

### Provision of core activities identified in the RIA

#### **Supply Point Administration (SPA)**

SPA, and in particular the change of supplier process, is a business critical operation for any shipper/supplier and has a significant influence on supply competition.

Shippers, on behalf of their suppliers, and transporters are familiar with the multitude of different dataflows that have developed in order to fulfil the various aspects of SPA and have developed their own registration systems to process these transactions in high volumes through a single communications interface. Shippers and suppliers are also in the process of adopting additional and amended SPA dataflows in readiness for RGMA implementation

In our opinion therefore, it is logical, and entirely appropriate, for SPA activity to be undertaken by the Agency on behalf of all DNs. This avoids the prospect of multiple interfaces and different registration processes developing, thus minimising the required changes to shipper systems and processes and ensuring change is delivered in a consistent way

In order that the Agency can discharge this activity efficiently, ownership of the SPA application and the systems that access and update the sites and meters database should rest also with the Agency. However, the databases they update (sites & meters, unique sites) should remain in the ownership of the appropriate network owner, as they will ultimately have the licence condition to provide these.

#### **Record and calculate transportation volumes**

From a shipper perspective it is important that transportation volumes on both NTS and DN networks are recorded and calculated in a consistent way. The AQ review process is an essential feature of a shipper's ongoing portfolio management and is the principle means for ensuring accuracy in transportation and reconciliation charges.

It is also important for shippers that validation of meter reads, and the process for resolving filter failures that result from invalid read data, are consistent across all DN networks

We therefore believe that this activity should be provided by the Agency and that the systems used to fulfil this activity (the SPA application, the AQ review, the Spec calculator and demand forecasting applications) should rest with the Agency. However, the databases they update (sites & meters, unique sites and CSEP) should remain in the ownership of the appropriate network owner.

Further consideration also needs to be given as to how the Agency fulfils this role for sites which are daily read, as this service is currently provided on a bundled basis by Transco.

#### **Invoicing**

Shippers currently receive invoices for all transportation and energy balancing charges via electronic files that have a standard file format and which are sent through a single communications interface. As a minimum therefore, all shippers will need to convert these files into a format such that they can be understood and paid

on time by their Accounts Payable function. In many cases shippers will also have developed functionality that automatically validates these charges based on historic nomination data and portfolio records stored on their systems.

As a result we believe there is considerable merit for this activity to be provided by the Agency and for the Agency to own the systems used to produce shipper transportation and energy balancing invoices. These would be produced using information drawn from systems owned by the appropriate network operator (sites and meters database, AT link etc).

However, we do not believe that this should preclude network operators (DN and NTS) entering into agreements with individual shippers to invoice them directly, although shippers should retain the option to receive invoices from any network operator via the Agency.

Whilst the issues of invoice file formats and interfaces are important issues for shippers, the charging methodology which determines the structure of the invoice is perhaps of greater importance. Shippers are currently billed for transportation on the basis of a number of charge codes (e.g. capacity, commodity, customer) and in the event DNs were to adopt different methodologies for charging which required different charge codes, this could involve significant change to shipper invoicing and possibly registration systems.

Having an Agency that undertakes invoicing for all network owners does not prevent this possibility arising and this concern needs to be addressed through the governance of charging methodologies.

### **Energy balancing credit management and cash collection**

Energy balancing charges arise exclusively from the NTS SO carrying out its role as residual balancer of the NTS network. Despite this however, it is in our opinion appropriate for this activity to be provided by the Agency, as they will also be responsible for calculating the quantities of gas that determine a shippers daily imbalance. Invoicing these charges electronically should also be undertaken by the Agency.

As is currently the case, appropriate security needs to be in place to protect the shipper community against the adverse financial consequences of shipper default. This could be undertaken by the NTS SO, as opposed to the Agency, if payments were made direct to them. However, on balance, we believe there is merit in the entire scope of this activity being undertaken by the Agency, at least in the first instance. This is because calculating a party's relative balancing indebtedness requires access to past data on the quantities of gas shipped and because cash calls are likely to be issued more promptly if energy balancing is managed by the Agency in its entirety.

