

Terms of Reference

Commercial Interfaces Workgroup

Group composition

<i>Chair:</i> Mark Feather	Potential purchasers
Ofgem	Shippers and Customers (TBC)
National Grid Transco	Other observers by agreement

Background

NGT has indicated that it is considering the sale of one or more gas distribution network businesses (DNs). Before NGT can sell a DN business it must obtain the consent of the Authority. In November 2003, the Authority agreed that work should be undertaken to determine the regulatory, commercial and operational arrangements that would support a DN sale if such a sale were to go ahead.

The development of these arrangements entails a major program of work that could result in fundamental changes to the structure to the British gas industry. The process by which this work will be accomplished is set out in Ofgem's Next Steps document. As part of its DN sales work program, Ofgem intends to form a Commercial Interfaces Workgroup, reporting to the DISG.

Objective

The objective of this group is to determine how the exit regime, the gas balancing regime, and other aspects of the NTS/DN interface should be modified to accommodate separate DN ownership. Ofgem envisages that this group will have a key role in determining how the DNs and the NTS interact.

Terms of reference

1. Develop high level proposals to consider, and where necessary, resolve each of the following issues:
 - What arrangements should be in place for the management of interruption across the NTS and DN networks?

- What contractual framework should apply? Should Transco as NTS System Operator (SO) be able to contract directly with shippers (and customers) at DN supply points?
 - What arrangements should be in place for the pricing of exit capacity and interruptions?
 - What is the impact of a DN sale on the NTS SO incentives and how should DN incentives be developed and in what form?
 - What effect will the sale have on pre-existing connections contracts (eg ARCAs, NExAs, interconnector agreements)?
 - What charging arrangements, if any, should apply to transfers of gas between DNs and the NTS?
 - Should shrinkage arrangements be fully unbundled at this stage?
 - What arrangements should be put in place to ensure that GSMR gas quality obligations are met?
 - What mechanisms should be in place to ensure that the NTS and DNs co-ordinate planning and investment?
2. Identify and consider any other issues relevant to the group's objective.
 3. Liaise with network code workstreams as appropriate.
 4. Undertake any further work required to incorporate feedback from the DISG.

Deliverables

Publish summaries of the conclusions and key points raised in each meeting.