

## **Terms of Reference**

### **Agent workgroup**

#### **Group composition**

*Chair:* Iain Osborne

Ofgem

Shippers, Suppliers and Customers

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 an Agent Workgroup, reporting to the DISG.

#### **Objective**

The objective of this workgroup is to establish a work programme to develop NGT's agent proposals. In particular, the arrangements for funding, ownership and governance. The workgroup will consider in detail the functions the agent will undertake, the arising risks/mitigating actions, the cost effectiveness of proposals and will have particular regard to the incentives that will act upon the agent and how these may be optimised to meet the needs of suppliers, shippers and customers.

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1. Develop proposals to resolve each of the following issues:

- What functions should the agent undertake? Consider the nature of key interfaces.
  - What funding arrangements should be in place for the agent?
  - What ownership arrangements should be in place for the agent?
  - What governance arrangements should be in place for the agent?
2. Identify and consider any other issues relevant to the group's objective.
  3. Undertake any further work required to incorporate feedback from DISG and ensure that DISG is aware of issues arising from the agent workgroup i.e how non-agent activities will be managed.
  4. Liaise with industry workstreams including GIGG when appropriate.

### **Deliverables**

Publish summaries of the conclusions and key points raised in each meeting. Produce a report by the end of March which summarises the Workgroup's discussions and the proposed way forward.

### **Workgroup recommendations**

Workgroup recommendations will be made by shippers/suppliers, NGT and Ofgem (consideration will be given to suggestions and comments made by consultants/observers). If consensus is not achieved issues may be referred to the steering group or Ofgem will make a decision after considering all views expressed.