FUTURE ARRANGEMENTS FOR THE GAS TRANSPORTER CENTRAL AGENT

ANNEX B: SERVICES ANALYSIS

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Final report

CEPA

tpa

ESP Consulting

CONTENTS

1. INTRODUCTION

1.1. Context

In January 2012 Ofgem issued a decision letter where it concluded that a "cooperative" model represents the optimal set of future funding and governance arrangements to support the range of centralised data services currently provided by the GTs appointed agent Xoserve. A consortium of CEPA, TPA Solutions and ESP Consulting has been commissioned by Ofgem to develop options and recommendations for these future arrangements.

1.2. Purpose

The purpose of this supporting annex is to provide an analysis of the services currently provided by Xoserve, the legal framework which defines them, the systems used in their provision and who benefits from their usage.

The specific aims of these analyses are to ascertain the extent of common service provision as regards shared IT infrastructure used in service provision as well as to whether benefits can be clearly split between different customer groups. This leads to important conclusions as regards the case for keeping Xoserve as one entity rather than splitting it into GT and Shipper facing entities and the extent to which responsibility for funding might be allocated to different groups, as opposed to collective funding.

As part of the analysis on users, we explore why services are important to different stakeholder groups and what might be the optimal structure for their provision going forward. This establishes a foundation for governance and funding arrangements discussed in the main report and the other supporting annexes.

1.3. Process

An initial draft of this paper was discussed with an industry Services Working Group.[1] Based on feedback from the working group, we have subsequently updated the analysis and reflected this in this final report.

Where there were differing views amongst industry participants on particular issues (for example, which stakeholder group is primarily impacted by particular service areas) we have highlighted these differing views as part of the analysis.

1.4. Approach

As part of this project, we have proposed an important change of paradigm. Whilst Xoserve was established primarily to deliver transporter licence and Code obligations following distribution network sales, we have suggested that any future arrangements should begin with an assessment of the services that it provides to various parties.

[1] The industry Services Working Group comprised representatives from Shippers, Gas Distribution Network operators (GDNs), National Grid Gas Transmission, Ofgem and the CEPA led consortium.

This involves considering Xoserve primarily as a central services provider to the industry supplying critical data, information and IT services that support system operation and competitive wholesale and retail gas markets. As such the analysis has not sought to link explicitly the provision of specific services to the obligations of different groups.

Given the proposed change of paradigm, in terms of confirming our understanding of the nature of demand for, and supply of, services offered by Xoserve, the questions addressed within this paper are as follows:

- What are the servicelines that are being provided by Xoserve? What defines these services in terms of their role in supporting the Great Britain (GB) gas industry?
- Have all of Xoserve's relevant servicelines been identified such that the development of detailed funding and governance are based on the correct services?
- Is it possible to distinguish between GT and Shippers in terms of impacts and benefits?
- What systems are involved in the delivery of those services? To what extent are different servicelines supported by these systems and is it appropriate that services currently provided by Xoserve continue being provided by a common service provider?
- What, if any, implementation issues might future funding and governance arrangements create for service delivery?

1.5. Document structure

The rest of this document covers the following:

- Section 2 provides the consortium's analysis of "demand" side characteristics of the services delivered through Xoserve, including who benefits from them, both directly and indirectly, and given this, whether it is possible to identify clear Shipper and transporter (both transmission and distribution) service recipients.
- Section 3 then provides our analysis of "supply" side characteristics, including the cost structure of the services provided, in particular, the extent to which fixed costs are common costs between different service lines and the extent of economies of scale and scope from the common service provider delivery model.
- Section 4 provides conclusions which have been used to support our development of governance and funding arrangements.

A series of appendices provide supporting material covering:

- the legal specification of services provided by the GT Agent;
- summary of key services provided by the GT Agent;
- the impact of service lines on stakeholder groups; and
- specific issues associated with Gemini systems.

2. DEMAND SIDE CHARACTERISTICS

In this section we explore the scope of service provision by Xoserve, and the demand side characteristics associated with that scope of services.

The first aim of the analysis is to set out the service-lines provided by Xoserve at a level of detail that allows analysis to be undertaken on who benefits from each. This is to ensure that Xoserve's activities are adequately captured so that this can be reflected appropriately in funding and governance arrangements.

The second aim is to facilitate a beneficiary analysis in order to ascertain whether or not it might be possible (although not necessarily appropriate) to split Xoserve's services into GT and Shipper facing, as this would have implications for possible structuring options, including funding and charging arrangements.

2.1. Agency Services Agreement (ASA)

We begin by analysing the existing ASA. The aim of this has been to develop our initial service-line analysis, in which we have sought to set out at a level which captures the key services, but at a relatively high level in order to facilitate a stakeholder impact analysis.

The framework we have used to date to analyse GT agent services is based on that set out in Schedule 2 of the ASA (see Appendices A and B).

Whilst this framework has supported our analysis, we believe it is appropriate to split a number of service lines where it is possible to identify clearly separate beneficiary constituencies within those service-lines.

The following paragraphs first set out the service lines as described in ASA before discussing the potential changes.

2.1.1. ASA

Schedule 2 of the ASA breaks the required services into six main parts, each of which has a number of components. These six parts are:

- Part 1: Provision of Services in Relation to UNC Obligations, which in turn has six sub-parts:
    - Part 1A: Provide and maintain a supply point register
    - Part 1B: Record and calculate transportation volumes
    - Part 1C: Transportation and balancing invoices
    - Part 1D: Energy balancing
    - Part 1E: Other services (of which there are eight)
    - Part 1F: Demand estimation
- Part 2: Provision of Services re Gas Transporter Licence

- Part 3: Other Network Services, which in turn has 4 sub-parts:
    - Part 3.1: UK Link services
    - Part 3.2: Provision of user reports and information
    - Part 3.3: Network operator and user relationship management
    - Part 3.4: Data flows and services to network operators
- Part 4: Gemini Systems Services
- Part 5: User Pays Code Services
- Part 6: User Pays Non-code Services

More detail of what is included in each of these is provided in Appendix B.

2.1.2. Suggested changes

As a result of discussions within the Services Working Group, there is a case for modifying the classification of services in the ASA to reflect better the separation of interests between stakeholder groups. This provides greater clarity over the scope to separate service provision. The list of areas where changes to the ASA categorisation may be required is set out below:

- **1.A.1 Supply point registration**: Following comments from the industry working group, this has been separated into:
    - 1.A.1a: Supply Point Capacity Registration (primarily impacting GTs); and
    - 1.A.1.b: Supply Point Shipper Registration (primarily impacting Shippers).

  This separation is discussed further in Section 2.1.3, below.
- **1C.1 Transportation and Balancing Invoices:** Separation into service lines for Transportation (GTs) and Balancing (Shippers);
- **2.1 Gas Transporter Services:** Split into its various components:
    - Detection of theft
    - Provision of information to Ofgem
    - Provision of data directly to end consumers
    - Data exchanges with IGTs relating to CSEPs
    - Management of the Agency Charging Statement
- **4.1 Gemini Services:** Separation to cover NTS interest in Capacity booking and Shipper interest in Imbalance Settlement.

These changes were discussed and agreed at the Services industry working group, based on analysis that is presented as Table C2 in Appendix C. This area of contention at the working group related to 1A.1 – Supply Point Registration.

It was put to us that the supply point administration process is important to Shippers and GTs (GDNs in particular) for different reasons:

- from the GDNs perspective, supply point portfolio registration and administration are in essence processes and mechanisms to establish each Users' capacity requirements on the transportation network;
- the outcomes from the supply point administration processes are then fundamental to the establishment of the contract between GTs and Users and to subsequent charge calculation and invoicing processes.

Processes related to the transfer of Supply Points between Users, or otherwise changing Supply Point data are however integral to a competitive retail market. We therefore proposed the following split managing the supply point register:

- Supply Point *Capacity* Registration; and
- Supply Point *Shipper* Registration.

The former of these relates to two things:

- Processes related to managing the capacity of gas that is allowed to traverse each Supply Point (Services 4 to 6); and
- Processes relating to the isolation and withdrawal of a Supply point at the request of a User (Services 16 to 19).

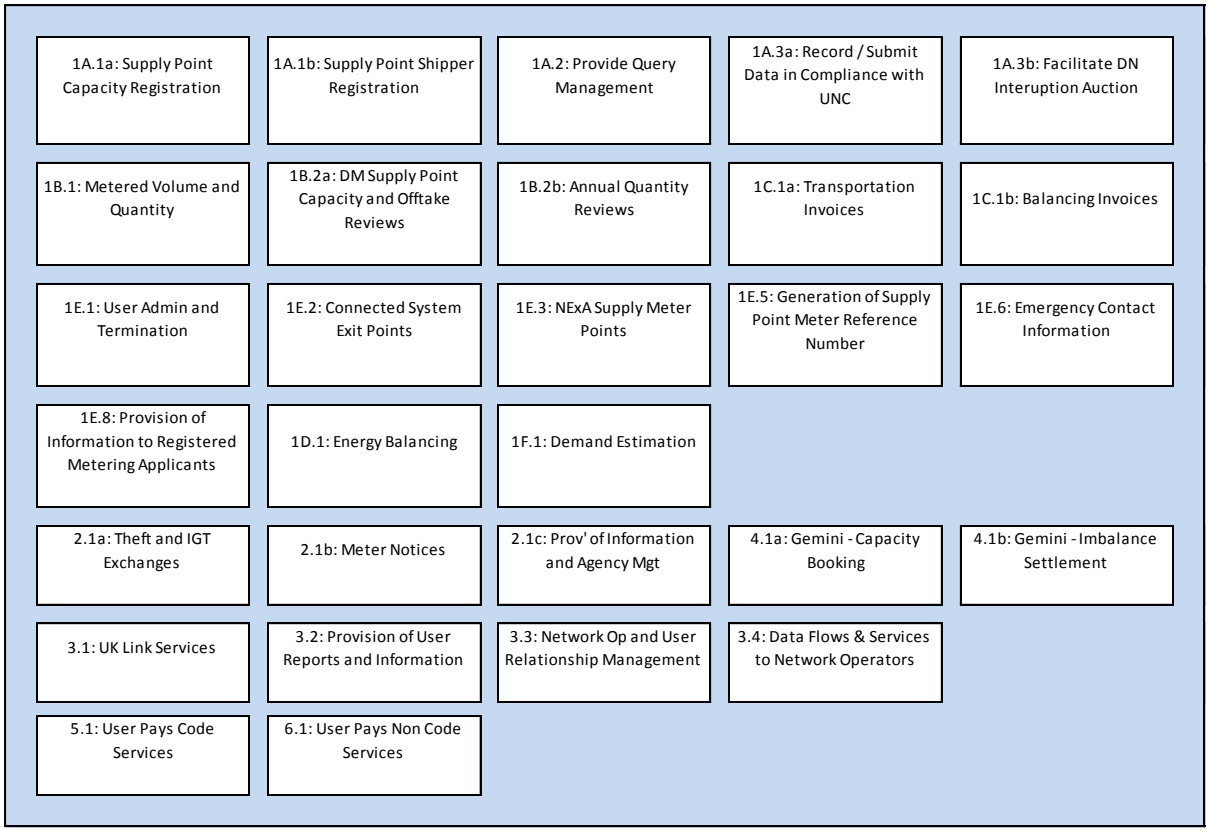
Both these areas provide information that is critical to system operation.

