

Stage 04: Final Modification Report

iGT039:

Use of a Single Gas Transporter Agency for the common services and systems and processes required by the IGT UNC

At what stage is this document in the process?

- 01 Modification Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

All iGTs will be required to use the GDNs' agent for the delivery of the common processes as detailed in the iGT UNC and the large transporters Agency Services Agreement.



Panel recommended/did not recommend implementation



High Impact:
Pipeline Operators and Pipeline Users



Medium Impact:
None



Low Impact:
None

Contents

1. Plain English Summary.....	3
2. Rationale for Change?.....	4
3. Solution	4
4. Relevant Objectives	5
5. Impacts and Costs.....	6
6. Likely Impact on Consumers	6
7. Likely Impact on Environment	6
8. Implementation.....	6
9. Legal Text.....	6
10. Consultation Responses	7
11. Panel Discussions	8
12. Recommendation	9

About this document:

This document is a Final Modification Report, presented to the Panel on 18th February 2015.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.


Any questions?
Contact: Code Administrator
 igt-unc@gemserv.com
 0207 090 1044
Proposer: Colette Baldwin
 Colette.baldwin@eoneergy.com
 02476 181382
Workgroup Chair: Gethyn Howard
 Gethyn.Howard@bu-uk.co.uk
 01359 245754

1. Plain English Summary

Is this a Self-Governance Modification?

No

Rationale for Change

Since the opening of the gas transporter market to competition the number of Independent Gas Transporters (iGTs) that have entered the market has now settled to a more stable number of iGTs. The innovation that was encouraged by the Authority has seen the iGTs become the dominant providers of gas transportation networks for new connections.

During the nascence of these smaller independent organisations, iGTs were not required to build and operate the same systems as the larger mature gas transporters and because of this the organisations have developed different approaches to many of the processes that underpin the competitive gas market.

In 2005 the Gas Forum raised concerns in a paper to Ofgem “iGT issues and Governance” about the fragmented approach to IT systems and processes operated by the iGTs. A number of recommendations were included in that paper which have been addressed by the introduction of a Uniform Network Code for iGTs including issues around service standards, meter reading management and the AQ Review.

However the introduction of a common service provider for iGT processes, particularly around the Supply Point Administration, has not been achieved despite a number of different initiatives led both by Shippers and the iGTs at different times over the past six years.

With the advent of the large transporters’ project Nexus, the industry recognised the opportunity to integrate some of the main areas of contention around Supply Point Administration onto a common platform. Shippers requested that this re-platforming of the large transporters agent system be scoped to include the iGTs as well as the GDNs.

Shippers have been struggling for many years with the manual workarounds that they need to put in place for the management of iGT sites. This has led to higher costs being incurred by the shipper for their iGT customers. Relative Price Control sought to introduce a relationship between the GDN cost basis and that of the iGTs, however a major differentiation between the GDNs and the iGTs is the requirement to use a Single Agency by the GDN.

E.ON believes that the iGT market is now sufficiently mature and has steadied in terms of the number of market participants. Significant benefits could now be achieved by requiring the iGTs to use the same single agency that the large transporters are required to establish for the delivery of supply point administration services.

Solution

The Pipeline Operators shall enter into an agency services agreement (“AS agreement”) with the Large Gas transporters providing for the common provision of services and systems, including the common provision by the “agency” of such services and systems, the scope of which are set out within the uniform network code.

Relevant Objectives

The proposer believes that the change will need to be introduced by a licence change and as such the proposal will facilitate delivery of the iGTs’ future licence condition. Equally improvements in communications between Pipeline Operators and Pipelines Users as well as GDNs will deliver improved processes, increased transparency and improved administration with single processes and files for multiple parties to use. This should result in cost reductions for Pipeline Operators who are managing multiple interfaces for the same processes across multiple Pipeline Users.

iGT039

Final Modification Report

29 January 2015

Version 1.0

Page 3 of 9

© 2015 all rights reserved

Implementation

The modification should be implemented at the Project Nexus Go Live date to coincide with changes being applied to the UNC under Nexus Mods 432, 434 and Mods 440 (provisionally 1st October 2015).

2. Rationale for Change?

Since the opening of the gas transporter market to competition the number of Independent Gas Transporters (iGTs) that have entered the market has now settled to a more stable number of iGTs. The innovation that was encouraged by the Authority has seen the iGTs become the dominant providers of gas transportation networks for new connections.

