of Actions

Action: xSER010 – xoserve (AM) confirmed that the charging for email and biscuit files will be on a per Shipper Agreed Read basis.

MC enquired if there would be line-by-line validation applied, to which AM confirmed that there would and this would be detailed within the supporting information.

##### Action xSER010: Closed

Action: xSER011 – MB advised that consequential SPAA changes to accommodate user pays has been placed on the agenda for the SPAA Constitutional meeting scheduled for 20 November and he will provide an update at the next meeting.

##### Action xSER011: Carried Forward

Action: xSER012 – JD explained that ongoing work on charging changes had not progressed and the outcome would remain uncertain until January. He would report back when more was known.

##### Action xSER012: Carried Forward

#### 3.0 Existing Services

##### 3.1 Agency Charging Statement (ACS)

AM presented on the ACS. He confirmed that charges will generally be applied on a monthly basis, subject to a minimum amount. Current usage levels will be considered when setting demand forecasts and he anticipated that the take up of the services may see a reduction in

certain areas, such as IAD. JC enquired if xoserve plan to engage Shippers on potential usage levels, which AM confirmed.

AM advised that charges will be reviewed as necessary, supplemented by a review of a cost against income, which will be continually assessed against forecast and appropriate corrective action taken. CS confirmed that the proposed licence obligation only requires that charges are cost reflective. TD added that should Ofgem become aware of significant under/over recovery, he would expect them to look to introduce an adjustment mechanism to restore the balance.

Attendees expressed concern as to how the new regime will incentivise xoserve to seek out greater efficiencies - Shippers feared user pays will only lead to increased costs. AM argued that costs that become visible under user pays are already being charged for in the current bundled regime but remain invisible. It was acknowledged that charges may become self policing in so far as users have the option to choose which services they use.

### 3.2 User Pays Contracts

AM explained the underlying aim of providing a contractual service with minimum form filling, and anticipated that the contract documents will be published in January 2008. Customers will be able to engage with xoserve via a standard Service Order. The Service Schedules will include a 'Standard of Service Performance Indicator'. The contract agreement will be completed when the customer confirms their service order and, if required, xoserve could provide a validation mechanism based upon a customer's authorised designated user list etc..

MB asked if xoserve had an idea on what the minimum invoice value will be set to before an invoice is released for payment. AM advised that xoserve are still considering the 'trigger' level(s) required.

Concerns were raised about the lack of an appropriate disputes resolution mechanism, and the potential for cessation of service provision where invoices are disputed. AM agreed to give consideration to including an appropriate mechanism in the documentation. However, AM stated that in the event of any potential dispute, xoserve will be looking to highlight issues prior to issuing an invoice.

MC remained concerned about how she will be able to raise a service standards dispute and would expect to be in a position to negotiate individual standards of service provisions. AM advised that one-to-one service level agreements could still be agreed as a commercial arrangement.

Concerns were raised that in the event of a failure of one service, the utilisation of an alternative could create additional Shipper costs but potentially benefit xoserve. ST suggested this would be covered under the liabilities section. Shippers emphasised that liabilities will need to accurately reflect the true user cost associated with a failure. MCo suggested that the standards of service provision will need to be reviewed and discussed sometime in the future. However, whilst Ofgem will sign off the ACS, they do not anticipate involvement in the individual contracts.

In response to Intellectual Property Rights (IPR) questions, AM explained that xoserve recognise their unique industry position and do not look to enter into any restrictive contracts that would potentially impact upon the wider industry. xoserve would generally expect to have IPR in processes, but not the underlying data.

SL enquired as to what mechanisms would be in place to protect against the accidental issue of information to a wrong party, to which AM replied that this risk is mitigated by the fact that xoserve and customers enter into agreement via their specific service orders and therefore the potential for error is small.

Moving on to the Type 2 services, AM advised that the service orders and associated confirmation process will be paper based initially although xoserve aspire to an email based system in the longer term. For the six proposed service lines, AM anticipated:

- 1x SO for all current IAD account services, and
  - new or cancelled provisions via a separate SO

- 1x SO to cover all twelve monthly releases of the DVD, and
  - ad-hoc requests via individual SO requests;
- email provision may require the utilisation of a unique reference number to cross match MPRNs to SOs, and
- AQ enquiries (UK Link file submissions) will be in the form of 1x SO (time based) to cover any AQ enquiry in the time period concerned.

