

## Review Group Terms of Reference

### Single Gas Transporter Agency

#### Purpose

UNC Review Modification 157 (iGT Review Proposal 2) has concluded and highlighted the material problems with gas allocations that are experienced by **Gas Shippers** as a result of the existing model of fragmented data ownership. Gas Forum estimates suggest that in excess of £22 million of gas is incorrectly allocated to gas shippers each year for iGT customers as a result of the current industry arrangements. This misallocation of gas costs is growing each year and does not evenly affect shippers creating distortion in the market and undermining confidence in the competitive market.

In June 2006 energywatch published a report<sup>1</sup> that highlighted a number of issues and concerns that manifest themselves in problems for **Gas Customers** who are connected to iGT networks. The key finding and recommendation from the energywatch report was a request for 'A common service provider or a common data exchange to carry out all supply point administration (SPA) services and Annual Quantity (AQ) reviews for all'.

In 2005 the Gas Forum highlighted in a report to Ofgem a number of issues that **Gas Suppliers** face in supplying customers on iGT networks. Although some of these issues have been addressed (e.g. via the implementation of Relative Price Control) many have not. Of key concern are the fragmented and different Supply Point Administration processes. Even where common standards have been agreed differences in interpretation by parties results in additional costs for gas shippers and suppliers. The Gas Forum have estimated that their members incur in excess of £3 million per annum in administration costs specifically for managing the fragmented and different SPA requirements for customers on iGT networks.

One recurring solution proposed to the majority of the identified issues for shippers, suppliers and customers has been the use by all Gas Transporters of single transporter agency for gas allocation activities and for the maintenance of supply point registers.

It can also be argued that a single provider of services for iGT and Larger Transporters to shippers could be most efficiently mechanism to for the development of IT systems (e.g. the equivalent MPAS systems in electricity are now all based on a common IT platform) and processes. Considering the imminent replacement of the UK Link system it is suggested that the implementation of a single Gas Transporter Agency service coincides with this timescale and occurs by the end 2012.

This Review Proposal forms the initiation of the implementation of this single Gas Transporter Agency service. It is envisioned that this Review Proposal will lead to a Modification Proposal obligating the use of a single gas transporter agency service within the iGT UNC.

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<sup>1</sup> 'Why are Consumers on iGT Networks Losing Out', energywatch, June 2006

The Review Group is required to:

1. Define the scope of the services to be provided by a single Gas Transporter Agency
2. Assess the commercial requirements and implications for existing contracts from a single Gas Transporter Agency
3. Assess the required changes needed to the iGT UNC to introduce a single Gas Transporter Agency
4. Consider any impact to the Gas Transporters Licence from the implementation to introduce a single Gas Transporter Agency
5. Develop a high level project plan outlining the what would be needed to introduce a single Gas Transporter Agency by 2012

## Background

### UK Link Replacement

xoserve have indicated that they plan to replace their UK Link system in 2012. This replacement of the Larger Transporters' agent key suite of systems for supporting the requirements of their licence and UNC provides a window of opportunity to cost effectively introduce a single Gas Transporter agent that includes iGT.

Ensuring that this system is scoped and designed to cater for all gas customers from the outset will ensure that any system development costs will be kept to an absolute minimum.

The 2012 timescale for the implementation of a replacement for the existing UK Link system provides the industry with sufficient time to develop associated system changes, governance and contractual change.

### Governance

The introduction of the 'User Pays' initiative as part of the Gas Distribution Price Control Review included the Agency Charging Statement (ACS) principle which should provide clarity around the methodology and costs incurred from the Larger Transporters agent<sup>2</sup>.

This cost transparency has not been previously been available to industry participants and should assist in the removal of concern about this issue.

The Larger Transporters have a licence obligation to provide a common agency service provision. This Licence requirement should ensure that the extension of the single Gas Transporter agency service to iGT would be facilitated in a collaborative manner by all Gas Transporters. Whether SSLC A15 should be extended to include the iGT is something that the group should explore and comment upon in its report to the iGT UNC Panel.

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<sup>2</sup> It is acknowledged that the current ACS is not fit for purpose and does not present the industry with the comfort that is required. Ofgem's Open Letter of the 11<sup>th</sup> April 2008, 'User Pays Arrangements', requires that this is addressed by the Larger Transporters and xoserve by the 1<sup>st</sup> October 2008.

### Scope and Deliverables

The Review Group is asked to deliver:

1. A final report outlining the findings of the Group, including recommendations for any changes to the iGT UNC.
2. A high level project plan outlining what would be needed to introduce a single Gas Transporter Agency by 2012.

Reports of progress will be provided to the iGT UNC Modification Panel at each meeting held throughout the period of the Review.

### Limits

The Review Group will consider:

1. What changes, if any, should be made to the iGT UNC to address the matter that is subject to Review.
2. What changes, if any, should be made to NExA to address the matter that is subject to Review.
3. What changes, if any, should be made to the Larger Transporter UNC to address the matter that is subject to Review.
4. What changes, if any, should be made to the Gas Transporter Licence to address the matter that is subject to Review.
5. What changes, if any, should be made to the Agency Charging Statement (ACS) to address the matter that is subject to Review.
6. What changes, if any, should be made to the Agency Services Agreement to address the matter that is subject to Review.