During the nascence of these smaller independent organisations, iGTs were not required to build and operate the same systems as the larger mature gas transporters and because of this the organisations have developed different approaches to many of the processes that underpin the competitive gas market.

In 2005 the Gas Forum raised concerns in a paper to Ofgem “iGT issues and Governance” about the fragmented approach to IT systems and processes operated by the iGTs. A number of recommendations were included in that paper which have been addressed by the introduction of a Uniform Network Code for iGTs including issues around service standards, meter reading management and the AQ Review. However the introduction of a common service provider for iGT processes, particularly around the Supply Point Administration, has not been achieved despite a number of different initiatives led both by Shippers and the iGTs at different times over the past six years.

With the advent of the large transporters’ project Nexus, the industry recognised the opportunity to integrate some of the main areas of contention around Supply Point Administration onto a common platform. Shippers requested that this re-platforming of the large transporters agent system be scoped to include the iGTs as well as the GDNs.

Shippers have been struggling for many years with the manual workarounds that they need to put in place for the management of iGT sites. This has led to higher costs being incurred by the shipper for their iGT customers. Relative Price Control sought to introduce a relationship between the GDN cost basis and that of the iGTs, however a major differentiation between the GDNs and the iGTs is the requirement to use a Single Agency by the GDN.

E.ON believes that the iGT market is now sufficiently mature and has steadied in terms of the number of market participants. Significant benefits could now be achieved by requiring the iGTs to use the same single agency that the large transporters are required to establish for the delivery of supply point administration services.

3. Solution

The Pipeline Operators shall enter into an agency services agreement (“AS agreement”) with the Large Gas transporters providing for the common provision of services and systems, including the common provision by the “agency” of such services and systems, the scope of which are set out within the uniform network code.

4. Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	Positive
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

The Proposer considered that this Modification would facilitate:

Objective A & B

By having a new iGT Arrangements Document to replace the CSEP NExA it will facilitate improvements in the contractual relationship between the iGTs and the GDNs in relation to each CSEP. This will provide new/improved information exchanges between parties to help improve the management of the CSEPs.

Objective C

The change is likely to require a change to the iGT licence conditions to require existing and future iGTs to enter into a common arrangement for common processes under the iGT UNC.

Objective D

Pipeline Users will be able to remove many of the manual processes managing iGT supply points which will strip out surplus costs for manual workarounds. The common UK Link files will enable iGT customers to follow the same customer journey as their non iGT neighbours.

Objective F

As the iGT UNC will largely point to the UNC, this will make the change process for the iGT UNC in common areas much simpler as it will no longer require separate modifications to both codes which may run on different timelines.

iGT039

Final Modification Report

29 January 2015

Version 1.0

Page 5 of 9

© 2015 all rights reserved

5. Impacts and Costs

The modification proposal has been extensively developed by a workgroup appointed by the iGT UNC Modification Panel and which met 30 times between November 2011 and December 2014 to discuss the changes required to implement IGT Agency Services.

An assessment of costs and benefits has been conducted and reviewed during the workgroup process. Please see the [Workgroup Report](#) for more information.

The workgroup also identified a number of potential developments that will require further review outside of iGT039. These mainly relate to a number of iGT UNC ancillary documents that will no longer be relevant or will need amendment. Separate modifications have been, or are in the process of being, raised to cover these changes. Additionally each iGT is reviewing its individual Network Code (iNC) to see if these require any change to support the changes proposed by iGT039. All of these changes will need to align with the implementation date for iGT039.

6. Likely Impact on Consumers

E.ON believes that this change will bring improved servicing for the customer, as there will be greater transparency of their data within central systems, which will lead to a reduction in the number of duplicate meter point reference numbers and their inevitable consequences; query management processes will be consistent with that of the GDNs and should help reduce query management timescales and the customer will have a single point of contact to identify their transporter.

7. Likely Impact on Environment

None are anticipated.

8. Implementation

Implementation of the proposal should coincide with Project Nexus implementation dates under UNC Modifications 432, 434 and 440.

9. Legal Text

Legal Text has been supplied by the iGTs following both an external legal review commissioned by the iGTs. It has also been sent out to all parties for a 4 week review and, subsequent to this, has been agreed by the Workgroup.