The remaining processes mainly relate to the transfer of Supply Points between Users, or otherwise changing Supply Point data. This includes processes for resolving disputes with any change to data. These have been termed Supply Point Shipper Registration. The need for these processes is driven by the competitive retail market.

2.1.3. Revised categorisation of servicelines

We recommend therefore, that the ASA classification of services be used as a basis for ongoing consideration of the governance and funding of GT Agent services, subject to the changes set out above. The proposed categories are illustrated in Figure 2.1 below.

Figure 2.1: Agency services categorisation



Source: CEPA, TPA and ESP

Having set out the scope of service provision by Xoserve, we sought to analyse the demand side characteristics associated with those services including who benefits from them, both directly and indirectly and given this whether it is possible to identify clear Shipper and transporter (both transmission and distribution) service recipients.

2.2. Analysis of service line beneficiaries

Whereas such an analysis would normally be termed a customer analysis, the way in which Xoserve is contracted by the GTs to provide services to Shippers on their behalf, tends to complicate the analysis. As such it is more useful to think in terms of beneficiaries as regards who benefits or relies on a service most – primary beneficiaries – and then others, who also benefit, albeit less directly.

The results of this analysis has some important implications for the development of funding and governance options, depending upon the extent to which it is possible to identify clear differences.

For instance, the greater the clarity in beneficiary, there are potential implications for:

- *structure* – in terms of options for separate GT and shipper facing entities;
- future *funding* / *charging* models could consider allocating funding of specific services to stakeholder groups comprising primary beneficiaries; and / or

- the *contracting* of services (e.g. to define and control service levels) could also be with primary beneficiary.

2.2.1. Primary beneficiary analysis

We sought to identify the prime beneficiaries for each Xoserve service area based on a two stage process as follows:

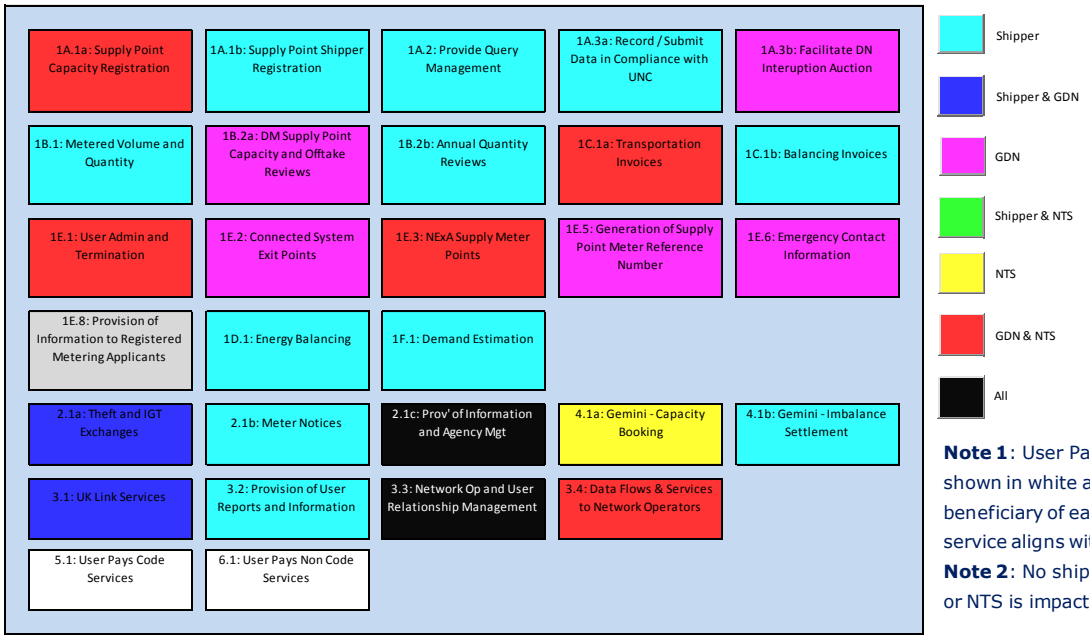
- We initially met with a sample of Shippers and GTs to understand the extent to which specific service areas impact their businesses. Stakeholders were, in each case, asked to rank the impact of these services on their business to be one of none, low, medium or high.
- We then refined this analysis through its presentation and discussion with the industry Services Working Group.

We then sought to map different stakeholders views onto the specific service groupings outlined above. The combined view from this analysis is set out in Figure 2.2 below. Each stakeholder group was assigned a colour, which was varied from pale to strong with the average response score from that stakeholder grouping (pale being low, strong being high). The prime colours for each stakeholder being:

- Cyan – Shippers
- Magenta – GDNs
- Yellow – NTS (as the System Operator)

As more stakeholders were identified as impacted by different services, the colours were combined to indicate the balance of opinion over that component.

Figure 2.2: Which stakeholder groups are most significantly impacted by each service area

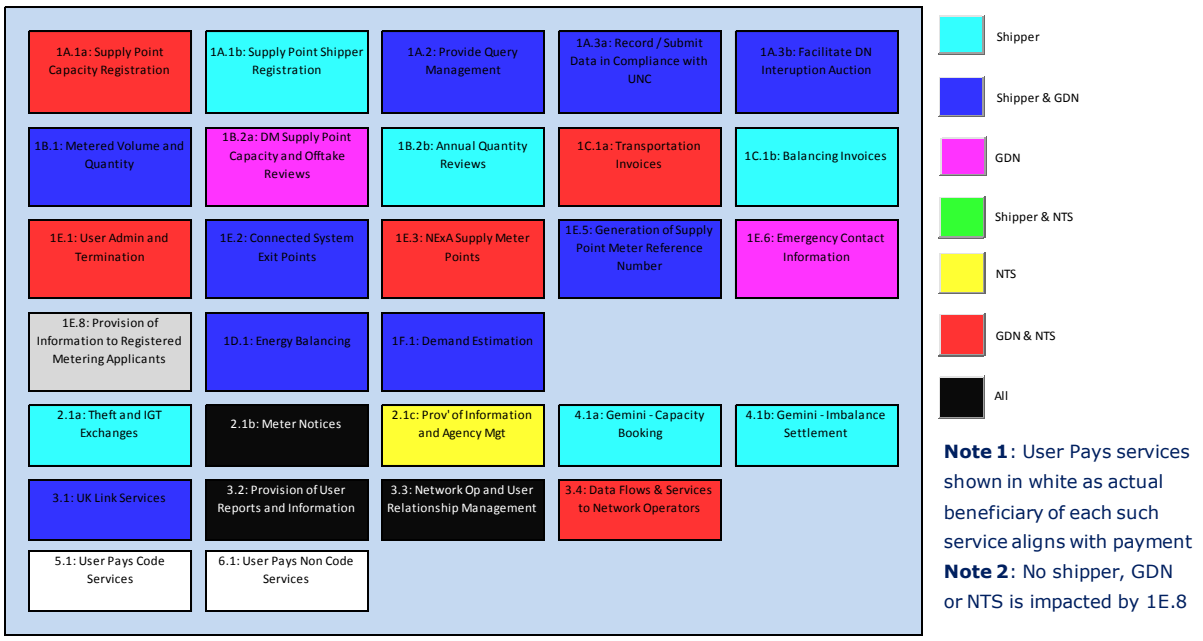


Source: CEPA, TPA and ESP

2.2.2. Combined stakeholder impacts

Whilst Figure 2.2 reflects the party that, based on our stakeholder sample, is most immediately impacted by each area, in practice most services impact all stakeholders to a varying degree. This is illustrated in Figure 2.3 below, showing the combinations of stakeholders that have (on average) ranked the impact of a service on their business as medium or higher.

Figure 2.3: Impact of services on stakeholders – showing those stakeholders impacted medium or above



Source: CEPA, TPA and ESP

Appendix C summarises key points made by stakeholders on the specific impacts of each service area on their businesses.

2.3. Conclusions

The analysis presented in this section demonstrates that the data and information services provided by Xoserve can be categorised along agency service lines and the primary beneficiaries of the service lines can in most cases be identified.

However the majority of the 27 service categories in the current ASA have at least some impact on more than one party.

Our analysis shows some separation between which stakeholders benefit from each service – when looking at the prime beneficiary; however, there are still a significant number of service areas where interest is shared.

The point we draw from this analysis is that it is difficult and potentially inappropriate to partition services purely as impacting on one stakeholder group as opposed to others and to structure delivery and control of data and information services according to such principles.

3. SUPPLY SIDE CHARACTERISTICS

A key question for this review of the funding and governance of data and information services currently supplied by the GTs' Agent Xoserve, has been whether all services should continue to be provided by a single entity. There are a number of elements that inform this consideration, with the significant ones being:

- is it possible and economic to separate the systems currently operated by Xoserve such that the services can be provided by separate providers;
- do industry stakeholders have a strong desire to separate service provision; and
- are there areas of systems and processes where one party, or one stakeholder group, uniquely benefits?

In this section we explore the "supply side" characteristics of the common service provider delivery model, including the cost structure of the services provided, in order to address these key questions. In particular, we explore the extent to which fixed costs are common costs between different service lines given delivery through IS systems.

Our analysis of these points supports the continuation of common service provision.

3.1. IS systems and how they support service delivery

We have developed an understanding of the Xoserve systems and how they relate to services based on a number of sources, specifically:

- a review of how their costs are allocated to service lines for regulatory reporting;
- discussions with Xoserve staff; and
- discussions with gas industry participants who have been involved in change to these systems.

The key messages coming from these sources are:

- that the systems are highly interlinked, with most services relying on more than one system, and on systems shared with other services; and
- that as relatively old custom built systems, changes to those systems (as may be required were services separated) would be costly and risky.