Consideration needs to be given as to whether this would require security to be put in place between the Agency and Transco (in its capacity as NTS SO) either in the first instance or at a later juncture (should the Agency become fully separated from NGT). Also the current security arrangements in place between Transco and EnMO (the OCM Market Operator) will need to be re-assigned to the Agency.

### **Transmission and distribution charges credit management and cash collection**

It is not unreasonable to expect that network owners will want to ensure they have direct control over the recovery of transportation revenue and that they have appropriate security in place to protect themselves from shipper default.

However, from a shipper perspective this will lead to an increase in the levels of transaction processing and payment/security arrangements that need to be put in place. We would also expect the aggregate level of security required to be greater under this scenario than if credit management was provided centrally by the Agency.

Bearing in mind that Agency will be responsible for invoicing transportation revenue, and that the network owner is allowed to offset loss of revenue resulting from shipper failure providing they have acted reasonably and prudently, we would prefer this role to be undertaken by the Agency.

However, we recognise that this scenario might require separation of Transco's internal finance systems and would require credit arrangements to be established between the Agency and disposed of DNs from the outset. Bearing this in mind, and the fact that the increased costs to shippers should not be material, we could accept a situation where this activity is provided directly by the network operator.

### **Other Network Code obligations**

The remaining code obligations not covered elsewhere, such as validation of data at the CSEP interface, must read notification and the generation of MPRN numbers, are, in our opinion, best provided by the Agency. However, we believe that NeXAs should be the responsibility of the appropriate network owner and not that of the Agency.

### **Transportation licence obligations**

The remaining transportation licence condition obligations not covered elsewhere, such as provision of a MPRN and address enquiry services, notification of meter inspections being due, processing of theft of gas cases, provision of standards of service information and provision of operational reports to shippers are also, we believe, best provided by the Agency.

As such the Conquest query management system and internet based MPRN enquiry service should be owned and managed by the Agency.

No mention is made in this section regarding payments to shippers (or customers) for breaches of guaranteed standards, and this is also service we believe could be provided by the Agency particularly as they will be responsible for reporting on it. However, in the event it is provided by DNs, it is imperative that payments for breaches of guaranteed standards continue to be made pro-actively by DNs rather than shippers having to claim these.

With regard to operational reports provided to shippers it is important that the portfolio reports currently published are maintained and that shippers can continue to requests and receive ad-hoc reports from the Agency to meet data requirements that arise from time to time. These should typically be provided at no extra cost and without any degradation in current response times.

Finally we also believe the Agency should be responsible for managing the Priority Service register on behalf of all DNs.

### **Gas nominations, operation and settlement**

To the extent that this activity refers to provision of the AT Link system, or its successor, we do not think the Agency has a role to play in this. Nomination data passed through AT Link is critical to Transco's ability to undertake their role as residual gas balancer and the system, along with the data resulting from it, links to other systems and tools used by Transco to balance and operate the system. Transco should therefore own the system and be allowed to develop it, having taken full account of the views of shippers, as they see fit.

Whilst the AT Link system may contain settlements functionality we see this activity, along with reconciliation, being undertaken by the Agency as part of recording and calculating transportation volumes. This may require the Agency to have access to data stored within the AT Link system, but this should be provided by way of contracts and service level agreements rather than splitting the AT Link system into its component parts (as envisaged in Option D).

### **NTS Capacity**

To the extent that this activity refers to provision of the RGTA entry capacity platform we do not think the Agency has any role to play in it.

### **Demand derivation**

If network operators are to be responsible for investment planning and operation, as we believe they should be, they will need to undertake both long and short term demand forecasts in order to carry out their role efficiently. Therefore, demand derivation should always be carried out by the appropriate network owner.

### **Demand estimation**

Demand estimation plays a vital role in determining AQ and SOQ calculations (on which transportation charges are based), gas reconciliation and the extent of a shippers NDM demand nominations.

We believe this activity should be undertaken by the Agency as this should ensure it is undertaken in an independent and objective manner, with standard methodology being applied equitably to all DNs regardless of ownership.

We also believe this will allow shippers more scope to influence the assumptions on which demand estimation takes place and could facilitate the third party involvement in the process where appropriate.