SL asked if there could be a cap imposed on AQ enquiries. AM replied that whilst it could be done, perhaps under the auspices of an enhanced agreement at additional cost, xoserve would prefer a time based solution.

AM confirmed that he will be the xoserve user pays main contact person in the initial stages and a list of nominated contacts will be provided in due course.

### **3.3 Invoicing & Cash Collection Processes**

AM provided a brief presentation on the User Pays Invoicing Type 1, confirming that these invoices will be issued via the IX. If anyone had concerns or questions, they could contact him.

In general discussions on the three presentations, AM confirmed that a draft copy of the Terms and Conditions document will be available in January 2008 - however, he expects to be able to release some aspects of it earlier, such as the schedules and possibly performance liabilities. CS confirmed that a copy of the draft ACS should be available for the next meeting.

## **4.0 Changed/New Services**

### **4.1 Draft UNC Modification Proposal (v0.2) for discussion**

AR presented a draft Proposal for discussion, the intent being to provide the ACS with a standing within the UNC. TD pointed out that, for the avoidance of doubt, the Proposal is only intended to cover existing service lines. TD asked, and MCo confirmed that the ACS will be governed by the GT Licence, and will not be a UNC ancillary document.

### **4.2 Draft Process Maps for discussion**

JM provided a brief presentation on potential processes to support both the Initial Service / Change Evaluation and UNC Modification and Funding Decision requirements. JM pointed out that the document is in its initial development stages and that further discussions will be required to clearly define the future processes.

Attendees expressed concern over how costs will be divided up across the community in future and what would happen in the event that the UNC Panel members could not reach agreement on an appropriate level/method of funding for a future Modification Proposal. It was agreed that further discussions are required to resolve these issues. MB pointed out that having a mechanism whereby the Panel has a role to play in endorsing the costs associated with future Modification Proposals potentially has significant benefits, not least increased transparency. JW supported this view by adding that it allows Users an opportunity to comment on funding arrangements as part of consultation responses.

TD suggested that discussions within Workstreams could include consideration of appropriate funding arrangements. Ultimately, this should lead to improved initial proposal development and enable the Panel to take a 'balanced view' on costs and funding arrangements. However, a Proposer may choose to ignore Workstream and Panel recommendations. Some Shippers were concerned that if the funding indicators are less than favourable, this may incentivise Proposers to raise and then withdraw Modification Proposals. Concern was also expressed that the proposed approach could restrict smaller players from raising Modification Proposals, but acknowledged that it could also help ensure that only appropriately developed Proposals are raised in future.

ST asked whether Shippers would be happy to pay for the initial assessment costs associated with a rejected or withdrawn Modification Proposal, to which the consensus was no. ST suggested that one option would be to 'tot up' all these types of cost and apply them on a six monthly basis as a one off service line charge. RS suggested that the difficulty lies in accurately identifying costs at the initial stages of a Proposal and that this places an unfair burden on the Proposer. CS responded that xoserve could quote for an initial impact

assessment exercise (based on the information provided) and that this could form the basis of a go/no go decision.

Transition issues were discussed and how user pays would apply to live Modification Proposals. It was suggested that a basic process needs to be defined to assess how to handle these modifications. TD advised, and JD conformed, that this had been discussed by the UNC Panel but no conclusions reached.

CS reminded members that the majority of Gemini related processes are not within the scope of the Agency. MCo believed this to be correct and agreed to report back at the next meeting how Ofgem saw user pays applying to NTS provided services.

**Action xSER013: Ofgem (MCo) to check what has been included for systems change within the Transmission Price Control**

#### 4.3 User Pays – Changed & New Services Presentation

CS provided a presentation. Concerns were raised that the April 2008 date may be unachievable for implementing user pays. TD asked if Ofgem are intending to change the relevant objectives, which JD advised they were still considering, but it might be sufficient to adopt an additional decision point covering what is, or is not, within the scope of a UNC change. TD suggested that if no licence changes are required and the change is limited to Ofgem's decision making process, then April 2008 would be more achievable.