From our analysis, the key systems used in performing the services are:

- **Gemini:** This is referred to as AT Link and RGTA in the GT Agent's regulatory reporting. The GT Agent is responsible for the Application Management of Gemini, and the Gemini system provides data used in many other services. The key processes supported by Gemini are:
    - *Capacity Booking:* The Gemini system is key to the operation of entry and exit capacity markets by NGT as the System Operator, and keeps a record of each Shipper's entry and exit rights.

- *Imbalance Settlement:* Whilst the gas system is balanced using the on-the-day commodity market (operated by APX), the level and cost of each Shipper's daily energy imbalance is calculated by Gemini (albeit using data from the on-the-day market).

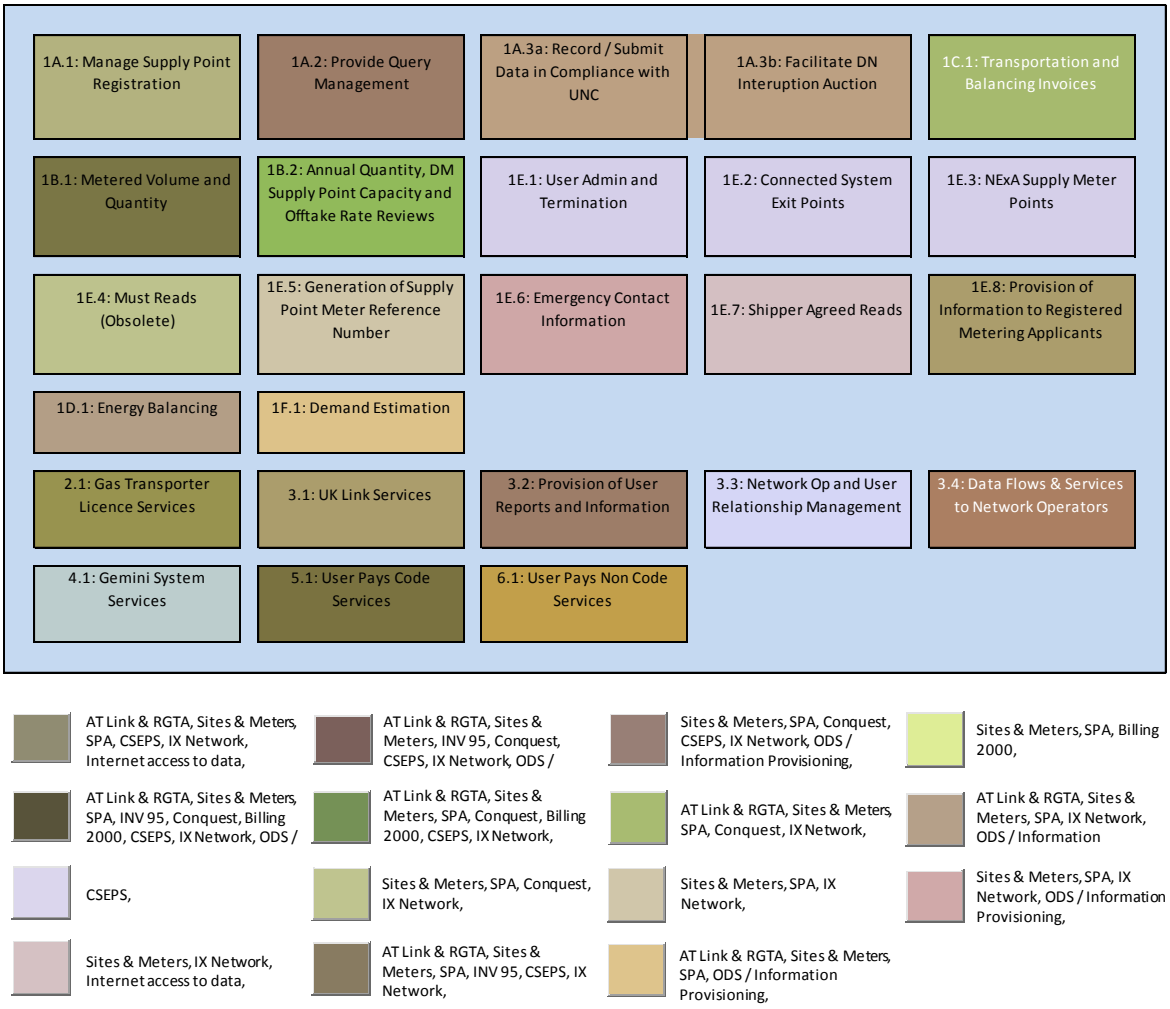
- **Sites and Meters:** The Sites and Meters system cuts across many of the services provided. This is a central repository of data on each meter on the gas system, including historic meter reads.
- **Supply Point Administration (SPA):** is key to the Change of Shipper process, and holds a record of the link between customer meters and Shippers/Suppliers**.**
- **Connected System Exit Points (CSEPs)**: This system administers all data relating to gas networks that are connected to the GDNs.
- **Invoicing 95:** This system is used to create the invoices for both the energy imbalance settlement, and for transportation.
- **Conquest:** This system is principally used to access the data on the various systems to support the resolution of queries and some reporting.
- **Internet Access to Data:** This system is used by industry participants to access data relevant to their businesses.
- **UK Link:** This is a core backbone system used to transfer data between systems and between the GT Agent and Users.
- **IX Network:** This is a data network used to facilitate file transfers between Shippers and critical systems.
- **Billing 2000:** This is a new invoicing system.

The level of cross dependency between systems and services is illustrated in the two figures below. In each case, these show a high level of dependency between the systems, making the separation of any service complicated[2].

Figure 3.1 shows Xoserve's internal analysis of the systems used to perform each service area, showing each service area typically drawing on four or more systems.

[2] The exact nature of the linkages is undoubtedly documented; however, we have not had sight of this documentation.

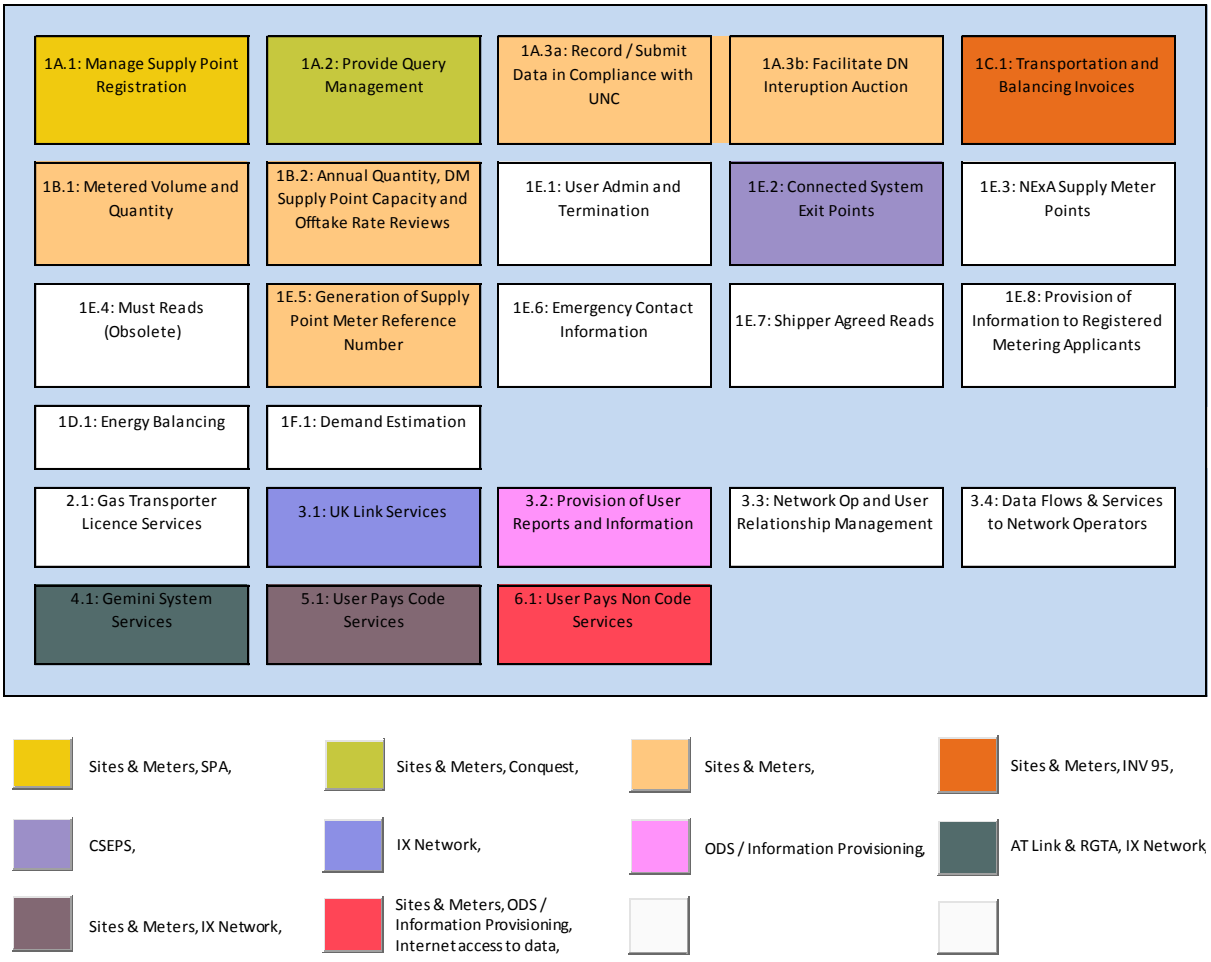
Figure 3.1: Xoserve's analysis of the systems required to deliver each service area



Source: CEPA, TPA and ESP

Figure 4.2 shows how the costs of systems are allocated to services areas for regulatory reporting.

Figure 3.2: Allocation of system cost to services based on regulatory reporting



Source: CEPA, TPA and ESP

As illustrated by Figure 3.1 and 3.2, and as clarified by Xoserve through various engagements with the CEPA consortium, the systems are highly integrated, both from a process and data and physical (including security) perspective. As noted above, each service area typically draws on four or more systems. While Xoserve indicated that it would be possible to re-engineer IT systems physically, the costs and timescales associated with such an exercise would be significant and therefore should not be underestimated.

3.2. Issues impacting common service provision

3.2.1. Gemini services

Our discussions with industry stakeholders have indicated broad support for the continuation of common service provision (see discussion below). The one potential exception to this has been the management of the Gemini application (as discussed in detail in Appendix D).

