

AGENT WORKGROUP

28th February 04

Draft Work Programme - Overview

Introduction

In April The Authority will make a decision on whether to agree in principle to DN sales. The Authority will require assurances that the proposed agent arrangements are satisfactory to Ofgem, NGT and shippers/suppliers. A workgroup report must be submitted for Authority consideration by 1st April 2004. To be in a position to make recommendations a work programme is required. Set out below are the key stages the workgroup must undertake with proposed timeframes:

- attain a greater understanding of the agent proposal;
- assessment of risks arising from the agent model;
- the development of mitigating actions;
- compiling an action plan that delivers agent reform beyond 2004.

Stage 1 - Analysis and assessment of agent proposal – Date 28 Jan – 3 Feb

NGT has set out to the workgroup the case for an agent. The first stage of the work programme is analysing and understanding the key components and assumptions of NGT's agent model.

- Agent functions – the workgroup has a clear view of the services the agent proposes to provide, what other services should be included/excluded?
- Funding – how will the agent arrangements be funded?
- Ownership – setting out clearly the ownership model that NGT proposes.
- Governance – how will the agent be governed, who will be party to governance arrangements, how will change control be managed?
- Other governance issues – for example role of SPAA.

Stage 2 – Assessment of risks arising from agent model – Date 3 Feb – 18 Feb

Stage two is an analysis of how the current proposals for the agent arrangements will impact shippers and suppliers and identifies the risks that they pose. For example:

- Agent functions – how will interfacing with an agent affect the way shippers/suppliers manage business processes and data management. Will an agent complicate or simplify business operations. What changes will shippers/suppliers have to make to accommodate an agency. How will standards of service be guaranteed ?
- Funding – how will the proposed funding arrangements set appropriate incentives for the agency to improve services and activities? Does the proposed

model stifle the market and innovation? How does an agent fit in with corporate aims and business strategy?

- Ownership – identifying risks arising from ownership model.
- Governance – will the governance model for an agent improve change control processes. What are shipper/supplier requirements? Will shippers/suppliers have sufficient safeguards for change management?

Shipper/Supplier Matrix

To aid the development of risks Ofgem proposes that the workgroup compile a matrix of service lines currently provided by NGT, the current governance arrangements for the service line and where the service line and governance will reside following the introduction of the agent.

Stage 3 – Develop mitigating actions – Date 18 Feb – 4 March

Stage 3 of the work programme involves consideration of mitigating actions to the risks identified through stage two.

One of the key areas to consider is the role of governance. That is, understanding the role of governance arrangements in providing a solution to the risks identified. **Some mitigating actions may be longer term aims and thus form a package of agent reforms. Views and ideas on such changes may be expressed throughout the work programme so Ofgem intends to capture these proposals throughout the duration of the work programme timeframe.**

Stage 4 – Action Plan – Date 4 March – 18 March

This stage is developing an action plan that encompasses the analysis undertaken in stage 1,2 and 3 and sketches out a programme of work and identifies, where appropriate, areas of reform. The action plan will also consider how changes to the agent arrangements will be implemented and any associated dependencies i.e price control review. Consideration will be given as to how the action plan can be delivered and what assurances may be needed.

Stage 5 – Report to Authority – Date 18 March – 1 April

The Authority paper must be submitted for consideration by 1st April. The report will summarise the work undertaken by the workgroup and will include recommendations made by the workgroup.