ST suggested that the scope reflects Ofgem's initial proposals and user pays is purely about the funding of the Agency - TD added that it is a question for Ofgem as to what is funded through the Price Controls and hence what falls under user pays. ST stated that he does not anticipate Transporter costs being funded via user pays for modifications that improve the industry as a whole. He believes that these should be funded via a Transporter funding arrangement.

Attendees questioned Ofgem's approach of setting a budget for replacing systems on a like for like basis. MCo explained that the allowance is theoretically like for like, but does not exclude changes being made to core systems which could be accommodated within the budget. Furthermore, Ofgem believes that exposing users to the costs of change promotes a drive for greater efficiency. JD suggested it would be inappropriate to speculate on what Modification Proposals may be raised between now and 2012 and that each will need to be considered on its own merits. TD suggested that the conclusion being drawn would seem to indicate that any change will fall to the Authority to decide if it is core/non core and how it fits within the user pays framework - all Modification Proposals will contain a funding proposal embedded within them and Ofgem will take their decisions based on the information provided.

ST suggested that the issue is how you divide up the costs and not governance of the process as user pays is not just about striving for greater efficiency, it is also about transparency surrounding who pays for what. JD supported this, adding that the devil is in the detail and it is this detail that is missing. TD suggested that working through potential changes to the Modification Rules could help. He agreed to provide some thoughts for the next meeting.

CB and others asked if the group could undertake a mapping exercise utilising some actual UNC Modification Proposals, such as 0088, 0115, to help improve understanding of the processes and issues involved. RS added that the processes associated with late joiners and early leavers should be covered.

**Action xSER014: Ofgem (MCo) to clarify what agency change costs have/have not been provided for in proposed DN price control allowances.**

**Action xSER015: Joint Office (TD) to outline potential changes to the UNC Modification Rules for presentation on 10 December.**

#### 5.0 Progress Review

CS said that all milestones are presently on schedule but the Contract timeline date will need to be amended to read as January. He added that the ACS will not have all the details included, but these will have been considered, and the transitional issues are pretty much set.

#### 6.0 AOB

TD invited comments on the Risks & Issues document which RS had drafted.

MCo advised that he expects the next GDPCR document to be issued on or around 3 December.

MC enquired as to how the proposed user pays model would fit in with future iGT changes. JD confirmed that with regards to the RPC (where user pays is 0.1% of allowance), he would expect no change.

## **7.0 Diary Planning**

Next meeting:

- 10 December commencing 10:00am (Ofgem Offices, London).

## Action Log – xoserve Services workgroup – 19 November 2007

Action Ref	Meeting Date(s)	Minute Ref (orig' ref)	Action	Owner*	Status Update
xSER010	29/10/07	2.1 (3.1)	xoserve to investigate and confirm if the charging would be on a by file or by MPRN basis at the 19 November meeting.	AM	Update provided. <b>Closed</b>
xSER011	29/10/07	2.1 (3.4)	E.ON & SSE (AT & MB) to investigate what SPAA requirements, if any, will need to be considered as part of the drafting of a modification proposal process in time for the 19 November meeting.	MB	Update due on 10/12/2007 <b>Carried Forward</b>
xSER012	29/10/07	2.1 (3.4)	Ofgem (JD) to provide a presentation on 'General Charging Changes' at the 19 November meeting.	JD	Update due on 10/12/2007 <b>Carried Forward</b>
xSER013	19/11/07	4.2	Ofgem (MCo) to check what has been included for systems change within the Transmission Price Control	MCo	Update due on 10/12/2007
xSER014	19/11/07	4.3	Ofgem (MCo) to clarify what agency change costs have/have not been provided for in proposed DN price control allowances	MCo	Update due on 10/12/2007
xSER016	19/11/07	4.3	Joint Office (TD) to outline potential changes to the UNC Modification Rules for presentation on 10 December.	(TD)	Update due on 10/12/2007