Xoserve's role in respect of Gemini is different to other agency services and systems. National Grid Gas Transmission (NGGT) has retained ownership of the Gemini system (whereas other systems are owned by Xoserve) and the support provided by Xoserve is defined in the ASA in

terms of the Agent being an outsourced IT provider to NGGT rather than in terms of the services that Gemini supports. Xoserve's Gemini services relate primarily to applications maintenance although the Gemini system is integral to many of the other services that it delivers.

NGGT highlighted as part of its response to Ofgem's previous consultation on future arrangements for Xoserve that:

> "*Elements of Gemini functionality are integral to the operation of the National Transmission System …. It is, therefore, important for NGGT to retain the ability to specify and deliver changes to the Gemini systems as and when required in order to satisfy its licence obligations, (including, if necessary, a re-evaluation of whether Gemini systems would be better operated and change managed internally by NGGT alongside its other core systems.*"[3]

Of particular importance are legislative changes being developed in Europe. A number of changes to the GB gas market may be required to meet the requirements of the European Energy Markets third regulatory package, including measures to support and harmonise arrangements for trading across interconnectors which may (as is happening in electricity) drive towards a common market model across adjacent member states.

The UK's compliance with this European legislation is likely to drive strategic change to the transmission owned Gemini system in the next few years – the timely delivery of which may crowd out other Gemini developments. Effective facilitation of this change programme (and Xoserve's role in delivering that programme) needs to be supported rather than hindered by the funding, governance and legal arrangements of the central service provider.

Industry stakeholders indicated, through the working groups, that they accept that such "mandated" change will need to take priority over other areas of change – whether for Gemini or other shared systems.

Provided such principles are recognised, and appropriate contractual arrangements are in place to reflect NGGT's interests and ownership of Gemini (particularly the systems links to transmission system operation), we believe that Gemini could continue to be managed through a common service provider model, even where there are cooperative funding and governance arrangements going forward.

As discussed in Appendix D, continuing management of Gemini services through a common service provider could also provide future flexibility to bring "market facing" services and Gemini functionality within the control of the central service provider as opposed to NGGT (should this be deemed appropriate).

As highlighted above, it has also been highlighted to us that in reality, there are elements of Gemini which are integral to the derivation of both GDN and NGGT Commodity (Use of System) transportation charges (including reconciliation), with the same application also being used to derive Shippers energy balancing charges and their reconciliation.

While data interdependency issues could be managed by alternative arrangements, this is another benefit of the common service provider model.

[3] NGGT (2011): 'Response to Open Letter Consultation: Review of Xoserve'

3.2.2. Cost structure of delivery

As part of the development of possible funding, cost allocation and charging structures under cooperative arrangements (see Annex C) we also undertook a high-level review of the cost structure of Xoserve's business.

Xoserve has developed an activity based costing (ABC) methodology so that the services and systems costs associated with each activity (as set out within the UNC as being in the scope of the agency) can be separately assessed and reported.

Xoserve's ABC methodology uses different cost drivers to allocate costs to activities and services depending on the nature of the cost involved. For example:

- For employee costs, direct department[4] employee costs are allocated to services and activities by the use of an activity time recorded system, with support department[5] employee costs are allocated pro-rata to the total Full Time Equivalent (FTE) per activity in the direct departments.
- For Bought in IS Services, initially costs associated with IS core services are broken down between services paid under the GSA with National Grid and those paid for directly by Xoserve. Costs are then allocated to specific applications or services which are subsequently allocated using either FTE as a driver or directly to the relevant service line.

Applying Xoserve's ABC methodology indicates that about 52% of operating 'run' costs are directly attributable to the individual service lines and the remaining 48% have to be allocated, as they arise from shared systems and processes (as illustrated through Figure 3.2).

The implication is that there is a high degree of common cost in the supply of existing GT Agent services and activities.

Common delivery through IS systems also requires Xoserve to undertake regular investment in these systems to sustain, develop and respond to industry change, as well as incurring direct and bought in business operating costs to support the suite of activities and services which it provides to the gas industry.

Given that service delivery is through a number of large and bespoke IT systems, sustained and developed for the requirements of the gas industry, there is also a high degree of fixed cost involved in the common service provider delivery model.

3.2.3. Economies of scale and scope from commonality of service provision

Due to the high degree of fixed common costs in the supply of different activities and services, in CEPA's previous report[6], we noted that there would therefore appear to be clear economies of scale and scope from the existing common service provider model:

[4] Defined as ones that either directly delivery ASA and User Pays services or deliver change projects.

[5] Defined as departments who do not deliver ASA or User Pays services or projects but who provide indirect support.

[6] CEPA (2011): 'Ofgem: Review of Xoserve funding, governance and ownership – final report', available here.

- suppliers and Shippers are provided with a single point of contact (the "one stop shop" principle for service provision);
- there are consistent processes across the GDNs (although this could be enforced through alternative arrangements other than a common service provider model);
- duplication of systems is avoided and the interactions between systems and processes can be managed effectively; and
- the systems utilise common data centrally; it would be difficult to separate out the processing of such data into different systems operated by different parties.

These benefits from the common provider model were also highlighted by industry participants as part of the working group processes.

3.3. Conclusions

The key messages that we have taken from our analysis of common service provision, and confirmed with stakeholders as part of the industry working group meetings, are that:

- There are benefits from a common service provider model and existing interlinked systems mean a common service provision is preferable.
- Although services can be categorised (as discussed in Section 2) delivery is interdependent with significant common cost.
- We believe that Gemini could continue to be managed through a central service provider even with cooperative funding and governance arrangements.
- However, with different stakeholder groups impacted by services in different ways, these interests need to be reflected in any future arrangements.

4. CONCLUSIONS

This supporting annex has set out our analysis of services and their demand and supply side characteristics. This has focused on confirming our understanding of the current services offered by Xoserve, what defines these services, how and why they are important to different stakeholder groups and what might be the optimal structure for their provision going forward.

Based on the analysis in this report, and the feedback we have received through the industry working groups, our view is that common service provision should be retained where more "cooperative" governance and funding arrangements are adopted for those data, information and IT services going forward.

Our conclusions reflect that:

- no stakeholders have raised any serious objections to the common service provider model were cooperative funding and governance arrangements put in place;
- a number of industry participants have highlighted their requirement for a common IT systems and services provider;
- there are benefits (in terms of economies of scale and scope) from the retention of common service provision arrangements;
- the costs and risks of separating or cloning the systems are likely to be significant, given the age, interconnected nature and custom design of those systems; and
- legitimate concerns over the differing service levels required by different stakeholder groups can be covered through service level agreements with the provider.

Our view is also that given the benefits and the interlinked systems for delivery under the current common service provider model:

- partitioned corporate governance of the service provider by service line is not appropriate, given how services are currently delivered; and
- shared benefits from the common service provider suggest that shared governance and funding of the entity is appropriate.

However, as noted in Section 3, with different stakeholder groups impacted by services in different ways, these interests need to be reflected in any future arrangements. Our proposals in this area are provided in the supporting paper on Corporate Governance (Annex D) which also accompanies our main report.

APPENDIX A: LEGAL SPECIFICATION OF SERVICES

The GT Agent and the services it provides has evolved alongside the post-privatisation evolution of the GB gas industry, with National Grid (then Transco) being obliged to provide a number of services to facilitate wholesale and retail completion in the Gas market. When National Grid sold a number of gas distribution networks, the GT Agent was set up to provide services to all the Gas networks. These services covered:

- A number of services that gas network companies were obliged to provide consistent with facilitating the GB gas market.
- Some areas of "back office" processing where the requirements of the GTs are substantially similar (e.g. invoicing), so it made sense to have a common service provider.

To manage the GT agent, the GTs established a series of legal agreements. This appendix provides more detail on this legal framework.

Background

The Agency, on behalf of the GTs, provides a number of common services and systems relating to the processing of data and circulation of information to facilitate the operation of the disaggregated gas industry. These services are numerous and varied, and primarily relate to information required to be exchanged between GTs and Shippers in accordance the Uniform Network Code (UNC), although certain services are provided outside the UNC and others relate to GT licence obligations.

The GTs are required by licence to jointly contract for the provision of common services and systems via the Agency (Standard Special Condition A15: Agency (SSC A15)). This condition was introduced at the time of gas distribution network sales in 2005 to ensure that users of the gas transmission and distribution networks retained the "one-stop-shop" facility for code transactions that had previously applied when all networks were owned and operated by a single entity.

Subsequent to network sales, SSC A15 was amended in 2008 to provide greater clarity as to the distinction between those agency services for which charges are payable (User Pays services) and those for which there are no explicit charges (Core services) which are funded via the price control. In 2009 the UNC modification rules were amended to accommodate a process for introducing additional or revised User Pays services, with a view to promoting industry consideration of the additional costs imposed on the agency in implementing UNC modifications. However, the large majority of Agency activities remain related to Core services.

Agency services scope and definition

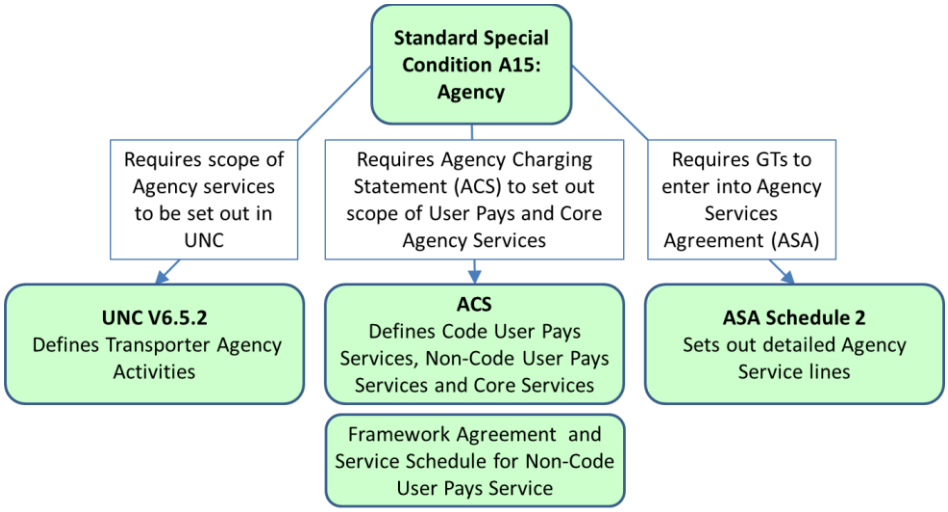
Flowing from the requirements of SSC A15 there are three source documents that assist in gaining an understanding of the scope and definition of Agency services. These include the:

- UNC (in particular Section V 6.5.2 Transporter Agency);
- Agency Charging Statement (ACS); and

- the Agency Services Agreement (ASA).

