

## TOTAL GAS & POWER LIMITED

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Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

03 February 2006

Dear Joanna,

### **Gas Distribution Price Control Review Initial Consultation – Total Gas and Power Ltd (TGP) Response**

TGP welcomes the opportunity to comment on the price control review, in particular the proposed funding alternatives for the common Transporter agency (currently Xoserve).

In order to minimise cost to the industry Ofgem directed Transco to create a single broad agency to handle shipper/transporter processes in the wake of the DN sale. TGP stated its support for such an arrangement (in response to Ofgem's RIA on Agency and Governance Arrangements<sup>1</sup>) providing sufficient procedures and controls were created to ensure that it discharged its functions in a economic and efficient manner. These were subsequently put in place with Transporters being responsible for funding the agency's activities.

Broadly speaking, this arrangement has operated satisfactorily. It is our perception that the agency has discharged its obligations in a competent manner and that Transporters have controlled agency costs in response to their incentives.

Creation of a separate licensable activity or a competitive tendering process will lead to an increase in administration and complexity, with a corresponding loss of oversight of a more autonomous agency. A "user-pays" system may target a fraction of the costs at the appropriate user, but will also result in a loss of efficiencies as a significant cost to the agency will be incurred from the evaluation of process-specific costs and the monitoring of system usage.

We would therefore support a continuation of the existing funding arrangements. There are shortcomings, such as a lack of transparency over the governance of Xoserve by the Transporters and the recent tendency to expect payment for data which previously was provided for free by Transco, but these can be remedied within the current framework.

Please do not hesitate to contact me in response to any of the above comments.

Yours Sincerely

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<sup>1</sup> National Grid Transco – Potential sale of network distribution businesses Agency and governance arrangements  
Regulatory Impact Assessment (120/04) - April 2004.



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