IT systems that directly support this activity, and the bespoke demand models and systems that have been developed, should be owned by the Agency. The Agency should also be responsible for collecting and interpreting data from the sample of meter points that currently feed into demand estimation process.

## **Emergencies**

In the event of a local or national gas supply emergency it is important to have one central body that co-ordinates the response and communicates information to shippers, suppliers, customers, media and other governmental agencies.

Whilst resolution of the emergency may well be undertaken by the appropriate network operator it would seem entirely appropriate that Transco continue to provide the national emergency number and to co-ordinate the response undertaken to resolve it.

## **Site works**

In our opinion network operators should be responsible for siteworks on their networks as this is an integral feature of network planning, operation and safety.

Siteworks is currently provided in accordance with standard industry bilateral contracts, which we would expect to be assigned to the appropriate network owners. However, once assigned network owners may seek to amend these contracts and this could lead to divergence in the terms offered, the standards of service and the processes for requesting siteworks between different network operators.

Whilst this may not necessarily be a bad thing, it could result in extra resource and systems costs for shippers. Consideration should be given therefore, to establishing an industry forum where DN's and shippers could discuss contract changes, and their impact, collectively.

## **Connections**

Network owners should be responsible for connections to their network and for deciding whether to discharge their licence obligations directly, or through a service provider (as Transco currently do through Fulcrum Gas Connections).

Bearing in mind the very poor performance of Fulcrum over a number of years, this is an area where one might expect DN sales to have a significant benefit as it is hard to image new DN owners will wish to retain the services of Fulcrum based on past experience.

Transporters have a significant competitive advantage over other UIPs in that they have deemed planning permission in relation to connections work. Transco also benefit from more favourable interpretation of the New Roads and Streetworks Act by Highways Authorities. How these two issues are treated in the event of a DN sale will have a bearing in the development of the gas connections market and further consideration needs to be given to them.

Connections, to a far greater extent than siteworks, require project plans to be established and followed and for shippers/DN's to manage detailed technical information, drawings and maps relating to new sites. It is important to shippers therefore that the processes they follow to arrange a new connection are standardised and that they are able to easily understand how a connection is progressing.

We firmly believe therefore that the Agency should have a role in ensuring that the process for requesting a new connection is handled in a standard way, with all the necessary information being provided in a common format. The Agency would act as

an initial filter to ensure the information provided was adequate and sufficient before passing the request over to the DN. The DN would then be responsible for undertaking the connection and reporting its progress through the various stages of the project plan back to the Agency. The Agency would similarly report and monitor progress of a connection on behalf of the shipper, and report on the overall performance of connection services across all the DNs.

We do not believe that the Agency carrying out this activity would inhibit competition in connections as the DN will be free to choose who undertakes the connections work and how they ensure they meet their licence obligations. The Agency will have no choice in this matter and the DN will be entirely accountable for the connection once the completed request has been forwarded to them.

### **Metering**

We see no role for the Agency with regard to metering activity. Once RGMA goes live, suppliers will be obliged by their licence to contract directly with Meter Asset Managers for meter provision and meter works (which may or may not be DNs as meter providers of the last resort) using industry agreed flows. Any direct Agency role is therefore superfluous and inefficient.

However, post RGMA go live suppliers will be required to provide a MPRN number before requesting a meter be fitted to a new connection. If the MPRN is not available, as is frequently the case now (because the connections company has not tagged the connection or has tagged it incorrectly), the current 5 working days performance standard is likely to deteriorate substantially.

With the Agency responsible for populating the sites and meters database, MPRN allocation, connections and query management, as we believe they should be, the instance of missing MPRNs at new connections should reduce. The Agency would also be well placed to deliver a fastrack method of providing shippers with this information (in the event it is not readily available from other sources). This will be of great benefit to shippers when the current facility, whereby shippers can request meter installations without the MPRN, disappears in July this year.

### **IX interface**

Shippers and the NTS SO both have legitimate interests in the performance and development of IX, as does the Agency who will be undertaking services on behalf of both NTS and DN network operators. In our opinion the IX should be owned and managed by the Agency as this should ensure no one party is able to exert undue influence on the future development of IX.