Each of these source documents is illustrated in Figure A1 below along with a description of how they support agency services scope and definition.

Figure A1: Source documents for understanding the scope and definition of agency services



Source: CEPA, TPA and ESP

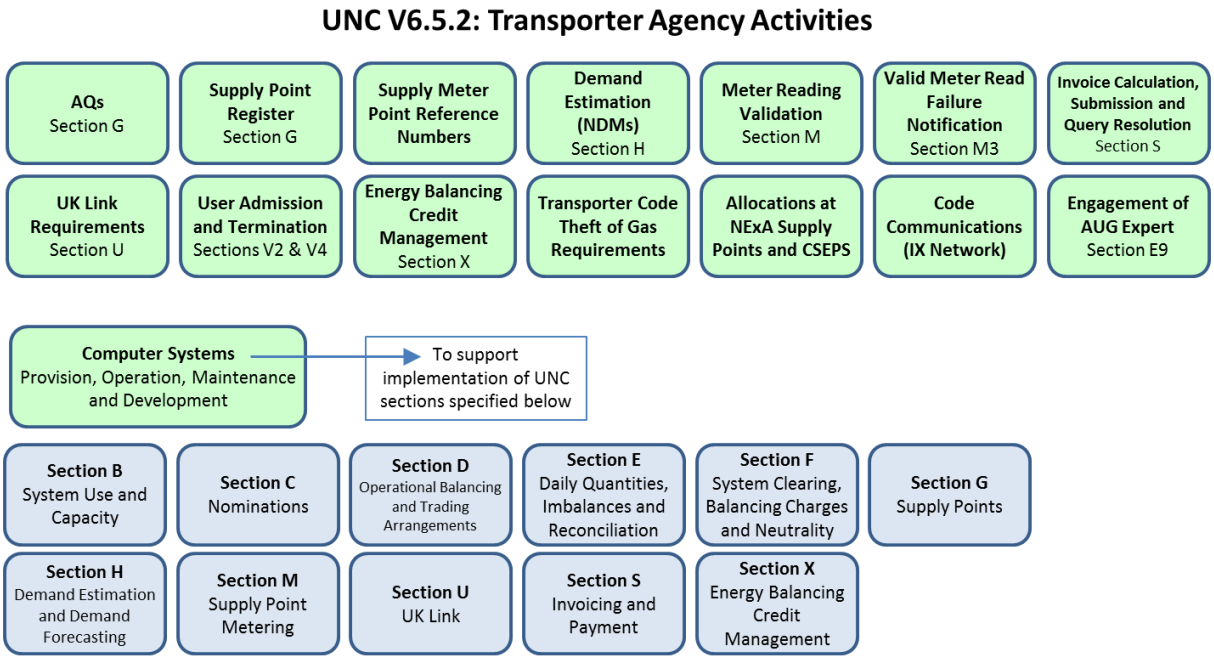
In its current form SSC A15 requires the scope of Agency services to be set out in the UNC. It also requires the GTs to prepare an Agency Charging Statement (ACS) setting out the scope of Core service and User Pays services. The statement itself goes on to differentiate between Code and Non-Code User Pays services and the latter are described more fully through a Framework Agreement. The Agency Services Agreement (ASA) is the contract the GTs have entered into for the provision of services by the Agency, in compliance with SSC A15. Schedule 2 of this agreement sets out the detailed service requirements in the form of categorised service items cross-referenced to UNC provisions or other obligations to provide services. In effect this constitutes an elaboration of the agency services scoped out in the UNC and ACS. The ASA also identifies certain agency services which appear to be additional to those in the UNC and ACS.

In the sections below, we look in turn at the agency services described in the UNC, ACS and ASA.

UNC Section V 6.5.2: Transporter Agency

This section of the UNC provides a high level definition of "Transporter Agency Activities" through around a page of drafting, cross-referencing other sections of the code where the detailed requirements are set out. The coverage of V 6.5.2 Transporter Agency Activities is summarised in Figure A2 below:

Figure A2: UNC V6.5.2 Transporter Agency Activities



Source: CEPA, TPA and ESP

With regard to computer systems, we believe that the intent of the UNC is to qualify the provision of systems to those required to support implementation of key UNC sections as shown in blue above, although as drafted the provisions do not quite achieve this.

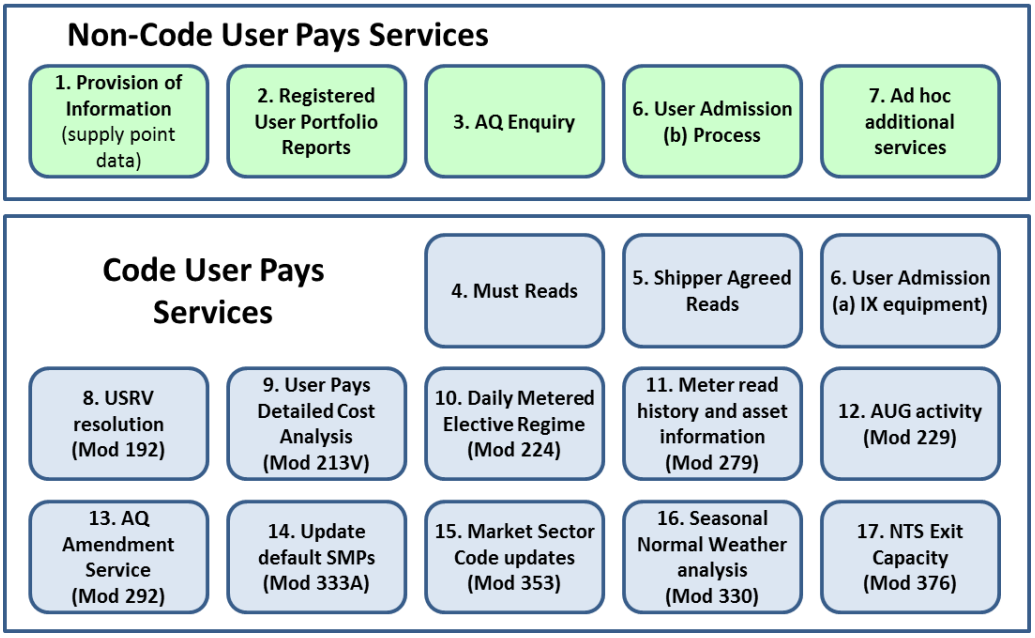
The formulation of section V 6.5.2 focuses more on the high volume processes required to support transportation within the GDNs (for example, supply point administration, meter read processing, annual quantities, demand estimation etc.) rather than transmission (NTS) processes such as nominations and capacity which are only referenced via the assumed qualification on computer system support. This perhaps reflects the fact that, in general, transmission processes continue to be operated directly by NGGT staff, with the Agency providing a more limited computer support role (see later).

Overall, section V 6.5.2 could be described as summarising, by reference to other UNC sections, the key UNC transactions required to provide access to the transmission and distribution networks and enable invoicing for those transportation services.

Agency Charging Statement

The statement, produced by the Agency on behalf of GTs, identifies in an appendix 17 individual User Pays services and the associated charges. These are categorised as Non-Code or Code User Pays Services. In this context, "User" refers to the entity receiving and paying for the service – it is important to note that under current arrangements GTs are not users of these services. The User Pays services are summarised in Figure A3 below:

Figure A3: User Pays services



Source: CEPA, TPA and ESP

The Non-Code services largely relate to provision of information and the contractual definitions of these services are contained in a services schedule to the bi-lateral framework agreement through which the agency contracts for these services.

The first three Code services relate to meter readings and user admission (ref. 4, 5 and 6) whereas the remaining Code User Pays services have been introduced as a result of UNC modifications and cover a range of areas.

The statement also provides a definition of Core Services, by reference to UNC section V 6.5.2. Effectively, Core Services are defined "by difference":

> "Core Services are those services which are Transporter Agency Activities as defined in Section V6.5 of the Transportation Principal Document of the Uniform Network Code and which are not User Pays Services."

The three formal definitions of agency service types as set out in the ACS are summarised in Figure A4below:

Figure A4: Definitions of agency service types

	Code Services	Non-Code Service
User Pays Services	Code User Pays Services	Non-Code User Pays Services
Non-User Pays Services	Core Services	No formal definition

Source: CEPA, TPA and ESP

As the table shows, there is potentially a fourth category of agency service which might be termed "Non-Code, Non User Pays". As we explain below, there are certain service lines

