

## **Matrix Analysis and impact of DN Sales on SPA Arrangements**

### **Paper to DISG**

#### **Purpose of this paper**

To report to DISG on the findings of the SPA Work Group (SPAWG):

- that the risk that the sale of one or more of NGT's distribution networks will adversely affect the operation and provision of SPA systems, services and processes, can be mitigated so long as appropriate risk-mitigation measures are put in place;
- the SPAWG's analysis of the shipper/supplier service line matrix's (with recommendations) and identification of a number of service lines requiring DISG consideration;
- recommendations that shippers/suppliers are given the opportunity to consider the operational impacts arising from the decision to choose option C as an agency model once arrangements for Network Code governance are finalised but before approval to a sale is granted.

#### **Background**

The SPA Workgroup (SPAWG) has amended its original terms of reference to focus on a discreet set of DN sales activities. The SPAWG has undertaken analysis on the following areas:

- Ensuring that DN Sales arrangements do not adversely affect the operation of SPA and related services;
- Developing the governed/ungoverned matrix's of Transco's services to shippers.

#### **Impact of DN Sales on operation of SPA and related systems**

The main elements of the customer transfer process are documented in the network code and will continue to be provided by the agency on behalf of DNs. A central repository of data and a central mechanism to support transfers is also maintained by the agency arrangements. As long as these arrangements are kept in place together with common processes and flows, and with no unwanted changes to SPA flows the SPAWG concludes that the operation of SPA customer transfers will not be adversely affected by the DN sales arrangements.

However, a small number of services that underpin and support the transfer process are not subject to network code governance arrangements e.g. end consumer helpline, shipper Meter Point Reference Number (MPRN) internet access site. Whilst these services are provided to support Transco's licence conditions, shippers are concerned that the agency under pressure from DNs may seek to withdraw or degrade services and seek security that the agency will keep in place an adequate level of service. Given the relatively high hurdle required before Ofgem will undertake licence enforcement

activity, it seems appropriate to put in place arrangements which give companies assurance that such licence requirements will continue to be met.

Therefore, during its analysis of the matrix the SPAWG has identified a number of recommendations and safeguards that attempt to mitigate shipper/supplier concerns.

### **Shipper/Supplier Service Line Matrix's**

The matrix was developed by the Agency Workgroup as a means to compile and document a list of services currently provided by Transco that shippers have expressed concerns about. The SPAWG has considered each service line and has applied a means of assessing how DN Sales may affect these services. Therefore, the SPAWG has identified against each service line one or a combination of the following statements:

- whether the service line is unaffected by DN sales arrangements on day one;
- whether the service line may be affected by DN Sales arrangements and requires further consideration in advance of sale;
- where concerns about a service line may be reduced when checked against DN/Xoserve service definition contract; and
- whether the service line may need consideration following a DN sale, but this can take place through governance arrangements, so long as these are adequate to deal with the issue proactively and timeously if required.

It became clear when considering the matrix that a small number of services are not subject to network code governance arrangements and have developed overtime as non-codified services. Therefore, to aid understanding and analysis of the matrix it has been split into two broad categories, "governed" and "ungoverned" services.

### **Ungoverned Services**

The list of ungoverned services covers a small number of service lines that are not codified. The majority of these services are not clearly defined, and shippers/suppliers are concerned about whether the rules for changing them are clear. They consist of services that:

- support shipper/supplier activities e.g. validating customer contracts and the transfer process;
- are provided by NGT to support licensed activities e.g., provision of customer helplines, provision of M number data;
- are critical to the day to day operational shipper/supplier Transco relationship.

### **Recommendations**

SPAWG concludes that without the continual provision of these services there would be a significant effect on shippers/suppliers abilities to register customers and undertake day to day activities that support key business processes. This would have a seriously damaging impact on supply competition as it would increase the costs of entering

supply markets, and risk fragmenting the national gas supply market into regional markets. Therefore, shippers are keen to ensure that ungoverned services are not withdrawn by the agency, or provided to a significantly lower standard. Whilst the initial view of the group was that the ungoverned services should be codified it was agreed that there could be alternatives. The following package of mitigating actions have been identified by SPAWG:

- **Visibility of the agency services scope:** the agency services contract will contain a scope of services to be provided by xoserve, concerns about a reduction or deterioration in the provision of non-codified services may be diminished by visibility of the agency service scope and acceptable assurances around the contract variation processes which will apply to these definitions. SPAWG anticipates that this may give shippers/suppliers some comfort that ungoverned services to shippers are included in the xoserve contract, will continue to be provided by the agency and that any proposed changes will be visible before they are agreed by xoserve and DN's;
- **Escalation:** robust procedures are developed that enable shippers to quickly escalate and resolve any concerns about performance of services, and that xoserve would act on behalf of network operators as the interface with shippers to progress such concerns.
- **User Forum:** NGT has tabled plans to establish a User Forum to complement existing Network Code governance forums and provide for a broader inclusion of industry participants who directly or indirectly use services provided by xoserve. The User Group will provide a discussion arena for generic service delivery issues and the impact on Users of any proposed change, removal or reduction of the services or service mechanism. NGT will provide a draft operating basis and Terms of Reference of this User group for DISG consideration as part of the SPAWG recommendations.

SPAWG members wished to understand the role of the User Group in relation to existing operational fora and Network Code bodies such as UK-Link committee and would wish to understand and have the opportunity to review and challenge the NGT proposals, particularly with respect to how the group is constituted.

Some SPAWG members expressed concern over the clarity of Operating basis of UK-Link committee and wished to understand whether any changes to this would be included in the proposals for Uniform Network Code arrangements.

- **Publication of Service definitions:** As part of the review of the services to be provided by xoserve SPAWG concerns were raised over the existing level of visibility of 'offline' interface definitions supporting none UK-Link or ungoverned services. SPAWG members consider it beneficial to all parties to establish a document library to improve the accessibility and definition of these so called 'off-line' or ungoverned services. SPAWG members recognised that this improvement in definition whilst desirable was not a prerequisite to DN sales.
- **Introduce into governance:** It may well be appropriate for some of these services to be introduced into formal governance arrangements. There do not appear to be barriers to shippers or suppliers taking this forward - for example,

by raising modifications to either the SPAA or the UNC. (This conclusion is caveated by a desire by SPAWG participants to review the final proposals for UNC governance, so as to verify that these could indeed be used for this purpose.) Given that SPAWG members individually have access to these governance mechanisms, there does not appear to be a role for SPAWG in promoting particular changes.

### **Governed Services**

The SPAWG has assumed that governed services currently within the Transco Network Code will form part of the UNC arrangements, and acknowledge that there will be scope via the UNC to modify these services. During the analysis of the matrix the SPAWG identified a small number of agency services that are referenced in the code or are set out in Network Code appendices, but may not provide the level of detail through which shippers would have assurance of no impact arising from DN sales. Shippers have raised concerns about their ability to influence and modify services that are currently network code appendices.

### **Recommendations**

- **Effective UNC governance.** It will be important to ensure a) that governed services set out in the matrix will form part of the UNC, and b) where further definition and specification of service lines is achieved via UNC schedules, these should be subject to the same governance rules as the rest of the Code. It will also be important that robust network code change proposals continue to be in place to maintain shippers ability to raise and progress network modifications;
- **Escalation:** Robust procedures are put in place to enable shippers to quickly escalate poor agency service.

### **Ungoverned/governed services requiring DISG consideration**

The SPAWG has identified a list of governed/ungoverned services for DISG consideration. The service lines being presented to DISG fall under one or more of the following categories and are marked in the matrix:

- Due to the Authority decision on the scope of the agency model further consideration is required by NGT and SPAWG on how interfaces will operate following the adoption of option C;
- services will be provided by NGT's Transmission business and are being considered by other DN sales workgroups i.e CIWG,
- services will be provided by a governance entity;
- services will be provided by DNs and it is unclear whether these services will continue in their current format with the introduction of new network owners.

### **Recommendations**

SPAWG members have placed significant importance on ensuring that the service lines being presented to DISG are subject to further work to ensure that sufficient safeguards are put in place before the disposal of networks take place. Therefore:

- SPAWG recommends that its terms of reference are amended to enable it to carry out the necessary work to follow through the identified mitigating actions before DN disposals takes place;

There is a risk that areas or points of detail may have been overlooked. It should be accepted that new issues / risks may be identified and mitigating actions required prospectively.