[Change-marked version of Legal Text](#)

[Clean version of new Code \(based on v8.3\) incorporating Legal Text](#)

iGT039

Final Modification Report

29 January 2015

Version 1.0

Page 6 of 9

© 2015 all rights reserved

10. Consultation Responses

Representations were received from the following parties:

Company / Organisation Name	Support Implementation or Not?
British Gas	Supports
Brookfield Utilities	Supports
E.ON	Supports
ESP Utilities Group	Supports
npower	Supports
Scottish Power	Supports
SSE Energy Supply	Supports

Summary of Comments

Please note that the summary of comments is not intended to be a comprehensive list of responses. All full responses can be found on the iGT UNC Website.

Self-Governance

Parties generally recognised that this was not a Self-Governance modification.

Relevant Objectives

All parties agreed that the Modification was a facilitator of the Relevant Objectives, in particular Relevant Objectives (d) and (f).

Relevant Objective (d)

One respondent detailed support for (d) on the basis that a single system and interface will be introduced to cover all supply points regardless of network. This makes the requirements for new market entrants simpler and more cost effective, in turn reducing barriers to entry. We believe that this objective could also be further fulfilled should the efficiencies realised by Shippers (believed to be in the region of £5.5-6.9m p.a.) be passed through to consumers via Suppliers, enabling a more competitive environment.

Another respondent stated that the use of a common agent and its associated processes would reduce start-up costs for new supplier and shipper entrants to the market.

One iGT noted that analysis carried out by Xoserve on behalf of gas transporters and shippers demonstrated a clear, positive business case for iGT Agency Services.

Relevant objective (f)

Those respondents commenting were supportive of the "pointing to" drafting approach whereby the UNC is incorporated by reference would be the most efficient approach of maintaining the iGT UNC. Note was also made that amendments to common processes could either be achieved via a single modification to the UNC or if required via a self-governance proposal to amend the iGT UNC where a relevant UNC change had been discussed and agreed, hence reducing overall industry costs.

Relevant objective (c)

One respondent noted that the modification directly supported the iGTs requirement to meet its new licence condition to use a common service provider.

Costs

One iGT noted that significant development costs would be incurred, and that the existing costs of the automated processes transferring to the Single Agency were sunk costs. One Shipper noted the iGTs preference for a revenue neutral approach, however they believed issues arising from the cost of iGT039 should be considered as part of the price controls set by Ofgem. One shipper stated that whilst implementation costs

iGT039

Final Modification Report

29 January 2015

Version 1.0

Page 7 of 9

© 2015 all rights reserved

would be significant, the expected ongoing reduction in costs for administering iGT processes will reduce sufficiently to ensure long term benefits are realised. Two shippers believed that the costs were contained within the development of Project Nexus and therefore aren't separately itemised.

One iGT recognised that determining an accurate on-going cost for agency services had been a difficult exercise and that an accurate cost would not be available until near go live of agency services. Under the iGT039 development group it was agreed that a methodology would be used to determine the iGT contribution to the annual ongoing costs of the service based on the allowable revenue for associated activities under RPC. The iGTs notes that such arrangements will be temporary and will be replaced with the output of the Xoserve Funding, Governance and Ownership review; though at this stage it is unknown what the impacts of this will be on agency funding and how iGT costs will be impacted as a result.

Implementation Date

All parties support an implementation date aligned with the Project Nexus Go Live Date (currently 1st October 2015) and understand that any lead time should be governed by that date. One iGT noted that they would be unable to support any party using legacy systems and processes once Agency Services have gone live.

Further Considerations

One iGT recognised that a transitional modification would be required to update the iGT UNC to include any further modifications implemented between v8.3 (version that iGT039 was based on) and the Implementation Date.

One Shipper noted that the approval of iGT070, iGT071, iGT072 and iGT073 would also act as an enabler for the successful implementation of this iGT039.

One Shipper believed that the additional step of introducing a Performance Assurance Framework would assist with monitoring the critical activities of Suppliers and Shippers and provide a greater level of confidence and transparency within the gas billing and settlement arrangements.

One Shipper believed that the Workgroup Report could have been improved with the inclusion of an update of the work that the iGTs and GTs have been carrying out on the new iGT Agency Services agreement. The same Shipper believed that the way the Workgroup Report had been produced had made it difficult to comment on the Modification.

11. Panel Discussions

This section should contain a summary of the discussions held at the Panel meeting at which the FMR was raised.

Insert text here.

12. Recommendation

Having considered the Modification Report for iGT039, the Panel recommends:

- that proposed Modification iGT039 should be made; or
- that proposed Modification iGT039 should not be made.

Subject to Authority approval, the Panel recommends an Implementation Date of DD/MM/YYYY.