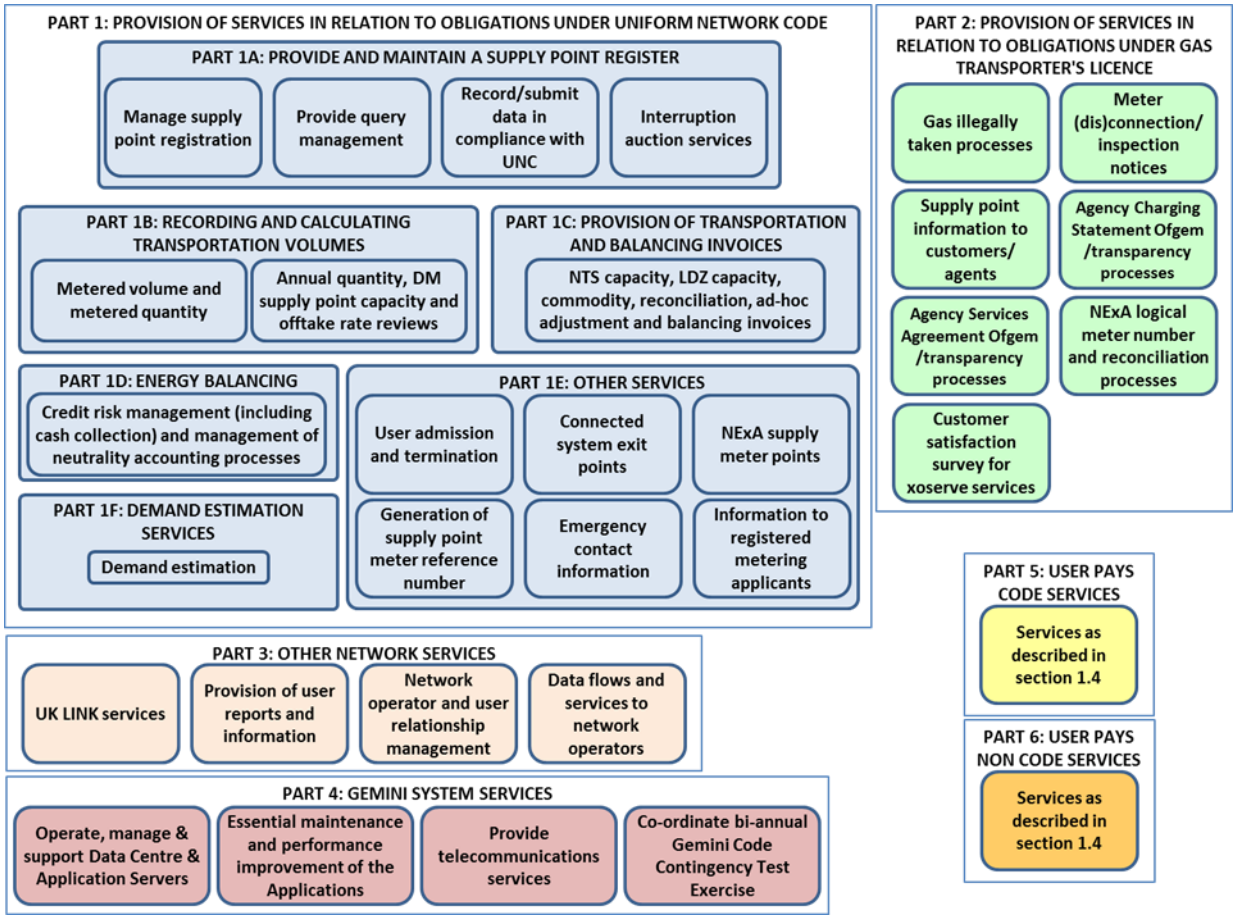
described in the ASA which fit into this category, for example where the agency is fulfilling GT licence obligations on behalf of GTs.

Agency Services Agreement: Schedule 2 Service Requirements

This ASA schedule categorises the services under six major headings, Parts 1 to 6, and within each Part there are generally service line sub-headings, followed by numbered descriptions of the service items relating to that service line. In total there are 300+ service items.

Figure A5 below provides an overview of the service lines or (where there are no service lines) the key activities under each major heading:

Figure A5: ASA service lines and activities



Source: CEPA, TPA and ESP

In Appendix 2 we have provided more detail on the services by expanding the number activity descriptors to about 100, compared to the 30 or so shown in the figure above. The complete (300+) service item listing can of course be referred to where a fuller understanding is required.

Part 1 deals with UNC services and is by far the largest category, comprising more than half the total of 300+ service items, and accordingly is sub-divided Parts 1A to 1F. Comparison with the summary of agency activities provided in section 1.3 above indicates that the service headings map reasonably well to the UNC definition of the activities. Consistent with this, the services cover the key UNC transactions required to provide access to the transmission and distribution networks and enable invoicing for those transportation services.

Part 2 deals mostly with GT licence obligations although one activity relates to NExA connection agreements and another to the Agency customer satisfaction survey, neither of which are related to the GT licence. The other services cover licence obligations relating to theft, meters, supply point information and the agency arrangements. These appear to be examples of services that do not fall within the formal service definitions set out in the ACS – they are not User Pays Services (Code or Non-Code) as these are contained in Part 5 and 6, nor are they Core Services as the obligation to provide service arises through the licence rather than the Code.

Part 3 contains an assortment of services, including the very important IT services relating to the UK LINK system. This service maps to the UNC V6.5.2 agency activities concerning computer systems. Another service line specifies the provision of a number of user reports. The final two service lines deal with support and information provided to the GTs, and again these appear to be examples of services which do not fit the formal definitions.

Part 4 deals exclusively with operational responsibility for the provision and maintenance of the Gemini system, which facilitates the real time and other commercial UNC processes relating to gas transportation at a transmission level (the NTS). As noted earlier these processes continue to be operated directly by NGGT staff, with the Agency providing a more limited computer support role. Again this service line maps to the UNC V6.5.2 agency activities concerning computer systems.

Finally, Parts 5 and 6 cover Code and Non-Code User Pays Services respectively and these were discussed in section 1.4.

Conclusions

Following our review we believe that the three source documents describing agency services, (the UNC, ACS and ASA) provide a reasonably coherent picture. Of these the ASA Schedule 2 provides the fullest coverage and the finer granularity in service description. We have therefore decided to use this as our starting point in considering agency services further. Our discussions with stakeholders have tended to confirm that they too believe that the ASA service lines and service items represent the best available description of the services the agency provides, and that these can form a sound basis for further analysis.

APPENDIX B: SUMMARY OF KEY SERVICES PROVIDED BY THE GT AGENT

The framework we are using to analyse GT agent services is based on that set out in Schedule 2 of the Agency Services Agreement (see Appendix 1). This breaks the required services into six main parts, each of which has a number of components. These six parts are:

- Part 1: Provision of Services in Relation to UNC Obligations, which in turn has six sub-parts:
    - Part 1A, Provide and maintain a supply point register
    - Part 1B, Record and calculate transportation volumes
    - Part 1C, Transportation and balancing invoices
    - Part 1D, Energy balancing
    - Part 1E, Other services (of which there are eight)
    - Part 1F, Demand estimation
- Part 2: Provision of Services re Gas Transporter Licence
- Part 3: Other Network Services, which in turn has 4 sub-parts:
    - Part 3.1, UK Link services
    - Part 3.2, Provision of user reports and information
    - Part 3.3, Network operator and user relationship management
    - Part 3.4, Data flows and services to network operators
- Part 4, Gemini Systems Services
- Part 5, User Pays Code Services
- Part 6, User Pays Non-code Services

More details on the specific services provided are set out below.

PART 1: PROVISION OF SERVICES IN RELATION TO UNC OBLIGATIONS

PART 1A: PROVIDE AND MAINTAIN A SUPPLY POINT REGISTER:

MANAGE SUPPLY POINT REGISTRATION (Items 1-24)

- Maintain/update a Supply Point Register for each Network Operator (inc. NGT)
- Receive Supply Point Nominations from Users
- Submit Supply Point Offers to Users
- Accept Supply Point Confirmations from Users
- Consider Supply Point Objections from incumbent Users
- Receive Isolation requests (not covered within service items)

[Delivery via UK-Link & UK-Link Communications (except items 16 & 19 via email)]

PROVIDE QUERY MANAGEMENT (Items 25-35)

- Respond to User queries regarding Standards of Service
- Respond to User queries regarding other UNC services
- Respond to other queries

RECORD/SUBMIT DATA IN COMPLIANCE WITH UNC (Item 36)

- Receive and process data from Users to update Supply Point Register

FACILITATE DN INTERRUPTION AUCTION (Items 37-45)

- Issue notice of requirement to potential Service Providers on behalf of DNO(s)
- Collate and pass bids to relevant DNO(s) for decision on outcome
- Notify outcome to bidders and load successful tender data

PART 1B: RECORDING AND CALCULATING TRANSPORTATION VOLUMES:

METERED VOLUME AND METERED QUANTITY (Items 1-14)

- Validate Opening Meter Readings for NDM and all DM Meter Readings
- Calculate NDM & DM Metered Volume and Metered Quantity from valid reads
- Submit valid Meter Readings for Performance Relevant Supply Meters to Users

AQ, DM SUPPLY POINT CAPACITY AND OFFTAKE RATE REVIEWS (Items 15-26)

- Determine Annual Quantity for the Gas Year for each Supply Meter Point
- Respond to User queries and appeals regarding the AQ
- Respond to applications from Users for new/revised SP Capacity or Off-take Rate

PART 1C: PROVISION OF TRANSPORTATION AND BALANCING INVOICES

TRANSPORTATION AND BALANCING INVOICES (Items 1-19)

- Calculate and submit timely & accurate Invoices and supporting info to Users e.g.
    - NTS capacity & commodity
    - DN capacity, commodity & site charges
    - Gas balancing & reconciliation
- Resolve Invoice Queries from Users & make Invoice Adjustments as required
- Appoint Aggregate NDM Reconciliation Auditor, on behalf of RbD Committee
- Input LDZ shrinkage quantities to Gemini (manual)

PART 1D: ENERGY BALANCING

CREDIT RISK MANAGEMENT AND NEUTRALITY ACCOUNTING (Items 1-39)

- Maintain a record of a User's Secured Credit Limit
- Calculate a User's Outstanding Relevant Balancing Indebtedness

- Submit Cash Calls on Users as required
- Enforce and recover for non payment of Energy Balancing Charges by a User
- Support Energy Balancing Credit Committee
- Issue User Termination Notices as required & inform GEMA
- Manage neutrality accounting processes for NGT

PART 1E: OTHER SERVICES

USER ADMISSION AND TERMINATION (Items 5-11)

- Issue information notices regarding admission of Users to UNC
- Apply User Indebtedness sanctions on behalf of Network Operator(s)
- Issue information notices regarding Discontinuing or Defaulting Users
- Issue notices in relation to Supplier of Last Resort

CONNECTED SYSTEM EXIT POINTS (Item 12)

- Validate relevant data submitted to a Network Operator by a Connected System Operator in relation to a Connected System Exit Point

NExA SUPPLY METER POINTS (Item 13)

- Notify existence of NExA Supply Meter Point(s) after a User SP Confirmation

MUST READS (No Items in use)

- Notify failure of a User to provide valid NDM Meter Readings
- Obtain Meter Reading via Service Provider in such circumstances

SUPPLY POINT METER REFERENCE NUMBERS (Items 18-21)

- Generate Supply Point Meter Reference Numbers for a new Supply Meter Point
- Maintain registration of Supply Point Meter Reference Numbers

EMERGENCY CONTACT INFORMATION (Items 22-23)

- Record and provide User Emergency Contact Information to Network Operators

SHIPPER AGREED READS (Item 24)

- Provide the Proposing & Withdrawing User with a notional meter reading

REGISTERED METERING APPLICANTS (Item 26)

- Provide supplier identity at a Meter Point to meter asset managers (on request)

PART 1F: DEMAND ESTIMATION SERVICES

NDM DEMAND ESTIMATION (Items 1-24)

- Review Composite Weather Variables, End User Categories and algorithms
- Consult with DESC and submit EUC and Demand Model for GEMA approval
- Collect, monitor and analyse sample data from data-loggers and data recorders

