DG039 Report to the Panel
December 2014

The 039 development group was established following the raising of IGT039 in August 2011 by E.On. IGT039 sought IGTS to utilise the services of the GDN Agency for the provision of common services and systems, the scope of which are set out within the Uniform Network Code. The purpose and scope and deliverables are outlines below as taken from the development group’s terms of reference.

Purpose

The role as set out in the Group’s Terms of Reference can be summarised as follows:

- The package of changes that may be necessary to extend the existing GT Agency arrangements to iGTs (including the changes to the iGT UNC and any changes necessary that extend beyond the scope of the iGT UNC);
- To the extent possible, developing the details of these changes;
- To the extent possible, assessing the impacts, cost and benefits to consumers, shippers and iGTs of migration to a single Agent;
- Events/circumstances that may influence the ability for a single service agency to be delivered;
- Specific suggestions for changes to the iGT licence;
- Any impact this change may have on UNC; Assess what changes will be required for the iGTs 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;
- Identify the exact services that may come under Agency;
- Investigate potential funding alternatives to deliver the services;
- Compare proposals against the current iGT UNC to;
  - Identify potential changes to the iGT UNC required to deliver the agency service;
  - Identify what information the GDN’s agent will be required to provide to the iGTs and what information the iGTs will need to supply to the agent;
  - Identify what information the GDN’s agent will be required to provide to the Shippers and what information the Shippers will need to supply to the agent;
• Agree the file formats that are to be used for the various process communications;

• Assess the costs and benefits to iGT parties (iGTs and Shippers/Suppliers) – will require assistance from Ofgem;

• Assess implementation timing issues and any dependencies on other industry activity.

Scope and Deliverables

1. A scoping document/workplan, expanding on these Terms of Reference and setting an expectation of output and associated timescales where possible.

2. A final report outlining the findings of the Group, including the scope of the Single Service Agency, a cost/benefit section, proposals for Governance of the arrangements, implications for Licences and recommendations on timing for implementation and use of Nexus.

3. Draft modification proposals (iGT UNC and UNC) for any such changes

Limits

Due to the broad scope of the subject matter, it will be for the Group members to determine where discussions have reached the limit of scope. No initial limits are proposed, but some may be added to these Terms of Reference as work progresses

Summary and Discussions

The group met 30 times between November 2011 and December 2014 to discuss the changes required to implement IGT Agency Services. The discussions are summarised in the following topics:

Governance Approach

The group initially assessed a number of governance approaches to implement SSP including the use of different framework solutions as well as differing approaches to drafting the obligations under Code. These included:

1) IGT Licence Condition & Thinning out of IGT UNC
2) SPAA Requirement for IGT Agency Services
3) Single Network Code for IGTs and GDNs.

The favoured approach by the group was the “pointing to” approach under option 1 whereby the IGT UNC would point to sections of the UNC where processes impacted by SSP would be the same for IGTs and GDNs. This was largely on the basis that such approach would reduce dual governance issues by avoiding having to maintain
whole parts in the IGT UNC to ensure they mirror the UNC. The group also agreed that the additional benefit of the pointing to approach is that it also ensures it was clear that where pointing across, the IGT and GDN process are the same. The group noted the benefits of a “DCUSA style” single network Code and though potentially a long term aspiration, was deemed to be outside the scope of IGT039.

The group noted that the CSEP NExA would be impacted and much of the early work undertaken by DG039 focused on mapping out and agreement of the overall contractual framework to support IGT Agency Services which in turn formed the basis for National Grid’s UNC0440 modification. The effect of this proposal is to bring IGTs under the governance of the UNC and allow IGT parties to vote on changes to the UNC. The CSEP NExA is also to be replaced with a new agreement under the UNC known as the IGTAD. This modification can be found here.

Scope of Services

The group used the GDN Agency Services Agreement (“ASA”) as the basis to determine which activities the IGT Agency Service would provide on behalf of IGTs. It was agreed at this stage of the review that where IGT activities were performed by the IGT Agency Service that the file formats utilised would also mirror those of the GDN. This allowed Xoserve to develop an IGT Agency Services BRD which can be found here. The group also agreed that IGTs would need to develop an IGT Agency Services Agreement with the Agency and though the principles behind this were agreed at the development group, it would be for the IGTs and the SSP to develop and implement this outside of IGT039 and ahead of SSP implementation. Work is underway to develop this agreement between IGTs and Xoserve.

