

Impact of enduring gas offtake reform: draft impact assessment

Overview of data *pro forma* cost survey

Purpose of the *pro forma*

- Third TPCR consultation (published March 2006) outlined high-level proposals for offtake arrangements and incentives
- Intention is to include a **quantified draft Impact Assessment** of these proposals in the June 2006 Initial Proposals consultation (with a further impact assessment to be undertaken once details of the arrangements have been developed further)
- Cost implications to be assessed for **all industry participants**
- Cost survey published on Ofgem website on **18 April 2006**

Development principles

- Separate pro forma templates have been prepared for:
 - Shippers and Transmission Connected Customers (TCCs); and
 - Gas transporters and the Agency
- A guidance document has been prepared to ensure high-level consistency across submissions
- Recognises the differing characteristics of businesses surveyed, so allows some freedom in:
 - the format used; and
 - the nature and extent of disaggregation of cost data; and
 - the assumptions used.

Structure of the *pro forma*

The pro forma request consists of three documents:

Spreadsheet

Requests high-level data in a consistent format

Guidance note

articulating how the spreadsheet should be completed and the additional commentary / justification required

Assumptions paper

describes the arrangements proposed, considering the impact from the perspective of different industry participants

The spreadsheet

- Requests basic business characteristics data for shippers and TCCs (separate sets of questions specified for both)
- Requests up-front implementation costs and net ongoing annual costs
- Further disaggregation into IT systems costs, staff costs and other costs (where this is possible)
- Data entry cells in yellow
- Other cells generate totals to ensure internal consistency and should be cross-checked

High-level guidance

- When completing the pro forma, respondents should:
 - Consider the impact on ***their business alone***;
 - Quantify the ***implementation costs*** of the proposals ***as described in the assumptions paper relative to the transitional arrangements***;
 - Cost estimates should be ***forward looking***, represent the ***most likely outcome*** and ***exclude costs that would occur absent reform***
 - Where decisions have yet to be made, ***assume the lowest cost*** solution, detailing assumptions you have made in the commentary;
 - Ensure costs estimated are ***efficient and necessary***; and
 - ***Provide sufficient detail***, where possible adding commentary on any assumptions that have been made.

Please read the guidance and assumptions documents prior to completing the pro forma, and call us with any queries you have

Next steps

- Deadline for completion: Monday 15 May 2006
- Queries and completed responses should be forwarded to Matteo Guarnerio, 020 7901 7493
matteo.guarnerio@ofgem.gov.uk