PART 2: PROVISION OF SERVICES RE: GAS TRANSPORTER LICENCE OBLIGATIONS

SUPPLY POINT INFORMATION & OTHER SERVICES (Items 1-21)

- Provide info and process User application for costs re. gas illegally taken - SC 7
- Notify Users in relation to meter (dis)connection & no inspection - SSC A10 para 5-6
- Provide Standard of Service and SP information to GEMA - SSC A26)
- Provide relevant SP data to domestic and non-domestic consumers - SSC A31 para 2
- Provide copy of ASA as amended to GEMA and publish s.t. confidentiality - SSC 15
- Provide data management services as required under CSEP NEXAs
- Conduct a customer satisfaction survey with shippers & publish results
- Comply with Agency Charging Statement (ACS) - SSC15
- Review ACS and submit Mod Report to GEMA - SSC15
- Update, publish and implement modified ACS – SSC 15

PART 3: OTHER NETWORK SERVICES

UK LINK SERVICES (Items 1-28)

- Establish & operate UK-Link computer systems and network
- Manage process of Proposed UK-Link Systems Modification (from User or NO)
- Provide UK-Link documents and IT system help desk
- Provide UK-Link equipment, software and training
- Establish, maintain and (when appropriate) initiate Contingency Arrangements
- Provide various notifications and information services in relation to UK-Link

PROVISION OF USER REPORTS AND INFORMATION (Items 29-43)

- Provide info required by a NO in relation to a complaint by a User or consumer
- Publish Priority Customers report to Users
- Provide information to Users in relation to various aspects of Reconciliation
- Send the Agent allocated volumes for the previous day for Unique Supply Points

NETWORK OPERATOR AND USER RELATIONSHIP MANAGEMENT (Items 46-48)

- Attend industry meetings to represent or support Network Operator(s)
- Manage User relationship and delivery of ASA Service & Operational Requirements
- Submit all User notifications as required by Network Operator(s)

DATA FLOWS AND SERVICES TO NETWORK OPERATORS (Items 49-68)

- Provide various information to UK Transmission and other Network Operators

PART 4: GEMINI SYSTEM SERVICES

GEMINI SYSTEM SERVICES (Items 1-10)

Service Description The operational responsibility for the provision and maintenance of the Gemini system

- Operate, manage & support Data Centre & Application Servers
- Provide essential maintenance and performance improvement of the Applications
- Provide telecommunications services
- Co-ordinate bi-annual Gemini Code Contingency Test Exercise

PART 5: USER PAYS CODE SERVICES

USER PAYS CODE SERVICES (Items 1-23)

- Distribute documentation & notices in relation to User Admission & Accession
- Notify failed monthly and annual meter readings & request monthly read
- Submit an agreed opening read for an NDM Supply Meter
- Resolve a User Suppressed Reconciliation Volume (USRV)
- Provide detailed cost analysis to support a User Pays Modification Proposal
- Provide Daily Metered Elective services, error resolution and reports
- Appoint and manage contract with AUGE and raise charges on shippers
- Provide report on historic meter reading and asset data to current Shipper

PART 6: USER PAYS NON-CODE SERVICES

USER PAYS NON-CODE SERVICES (Items 1-15)

- Undertake user admission administration activities for an applicant User
- Provide AQ estimate on request
- Operate & maintain Supply Point Information Services – SSC31
- Provide various asset portfolio reports to Users
- Provide IAD last accessed report on request

APPENDIX C: IMPACT OF SERVICE LINES ON STAKEHOLDER GROUPS

Table C.1 sets out the impact of each service line on each stakeholder group based on pre-working group conversations with a sample of stakeholders. As discussed in Section 2, following the initial services working group, we agreed to split six Service Lines, including considering whether elements of the "Manage Supply Point Registration" Service Line were of primary benefit to the GTs.

Table C.2 sets out the proposed split of service lines on that basis – and the prime beneficiary of each successor service. In most cases, this revised beneficiary analysis has been with reference to the comments of Shippers and GTs on how these services impact their business. Where reference is made to Existing Prime Beneficiary this refers to the classification that was originally presented in the working paper that accompanied the initial industry services working group.

Table C.1: Impact of service lines on stakeholder groups

Service Line	Impact		
	Shipper	**GDN**	**NTS**
1A.1 Manage Supply Point Registration	• Significant impact on customers – any dissatisfaction in this area will reflect on the Shipper / Supplier rather than Xoserve • Errors in this area materially impacts the relative cash-flows of Shippers • See Table C.2 for further discussion.	• GTS need to output of this process as it impacts billing • See Table C.2 for further discussion.	• Little or no impact, as few supply points connected to the NTS
1A.2 Provide Query Management	• One of the key routes to resolve issues with data accuracy. • Data accuracy can have a significantly material impact on the cash to be paid by or to specific shippers	• Use system to feed in address queries, and as a first check for "found" meters • Timeliness of response in less of an issue than for Shippers	• Little or no impact, as few supply points connected to the NTS
1A.3a. Provide data in accordance with UNC	• A core part of the Change of Shipper Process • Poor execution => low customer satisfaction • Poor execution => wrong Shipper pays for a customer's energy consumption	• Mapping of customers to GDN is not affected – so will bill the correct amount (even if to the wrong party) • It is shippers who are impacted if this is wrong	• Little or no impact, as all meters are remotely read

Service Line	Impact		
	Shipper	**GDN**	**NTS**
1A.3b. Facilitate DN Interruption Auction	• It is ultimately customers that offer to interrupt – often working through their Shipper • Shippers face the consequence (in terms of customer switching) of any negative experience of customers in going through this process	• A core tool for the safe and secure operation of the Gas networks • Final communication in this process creates a binding contract with the relevant DN – so has to be right	Applies to Distribution, not Transmission
1B.1 Metered Volume and Quantity	• Errors in meter data principally affects how gas consumption is shared amongst Shippers, with consequent impact on cash flow	• Provided we can assume the data is OK – we can bill and recover our costs. This is then a Shipper Issue as errors in meter data will lead to errors in how we allocate our charges between Shippers.	Little or no impact, as all meters are remotely read – so scope for errors significantly reduced
1B.2 Annual Quantity, DM Supply Point Capacity and Offtake Rate Reviews	• Annual Quantities are a key element in estimating the daily demand of non-daily metered customers • Errors in these values means that the wrong shipper pays for a customers demand in the first instance. Although this is corrected later, it gives rise to significant cash flow issues	• AQ's – similar to other issues with meter data. If this is wrong – we will bill the correct amount in total, but to the wrong party. If this is a Shipper issue – and they can assure us we can use the data for billing, we are OK	Limited (if any) impact on the NTS as all meters are remotely read
1C.1 Transportation and Balancing Invoices	• Balancing settlement is between Shippers – they are the parties impacted by balancing invoices	100% of regulated revenue comes through the transportation invoices	
1D.1 Energy Balancing	• This covers the management of credit risk in Balancing Settlement (i.e. the risk that a Shipper fails to pay its bills) • If these arrangements fail, the unsecured shortfall in payments from a defaulting shipper is made up by the other Shippers • Shortfalls following the failure of Shippers (e.g. Lehmans) have been significant	Not a party to balancing settlement – so not impacted	
1E.1 User Admin and Termination	• Prompt and effective termination of a defaulting Shipper is a key part of managing credit risk in Energy Balancing (see 1D.1 above)	Key area for managing GT credit risk is in the screening of new Users	

Service Line	Impact		
	Shipper	**GDN**	**NTS**
1E.2 Connected System Exit Points	• This covers many of the processes for assuring accurate meter data and demand estimation in respect of IGTs. • These have the same impact as the need for accurate meter data within a GDN – i.e. get it wrong, and the wrong Shipper pays	• Want to be sure that total quantity of gas going through the CSEP is accurately recorded for transportation invoicing	Limited (if any) CSEPs from the NTS
1E.4 NExA Supply Meter Points	• This is a post box service – letting all Shippers know about a large new connection	• Important to us that Shippers know about the new large connections	• Very few of these connected to the NTS (e.g. new Power Stations) • Sites connecting to the NTS have typically established a relationship with a gas Supplier before connecting
1E.5 Generation of Supply Point Meter Reference Number	• Affects customer experience and satisfaction – a newly connected customer with the wrong number will have a frustrating process in getting their Supply set up, and in receiving accurate bills	• As connection businesses, we are responsible (to the customer) for providing an accurate number at the time they connect	• Very limited new connections to the NTS
1E.6 Emergency Contact Information	• We can face reputational, financial and criminal consequences if this is not done right • Anything other than a "smooth" process in an emergency situation will frustrate customers, as well as (potentially) costing them money. They react to this by seeking compensation from their Supplier / Shipper and/or taking their business elsewhere	• Absolutely critical for the safe operation of our systems in emergency situations	
1E.7 Shipper Agreed Reads	• This can be used to agree customer meter readings for Non-Daily Metered customers at change of Shipper	• Low impact of this area on GDNs is reflected in the current governance of these arrangements by SPAA – with no GT representation	• Not relevant for NTS – no non-daily metered customers
1E.8 Provision of Information to Registered Metering Applicants	Xoserve is acting as a post box – the main beneficiary of this area is MAMs (Meter Asset Managers)		

Service Line	Impact		
	Shipper	**GDN**	**NTS**
1F.1 Demand Estimation	• Critical part of estimating the demand of non-daily metered customers • Errors in these values means that the wrong shipper pays for a customers demand in the first instance. Although this is corrected later, it gives rise to significant cash flow issues	Not a process used by GTs. For operational purposes, GTS do their own demand estimation not using this process	
2.1 Gas Transporter Services	Significant interest in the following areas: • *Detection of Theft*. This impacts our ability to forecast the energy allocated to our customers and hence our ability to hedge our position. • *Agency Charge:* Our interest in the charges for the Agency is one of the main drivers for this project • *CSEPs:* As mentioned in 1E.2 above, CSEP errors can significantly impact Shipper cash flows.	• All services in this area flow directly from licence obligations • Some obligations (e.g. Theft Detection) are embodied in the Gas Act, so would be difficult to unpick (even if it were appropriate to do so)	• As for the GDNs - although noting few (if any) would attempt to steal gas from the NTS.
3.1 UK Link Services	• This is a core "backbone" communications system • Many communications carried over this are business critical (e.g. invoices)		
3.2 Provision of User Reports and Information	• This covers Internet Access to Data. This is one of the key systems we will use in resolving a customer issue (e.g. as raised by a customer through an inbound call-centre). • Speed and accuracy in resolving customer issues is key to maintaining their satisfaction, and retaining them as a customer	• Key system used by GDNs to resolve meter issues (as GDNs do not use Sites and Meters)	
3.3 Network Op and User Relationship Management	• Agent attending and proactively contributing to meetings (e.g. UNC meetings) could facilitate effective change • Agent managing us "as a customer" is more of benefit to the agent than to us	• Agent attending and proactively contributing to meetings (e.g. UNC meetings) could facilitate effective change • Some services relate to communicating information to new or retired users. If we retain obligations in this area (as holders of some of the key information), we retain a strong interest • Agent managing us "as a customer" is	• Agent attending and proactively contributing to meetings (e.g. UNC meetings) could facilitate effective change • Agent managing us "as a customer" is more of benefit to the agent than to us