Funding

2 main approaches were reviewed for funding the annual costs of SSP:

1) Cost Neutrality for IGTs
   A matrix was developed outlining the services the SSP would be conducting based on the activities outlined in the CEPA report on the Agency’s Funding Governance and Ownership review (“FGO”). The basis for this approach was that where an IGT experienced a saving for SSP, this saving would form the basis for each IGT’s contribution to the annual cost of SSP to ensure that each IGT was no worse off as a result of SSP. Each IGT completed the matrix and sent to Ofgem in confidence.

2) Revenue Neutrality for IGTs
   The revenue neutral approach was based on the premise that IGTs would contribute the equivalent allowance under RPC that the GDNs are allowed for the relevant services. Ofgem are conducting this analysis though due to other influencing work such as the Agency FGO, this analysis is yet to conclude.

Feedback from Ofgem on the funding approach advised that a cost neutrality approach would not be preferable on the basis that IGT parties would be contributing differing amounts towards the Agency charge. To ensure all IGT parties contributed on an equal basis the revenue neutral approach was developed by Ofgem. This will
see the creation of a methodology from which the IGT contribution is derived in line with the IGT allowance for Agency activities under RPC and is being developed by Ofgem outside of IGT039. It is expected that this methodology will be circulated by Ofgem in due course along with the accompanying licence consultation.

In terms of funding future Agency modification costs, it was noted that these would be recovered using existing industry mechanisms i.e. User Pays. As such, it was agreed that IGTs did not require the User Pays mechanism in their A15 equivalent licence condition due to the Agency Funding, Governance and Ownership review conclusions scheduled for implementation 6 months after SSP go live.

Xoserve were not able to confirm the annual cost for IGT Agency Services though a working assumption of £1 was provided. However, at the time of submitting this report, parties have still not been provided with a final annual cost for IGT Agency Services though this is expected to be substantially lower i.e. in the region of 25-30p per supply point per year. The IGT contribution will be capped at the equivalent RPC allowance with Shippers contributing towards any charge above this allowance should the Agency costs increase under SSP. As such, parties are currently unable to accurately identify the financial impacts on their businesses as a result of IGT Agency Services.

Cost Benefit Analysis

An “iGT Agency Services Pre-modification Consultation Report” was produced by Xoserve during SSP discussions which concluded:

Industry identified benefits of:
- one off £2,140,000 – £3,740,000
- annual £5,610,000 – £6,915,000.

Xoserve has identified costs of:
Systems development £4,000,000 - £8,000,000
Data preparation £400,000 - £650,000

The costs identified above will be recovered under the User Pays mechanisms under UNC modifications 0440 and 0467.

This report has been included as an appendix to this development group report.

Data Preparation

The development group also discussed timeframes and approaches for preparing data in preparation for the Agency Services “go live” of 1st October 2015. Modification UNC0467 “IGT Single Service Provision; data preparation” was raised on 06th June 2014 by National Grid to place obligations on IGTs to participate in the data preparation exercise to enable UNC0440. This modification was approved by the UNC Panel and is currently with Ofgem awaiting approval. The Agency will lead and co-ordinate industry testing in preparation of “go live” which is out of scope of IGT039.
Licence Amendments

In order to align IGT obligations, the group agreed that there should be an IGT licence condition to use the services of an IGT Agency. The development group agreed that the sensible starting point for an IGT licence condition would that of the GDN. The development group reviewed a potential A15 licence condition equivalent for IGTs produced by Ofgem in February 2014 which was reviewed and developed during 2014. The formal licence consultation is yet to take place though this is expected to be consulted on shortly.

Legal Drafting

A full redrafting exercise of the IGT UNC has been undertaken by the IGTs and has been presented to the development group as a "work in progress" as well as a legally reviewed draft. The IGT039 legal text has been produced based on v8.3 of the IGT UNC (November 2014) and the references to the UNC have been based on the UNC0440 modification drafting. The legal text has been subject to an external legal review procured by IGTs and has also been subject to a 4 week review period by Shipper parties with a meeting held on 12th November 2014 to discuss comments and feedback. Where consequential changes have been agreed by the development group, these have been incorporated in the legal drafting. The development group is in agreement that the drafting can be submitted to the Panel alongside the IGT039 modification. The legal text will be submitted to the Panel along with this report. A future transition modification will be required to include any future IGT UNC release changes beyond v8.3 as well as any relevant UNC amendments which build on the UNC0440 drafting. Such change will be reviewed separately and developed during 2015.

IGTs will separately review and raise modifications where necessary to their short form network codes to remove any drafting which will become redundant under Agency Services.