The Review Group will not concern itself with:

1. Development of a detailed project implementation plan which would include business process changes.

### Composition

Any iGT UNC Operator, Pipeline User, Affected Person, the Authority Representative, the Consumer Representative, the Suppliers Representative or the Large Transporters Representative may attend any meeting of the Review Group.

The Review Group may invite specialists to attend as necessary

## Information Sources

### 1. Potential Legal Text

To aid in debate the legal text is proposed as the eventual outcome of a future iGT UNC Modification. The change suggested would require an additional clause to Part K of the iGT UNC.

#### 43 Transporter Agency Activities

43.1 The Pipeline Operators, together with the Larger Transporters will enter into an arrangement providing for the common provision by a person ("Transporter Agency") of services and systems defined within the iGT UNC.

43.2 These Transporter Agency services will be:

- a) The services and systems shall be established, operated and developed on an economic and efficient basis;
- b) The costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being within the scope of the agency, are separately assessed and reported;
- c) The costs of the agency shall be allocated on a transparent basis.

43.3 The "Transporter Agency Activities" are:

(a) those activities necessary for:

(i) the determination for each Gas Year of the Annual Quantity in respect of Supply Meter Points in accordance with Part C;

(ii) the maintenance of the Supply Point Register and the performance of the Pipeline Operator's obligations in relation thereto in accordance with Part C;

(iii) the generation of Supply Meter Point Reference Numbers;

(iv) the performance of the Pipeline Operator's obligations in relation to demand estimation in accordance with Part F

(v) the validation of Meter Readings in accordance with Part E;

(vi) the notification by a Pipeline Operators of the failure to obtain a Valid Meter Reading in accordance with Part E;

(vii) the implementation by the Pipeline Operators of Section U of the UNC;

(vii) the admission and termination of Pipeline Users in accordance with Part K;

(x) the facilitation of energy balancing for Pipeline Users by the National Transmission Operator in accordance with Part F;

(b) the performance of the Pipeline Operator's obligations in the iGT UNC in relation to:

(i) the illegal taking of gas;

(ii) the receiving and processing data to enable quantities of gas to be allocated to Pipeline Users at NExA Supply Meter Points

(c) the transmission and receipt of iGT UNC Communications for the purposes referred to in paragraphs (a) and (b); and

(d) the provision, operation, maintenance and development of computer system

(e) to support the implementation of Part A, B, C, D, E, F, G, I, J, and K;

(i) to the extent not covered in paragraph (i), for the purposes of supporting the implementation of the matters referred to in paragraphs (a), (b) and (c).

43.4 Where the agreement between the Pipeline Operators for the purposes of this paragraph 42 so provides, the Transporter Agency will act on behalf of the Pipeline Operators in respect of the exercise of any discretion or rights conferred on the Pipeline Operators, the performance of the Pipeline Operators' obligations and the giving and receiving of iGT UNC Communications in each case for the purposes of and in connection with the Transporter Agency Activities.

43.5 Any iGT UNC Communication given by the Transporter Agency in relation to the Transporter Agency Activities shall be deemed to have been given by and be binding on the Pipeline Operator and Pipeline Users shall be entitled without enquiry as to the authority of the Transporter Agency to rely on such iGT UNC Communication.

43.6 Where there is a requirement in the iGT Code that a Pipeline User give for the purposes of the Transporter Agency Activities a iGT UNC Communication to the Pipeline

Operators collectively, the Pipeline User shall be treated as having complied with any such requirement where the User gives the iGT Code Communication to the Transporter Agency.

43.7 Where for the purposes of Part (x):

(a) there is a requirement that the Pipeline Operators provide or make available to a Pipeline User computer hardware, other equipment or computer software the Pipeline Operators shall be treated as having complied with the requirement where the computer hardware, other equipment or computer software is provided or made available by the Transporter Agency;

(b) there is a requirement that a Pipeline User returns computer hardware, other equipment or computer software to the Pipeline Operator the Pipeline User shall be treated as having complied with the requirement where the computer hardware, other equipment or computer software is returned to the Transporter Agency.

43.8 Nothing in this paragraph 42 shall prevent or restrict a Pipeline Operator from appointing another person to be the agent of the Pipeline Operator for the purposes of the iGT UNC other than in respect of or in relation to Transporter Agency Activities and where a Pipeline Operator wishes to appoint an agent it shall give notice to each Pipeline User specifying the identity of the proposed agent and the purposes in respect of which the agent is to be appointed.

43.9 Where a Pipeline Operator terminates the appointment of an agent it shall give notice to each Pipeline User specifying the date from which the termination is to take effect.

## **2. Appendix 1 Standard Special Licence Condition A15 – Agency**

To assist with the understanding the existing requirement on Larger Transporters a copy of Standard Special Licence Condition A15 is attached to this Review Proposal.

### **Timetable**

1. Length of Review – the Review should be completed within 6 Months of the Panel's determination to submit the matter for Review.
2. Frequency of meetings – meetings shall be held at least monthly.

3. Meetings will be administered by the iGT UNC Operators and conducted in accordance with the Chairman's Guidelines.

**Approval**

These terms of reference are subject to approval by the iGT Panel. However, the Review Group may recommend changes to the Terms of Reference if required.