

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 08/118 (CP08/118): Flexible Funding Arrangements for SPAA Ltd Projects		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	26 January 2009	Implementation Date:	February 2009 scheduled release

Background to the change proposal

Currently, projects commissioned under the SPAA are funded on the same basis as the operational costs of the SPAA itself, i.e. on a market share basis in accordance with Clause 8.8.

SPAA parties consider that the current arrangements may prevent the progression of industry projects which do not have universal support, but may instead be developed on a User Pays basis such that only those who intend to benefit from the project will bear its costs.

The modification proposal

This change will amend SPAA clause 8, allowing the SPAA Executive Committee to determine funding arrangements for SPAA projects on terms other than a straight market share basis. However, any changes to the SPAA Budget as a result of a SPAA EC decision will remain subject to the SPAA Forum's agreement, as set out in clause 8.3 of the SPAA.

Whilst it is expected that the majority of SPAA projects will continue to be funded on a market share basis, this change is intended to offer greater flexibility.

The proposer feels that this modification would facilitate a wider range of projects to be undertaken under the SPAA, allowing it to provide greater value and therefore better facilitating objective a) of the SPAA: *the development, maintenance and operation of an efficient, coordinated and economical change of supplier process.*

The Authority's decision

The Authority has considered the issues raised by the change proposal and has taken into account responses to the SPAA consultation, as set out in the Change Report (CR), and the views of the subsequent SPAA Change Board held 20 November 2008. The Authority has concluded that:

1. implementation of the change proposal will better facilitate the achievement of the relevant objectives of the SPAA³; and,

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

2. directing that the change proposal be made is consistent with the Authority's principal objective and statutory duties⁴.

Reasons for the Authority's decision

We note that this proposal received unanimous support at the SPAA Change Board. The weighted voting results show that 100% of those parties able to vote support the implementation of this change proposal. The threshold for acceptance of change proposals is currently set at 65%.

While no details of a proposed project have been included as part of this change proposal and there were no substantive comments provided with the change report, we note the minutes of the November change board and the stated intent that the funding arrangements will be determined by the SPAA Executive Committee on a project by project basis. We agree with the proposer that with the increased prevalence of *User Pays* principles for services in the gas industry, it is appropriate that this flexibility also be afforded to the SPAA and the projects it undertakes. We consider that this increased flexibility will allow the SPAA to offer greater value to its parties and make a greater contribution to the effective change of supplier process. We therefore agree that this change will better facilitate relevant objective a) of the SPAA.

Decision notice

In accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority, hereby directs that change proposal CP08/118: '*Flexible Funding Arrangements for SPAA Ltd Projects*' be made.



Mark feather
Director, Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose.

³ As set out in Standard Condition 30 of the Gas Suppliers Licence, see:
http://epr.ofgem.gov.uk/document_fetch.php?documentid=13010

⁴ The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.