Implementation

The target date for the implementation of Agency Services is 1st October 2015 though this may be subject to change. To manage this uncertainty, it is recommended that the modification is implemented at the "Project Nexus Implementation Date" as defined in the UNC. This will avoid the modification requiring further amendments to clarify the implementation date should the 1st October 2015 target date change.

Events/circumstances that may influence the ability for a single service agency to be delivered

The group acknowledged that the funding, governance and ownership review of the Agency was running in parallel with the development of IGT Agency Services and the outputs of the FGO review could impact Agency Services. IGT Agency Services work has progressed on the basis that the should the solutions put in place for IGT Agency
Services be fit for purpose, then these could be incorporated into the Agency FGO arrangements for IGT services. Towards the end of IGT039 development work, Ofgem have stated that the funding solution developed specifically for SSP will be replaced by the output of the Agency FGO which is expected to be implemented 6 months after SSP go live. Should any further changes be required to the IGT UNC to support the output of the FGO, a future IGT UNC modification can be raised to implement any such arrangements if deemed necessary.

Summary and Recommendations

The 039 development group believes that where it has been able to, it has now fulfilled the requirements of the scope and deliverables as set out in the original terms of reference. These are set out in appendix 2:

The panel’s attention is drawn to potential future developments under the IGT UNC that will require further review outside of IGT039 that are related to Agency Services. The following areas are being discussed and reviewed under the IGT Shipper Workgroup and consequential changes will be made to the relevant ancillary documents once all the relevant information (i.e. data item formats is available) which will allow the IGT039 modification to progress to consultation without delay:

- **Standards of Service Regime**
  - To identify which query Codes will be managed by the IGT Agent and to map out how the Standards of Service process will operate.
- **AQ Review Procedures Document**
  - To update the document to reflect the changes to the new AQ regime.
- **Portfolio Extract**
  - To review and where necessary, update the portfolio extract with any amended or new relevant data items made available under IGT Agency Services.
- **Invoice Backing Data Content for Transportation Charges backing data.**
  - To review and where necessary, update the invoice backing data template with any amended or new relevant data items made available under IGT Agency Services.
- **“IGT047” Smart Ancillary Document**
  - To determine whether the document is required post SSP and if not to raise a change to remove the document.
- **Fax Forms**
  - To determine whether the fax forms will still be required under SSP and if not to raise a change to remove the documents. If the documents are still deemed to be required, to review the documents to determine whether the current arrangements will be suitable post SSP.
- **Meter Validation Rules**
  - To determine whether the document is required post SSP and if not to raise a change to remove the document.
- **Password Protection Protocols**

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1 Note that the invoice backing data will be sent by IGTs so is technically not dependent on IGT Agency Services. The changes however would look to amend any data items which have changed as a result of Agency Services as well as any relevant new data items which weren’t previously available.

2 This has now been removed as a result of updating the drafting to v8.3.
To determine whether the document is required post SSP and if not to raise a change to remove the document. If the document is still deemed to be required, to review the document to determine whether the current arrangements will be suitable post SSP.

- **Meter Inspection File Formats**
  - To determine whether the document is required post SSP and if not to raise a change to remove the document. If the document is still deemed to be required, to review the document to determine whether the current arrangements will be suitable post SSP.

There were also a number of areas discussed during the development of IGT039 which were deemed to be out of scope as were not directly related to Agency Services. Parties may wish to review the following areas in the future:

- Single PSR format under the IGT UNC
- Shrinkage Arrangements
- DM Arrangements
- Universal IGT Transportation Invoice format
- Wording of “Current Supply Point” and “New Supply Point” under Cl 12.2.
- Review of meter fit report process covered by existing drafting under D7.4-7.7 to see if this could be automated in the future.

The workgroup also wishes draw the Panel’s attention to SSP related areas that will need to be or are being progressed outside of the IGT UNC:

- IGT Licence Drafting
- IGT Agency Services Agreement
- Funding of SSP
- Changes to file formats under UK Link
- Successful implementation of UNC0467

The workgroup has approved the legal text and the panel is asked to accept this report, close the development group and recommends that IGT039 proceeds to consultation.