Service Line	Impact		
	Shipper	GDN	NTS
		more of benefit to the agent than to us	
3.4 Data Flows and Services to Network Operators	• Not a party to any of the network flows	• This covers reports to and between us as Network Operators	
4.1 Gemini System Services	• Gemini calculates each Shippers level of energy imbalance, and the price to be applied to that energy imbalance • Imbalance payments can be significant – errors in this have a significant impact on Shippers	• Not Used	• Gemini is used for the auctions of entry and exit capacity to the NTS. • Entry and Exit capacity are key elements of the revenue for NTS • Understanding parties Entry and Exit rights is key to the operation of the Gas System
5.1 User Pays Code Services	• Tend to be the Users paying for these services. Would not be doing so if they did not impact our business	Answer varies by the specific service lines: **<u>High Impact</u>** *1&2 (admission requirement).* We care about ability to charge for IX kit **<u>Medium Impact</u>** *13 - Detailed Cost analysis.* Believe that this is an issue for all parties **<u>Low Impact</u>** *3&4.* operating as a post-box. Only care if we are still obliged to do this *5&8 must reads*, costs are passed through to shippers 9-11, Shipper Agreed Reads (SARS), Genuinely an issue between Shippers *12, Resolution of User Suppressed Reconciliation Volume.* Really a Shipper issue 19-21, Appointment of Expert for allocation of unidentified gas. *Really a shipper issue, low/low if obligations move*	• Do not buy or provide any of these services

Service Line	Impact		
	Shipper	**GDN**	**NTS**
		23 - Portfolio report with historic meter reads. About AQ - so a shipper issue **None/None** *14-18 Daily Metered Elective Services*: Developed purely at request of Shippers	
5.2 User Pays Non Code Services	• Tend to be the Users paying for these services. Would not be doing so if they did not impact our business	• At present do not buy any services, but are providers of some services. Some provision is driven by obligations (e.g. Internet Access to Data)	• Do not buy or provide any of these services

Source: CEPA, TPA and ESP

Table C.2: Changes to categorisation of service lines following the first working group

Existing Service	1A.1 Manage Supply Point Register	
Existing Prime Beneficiary	Shippers	
Proposed Successor Service	Supply Point Capacity Registration	Supply Point Shipper Registration
Prime Beneficiary	GTs	Shippers
ASA Service Lines Covered	4,5,6,16,17,18,19	1,2,3,7,8,9,10,11,12,13,14,15,21,22,23,24
Rationale	These service lines relate to two things: • Processes related to managing the capacity of gas that is allowed to traverse each Supply Point (Services 4 to 6); and • Processes relating to the isolation and withdrawal of a Supply point at the request of a User (Services 16 to 19). Both these areas provide information that is critical to system operation.	The remaining processes mainly relate to the transfer of Supply Points between Users, or otherwise changing Supply Point data. This includes processes for resolving disputes with any change to data. The need for these processes is driven by the competitive retail market.

Existing Service	1A.3b Facilitate DN Interruption Auction	
Existing Prime Beneficiary	Shippers	
Prime Beneficiary	GTs	
Rationale	• Interruption auctions are required to provide the GTs with options to manage their networks. • Ownership of this area was volunteered by the GTs at Services Working Group 1. There was no objection to this suggestion.	
Existing Service	1C1 Transportation and Balancing Invoices	
Existing Prime Beneficiary	All Parties	
Proposed Successor Service	Transportation Invoices	Balancing Invoices
Prime Beneficiary	GTs	Shippers
Rationale	• Transmission Invoices are the source of the bulk of revenue for the GTs. • Suggested (and accepted) split at Services Working Group 1.	• In effect, Imbalance settlement is between Shippers as imbalance payments to or by Shippers sum to zero. • Suggested (and accepted) split at Services Working Group 1.
Existing Service	1B.2 Annual Quantity, DM Supply Point Capacity and Offtake Rate Reviews	
Existing Prime Beneficiary	Shippers	
Proposed Successor Service	DM Supply Point Capacity and Offtake Reviews	Annual Quantity Reviews
Prime Beneficiary	GTs	Shippers
Service Lines	21-25	15-20 and 26
Rationale	• As with the split to 1A.1, these services relate to the management of the maximum capacity at each Supply Point. Participants at Services Working Group 1 agreed the GTs were the prime beneficiary of this service.	• The existing comments from Shippers that noted a significant impact on their business for this area related to AQ's.

Existing Service	2.1 Gas Transporter Services		
Existing Prime Beneficiary	GTs		
Proposed Successor Service	Shared "Shipper & GT" benefits • Theft Processes; and • Data exchanges with IGTs relating to CSEPs.	Meter Notices	Provision of information and agency management • Provision of Information to Ofgem; • Provision of Information to end consumers; • Management of the Agency Charging Statement; and • Customer Satisfaction Survey.
Prime Beneficiary	Shipper and GTs	Shipper	"Corporate Governors" of Agent
Rationale	*Theft* • Obligations on GTs relating to Theft are embodied in Gas Act – so unlikely to change. • Shippers care about management of theft – as it impacts the size and treatment of unallocated gas, which in turn impacts their relative cashflows. *CSEPs* • Shippers care about the accuracy of CSEPs information as it can impact the accuracy of how energy is allocated between Shippers – and hence cash-flow. • GTs have also stated an interest in this area.	• We understand (from comments) that it is possible this will move into DCC governance.	These flow from two things, both of which go with the agent (rather than being intrinsically linked to the business of a Shipper or GT): • Provision of information to non Shipper and GT parties (Ofgem and end consumers); and • Managing the agent in terms of its revenue and customer satisfaction.

Existing Service	4.1 Gemini System Services	
Existing Beneficiary	NTS and Shippers	
Proposed Successor Service	Gemini Services – Capacity Booking	Gemini Services – Imbalance Settlement
Prime Beneficiary	NTS	Shippers
Rationale	• Capacity booking (e.g. through entry and exit auctions) is a key parameter in System Operation, as well as being a key source of revenue for NTS. • Split proposed (and accepted) at Services Working Group 1.	• Shippers are the parties affected by Imbalance Settlement. • In stakeholder discussions, this is generally the area of Gemini where Shippers were interested. • Split proposed (and accepted) at Services Working Group 1.

APPENDIX D: GEMINI

Background

Gemini is the successor system to AT-Link and RGTA and is concerned with transmission rather than distribution processes, such as capacity allocation and energy balancing. Its functions include supporting a raft of NTS capacity auctions (and buy-back arrangements); accepting shipper nominations of gas deliveries and offtakes; and supporting energy balancing at both the shipper and aggregate system level, including interactions with the external On the Day Commodity Market (OCM).

The decision to incorporate Gemini within the central agent was not an obvious one, since there was no compelling requirement to do so given that there is only one gas transmission operator as opposed to multiple gas distribution network operators. Gemini appears to differ somewhat from other UK-Link systems in a number of respects:

- NGGT has retained ownership of Gemini, unlike the other systems that have been vested with Xoserve
- NGGT staff appear to be the principle "day to day" operators of the Gemini system as they conduct key business processes such as daily capacity auctions, although we understand that Xoserve is responsible for delivering systems modifications (presumably via the out-source developer in India)
- Section V 6.5.2 of the UNC that describes Transporter Agency activities makes no explicit mention of the underlying commercial processes supported by Gemini, but instead just incorporates a "sweeper" reference to computer systems that can be construed to include Gemini.
- Schedule 2 of the ASA treats Gemini quite discretely from other core activities such as those associated with Supply Point Administration (SPA), employing general IT support service lines rather than detailed business processes

Future treatment

There are three principle options for Gemini going forward:

1. Retain within the central service provider.
2. Migrate to NGGT.
3. Separation between agency and NGGT.

The first option represents the status quo, and has the merit of simplicity and cost avoidance. Doubtless NGGT would wish to be satisfied that common governance of the central service provider would not be injurious to Gemini's on-going operation, as would apply in relation to other central service provider activities such as invoicing. Given that Gemini is already subject to a limited form of central service provider support, it is to be hoped that this should not prove to be an excessive challenge.

The second option would involve extricating Gemini support from the central service provider and leaving NGGT with full and sole responsibility for the ongoing maintenance and development of Gemini in response to UNC and other requirements, such as relevant European initiatives. The alternative of migrating full responsibility for Gemini to NGGT needs to be tested against the interests of Shippers as well as any potential loss of efficiency arising. It is assumed that there would only be relatively modest cost implications of this option, either to effect the transfer from the central service provider or in terms of ongoing loss of efficiencies of scale. However, of perhaps greater importance is whether such a transfer is in the interests of NGGT and Shippers, and we can see no obvious benefit and are not aware of any party advocating this course as yet.

A third option, which might be of more interest to NGGT and/or shippers, would be to separate the Gemini system with "market facing" balancing responsibilities transferred to Xoserve and NGGT retaining core transporter roles such as capacity allocation. This would, however, be likely to involve cash imbalance payments flowing through Xoserve, which would arguably represent a material change to its activities.

Although requiring careful consideration, it could be argued that the administration of energy balancing and settlement is of far greater relevance to shippers than NGGT. In particular, NGGT's principal interest in balancing is in the safe and efficient management of the transmission system overall, rather than the individual imbalance position of any particular shipper. Indeed, energy balancing credit management is already a well-established shipper rather than GT concern (facilitated by Xoserve). Conversely, NGGT has a very keen interest in the arrangements for the sale (and occasional buy-back) of transmission capacity products since these are its key commercial offerings.

Whatever the respective merits of such a separation of administrative responsibility and associated governance, there is no doubt that this option would entail additional systems cost and industry time and effort to complete, including associated UNC modification. NGGT have indicated that there are other pressures on the Gemini development agenda, which might have a bearing on implementation timescales.