

## **Agency Arrangements and “ungoverned” Services**

**A paper for DISG 6<sup>th</sup> July 2004**

### **Background**

DISG is aware that the Agent Work Group (AWG) has investigated the transactional services which xoserve will provide in a post-DN sales environment.

Most of these services are readily identifiable as being supplied to satisfy the current Gas Transporter (GT) obligations under Licence and Network Code and their expected migration to a post-DN sales environment. Such services might therefore be considered to be appropriately governed in so far as the service is therefore anticipated to be required under the successor arrangements to the Network Code or Licence. Hence shippers can be confident that such service provision will continue save for amendment that might arise resulting from the change process associated with those arrangements.

The work of the AWG has included the development of the ‘matrix of services’ to identify whether any currently provided services might not be covered by the proposed xoserve arrangements. The view of the AWG was that there might be a range of services that are not explicitly covered by Network Code and Licence obligations and that there might therefore be a risk that since such services might be considered as “ungoverned” that they might be withdrawn without consideration of the wider impacts that such an action could cause.

DISG has therefore asked for an update on this issue to inform a decision as to whether it might be appropriate to consider codification of such services within the successor arrangements to the Network Code.

### **Analysis of “ungoverned” services**

A copy of the matrix, currently at work in progress status, is supplied with this paper.

NGT has undertaken a preliminary review of the elements of the matrix that have provisional been identified as “ungoverned” by the AWG. This analysis indicates that the majority of the specified services are covered under current obligations, however in some cases these may not have formally defined delivery standards and mechanisms.

Of those services that are not explicit Network Code or Licence obligations most relate to data access and reporting (which transporters/xoserve are likely to want to continue to supply in the interests of both efficiency and customer relations) or in respect of what might be regarded as “optional services” (eg satisfaction surveys and the issue of Shipper Focus).

The AWG has recognised the shipper concern over the need for continued central service provision, the avoidance of inefficient costs which might arise through fragmentation and the maintenance of service at an appropriate standard. However, these services have successfully been delivered to satisfy industry requirements and have operated in the context of the GT’s obligations to support supply competition. It might therefore be appropriate to consider whether these arrangements can continue to be managed in this flexible and customer focused manner or whether it might be more appropriate to consider formal codification of the services within the successor to the Network Code.

## **The role of the SPAWG**

The AWG is to evolve into a new workgroup to be referred to as the Supply Point Admin Workgroup (SPAWG). The work of the SPAWG will include analysis of the matrix of services and reporting on the findings and the development of recommendations. This component of the SPAWG work is planned for completion by the 16<sup>th</sup> August.

It is anticipated that SPAWG will consider a number of options in respect of this issue.

These include:

- Full codification of the services

This could be achieved with the definition of the required services and associated service standards (where appropriate) being developed by SPAWG to feed into the development process for the successor to the Network Code (envisaged to be the Uniform Network Code (UNC)).

This approach would provide certainty over service provision but might require significant effort to formalise. This approach might then require subsequent formalisation every time modest service provision enhancements are made.

- Manage service delivery via “User Group”

It may be appropriate to consider evolving the current proposed “informal” arrangements.

The xoserve services contract requires a unanimous decision by all networks to modify the services and performance standards. Whilst shippers are not expected to be directly involved in these decisions it should be recognised that shippers will retain protections via the UNC modification process. For example if the transporters take what shippers consider to be inappropriate actions then shippers would have recourse to the UNC change process to remedy such impact.

Further, the proposed agency arrangements will provide ‘users’ with visibility of the xoserve service definitions as well as involvement in the change process through the creation of a ‘xoserve User Group’ which is designed to provide involvement and influence over change to services.

This approach will provide shipper risk mitigation; enable continued flexibility in service provision and support the ambitions of SPA reform, where xoserve can work with the community in developing future data services directly to suppliers and across a wider portfolio of gas transporters.

- Consider as part of wider SPA reform

Whilst the SPAWG will assess any risk of DN sales hindering the SPA reform ambition, there is an opportunity to consider the future delivery of services and focus on the service requirements, governance, funding and ownership in preparation for migration of retail support activity. For example this may focus particular attention on the evolution of services and the basis under which the costs of such service provision are targeted back at the users of such services.

Additionally there might be opportunities to develop SPAA frameworks and associated governance arrangements that might enable service delivery and contracts with suppliers

or other user groups. Such initiatives might involve supporting the efficient unbundling of services from the transportation price controls thereby providing suppliers with appropriate influence, control and payment for the services they receive.

### **Recommendation**

It is recommended that the work within SPAWG continues to

- provide clarity as to where risk to future service provision exist
- explore the options above to address these risks
- make recommendations back to DISG as to the preferred way forward (which might involve a combination of the options identified above).