*Development Group 039*
Appendix 1

iGf-Agency Services
-consultation report-
Appendix 2

IGT039 Deliverables Review

*The group is asked to consider:*

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<thead>
<tr>
<th>Consideration</th>
<th>Status</th>
<th>Comments</th>
<th>Still In Scope?</th>
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<tbody>
<tr>
<td>The package of changes that may be necessary to extend the existing GT Agency arrangements to iGTs (including the changes to the iGT UNC and any changes necessary that extend beyond the scope of the iGT UNC)</td>
<td>Complete</td>
<td>The legal drafting has been developed with v8.3 as a baseline. Further transitional modifications will be required in 2015 to update the text to reflect the IGT UNC and UNC at October 2015.</td>
<td>No</td>
</tr>
<tr>
<td>To the extent possible, developing the details of these changes;</td>
<td>Complete</td>
<td>As above</td>
<td>-</td>
</tr>
<tr>
<td>To the extent possible, assessing the impacts, cost and benefits to consumers, shippers and iGTs of migration to a single Agent</td>
<td>Complete</td>
<td>Xoserve Premodification consultation outlined costs for development. Funding methodology has been agreed in principle but exact figures are unknown and is being progressed by Ofgem.</td>
<td>Yes – will form basis for achievement of relevant objectives</td>
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<tr>
<td>Events/circumstances that may influence the ability for a single service agency to be delivered</td>
<td>Complete</td>
<td></td>
<td>Yes</td>
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<tr>
<td>Specific suggestions for changes to the iGT licence</td>
<td>Complete</td>
<td>Agree principles in group and develop drafting outside? Principles developed under IGT039 but Ofgem are to deliver drafting to IGTs which will be formally consulted on outside of IGT039.</td>
<td>No</td>
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<tr>
<td>Any impact this change may have on</td>
<td>Complete</td>
<td>The early 039 work set out the governance framework which</td>
<td>Yes</td>
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<td>Task</td>
<td>Status</td>
<td>Notes</td>
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<td>UNC; Assess what changes will be required for the iGTs 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;</td>
<td>Complete</td>
<td>UNC0440 has taken forwards including new contractual framework. iASA has been discussed at a high level i.e. to be based on the ASA and though will be referred to in workgroup report will not be delivered by the 039 group.</td>
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<tr>
<td>Identify the exact services that may come under Agency</td>
<td>Complete</td>
<td>This is set out in the IGT BRD.</td>
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<td>Complete</td>
<td>Need to agree principles</td>
<td></td>
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<td>Complete</td>
<td>Pointing to exercise complete but subject to legal review. Transition mods at a later date will be required separately.</td>
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<td>o Identify potential changes to the iGT UNC required to deliver the agency service;</td>
<td></td>
<td>Yes</td>
<td></td>
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<tr>
<td>o Identify what information the GDN’s agent will be required to provide to the iGTs and what information the iGTs will need to supply to the agent;</td>
<td>N/A</td>
<td>Data items set out in the Migration Database BRD and not 039 deliverable.</td>
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<td>o Identify what information the GDN’s agent will be required to provide to the Shippers and what information the Shippers will need to supply to the agent.</td>
<td>Complete</td>
<td>Covered under BRD and under approach whereby UK link files will be used for comms between Xoserve and Shippers.</td>
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<td>Covered under BRD and under approach whereby UK link files will be used for comms between Xoserve and Shippers.</td>
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Agree the file formats that are to be used for the various process communications;

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<tr>
<td>Complete</td>
<td></td>
<td>Agreed that the file formats will follow those of the GDN where the agency performs activities on behalf of the IGT. The pointing to approach will take care of this though the file format changes themselves are being developed under the UK Link Committee which is outside of the remit of the IGT UNC.</td>
<td>Yes</td>
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Assess the costs and benefits to iGT parties (iGTs and Shippers/Suppliers) – will require assistance from Ofgem

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Assess implementation timing issues and any dependencies on other industry activity

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<td>Complete</td>
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The Development Group is asked to deliver:

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<td>A scoping document/work plan, expanding on these Terms of Reference and setting an expectation of output and associated timescales where possible.</td>
<td>Complete</td>
<td>Cost benefits analysis is being covered under the Xoserve pre-modification cost benefit analysis. Ofgem are to complete further analysis on the cost split of the annual SSP charge which will be included in</td>
<td>Yes</td>
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<td>A final report outlining the findings of the Group, including the scope of the Single Service Agency, a cost/benefit section, proposals for Governance of the arrangements, implications for Licences and recommendations on timing for</td>
<td>Complete</td>
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<td>Draft modification proposals (iGT UNC and UNC) for any such changes</td>
<td>Complete</td>
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<tr>
<td>IGT UNC modification drafted by Eon to kick start the development group. This can be resubmitted to the Panel for consultation along with the W.G report and supporting information (legal drafting etc). Legal drafting for the UNC changes is being delivered under the UNC0440 meeting.</td>
<td>IGT UNC drafting yes</td>
<td></td>
<td></td>
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