














UNC Modification	At what stage is this document in the process?
<h1>UNC 0666 (Urgent):</h1> <h2>Establishment of a CSS Bid Group for CDSP central switching system bid activities</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This Modification is to create a specific group under the Data Services Contract (DSC), (that is not a Network Code Sub-committee) to enable the CDSP to discuss bid activities with Shipper Users as funders of the bid exercise.</p>	
	<p>The Panel recommends implementation.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: Shipper Users and CDSP</p>
	<p>Low Impact: None</p>

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	4
4	Code Specific Matters	4
5	Solution	5
6	Impacts & Other Considerations	5
7	Relevant Objectives	6
8	Implementation	7
9	Legal Text	7
10	Consultation	7
11	Panel Discussions	12
12	Recommendations	Error! Bookmark not defined.
Timetable		
Modification timetable:		Contact: Joint Office of Gas Transporters
Panel Recommendation on Urgency	16 August 2018	 enquiries@gasgovernance.co.uk
Ofgem Decision on Urgency	21 August 2018	 0121 288 2107
Workgroup meeting 1	28 August 2018	Proposer: Steve Mulinganie Gazprom
Consultation commences	30 August 2018	 steve.mulinganie@gazprom-energy.com
Consultation Close-out for representations	06 September 2018	 0845 230 0011
Final Modification Report available for Panel	07 September 2018	Transporter: Cadent
Modification Panel recommendation	10 September 2018	 Chris.Warner@cadentgas.com
Ofgem decision	13 September 2018	 01926 653541
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

The Data Communications Company is tendering for a range of central switching system services. The Central Data Services Provider (CDSP) has agreed with its customers under the Data Services Contract (DSC) to bid for some of the central switching system services. The Shipper Users under the DSC are funding the costs of the CDSP bid.

Any bids will be submitted in the name of Xoserve Ltd. This Modification is being raised to create arrangements under the DSC and as such the Modification refers to the CDSP (not Xoserve). In the DSC Terms and Conditions definitions, CDSP is Xoserve Ltd. As it is the DSC that is being amended the correct reference in the Modification is to the CDSP and not Xoserve.

To enable the CDSP to participate in the Data Communications Company central switching service tender activity, the CDSP needs to be able to discuss bid matters, which may include commercially sensitive/confidential information, directly with Shippers Users only, as the funding party of the CDSP bid.

The Transitional Arrangements Document and some of the CDSP Service Documents need to be amended to create a CSS Bid Group comprising CDSP and Shipper User representatives only. The CSS Bid Group is to be created so it is not a Network Code Sub-committee and thus not subject to UNCC oversight. These are not changes than can be progressed under the DSC change procedures.

A mechanism needs to be created in the UNC to enable a group to be constituted. A new DSC Service Line is needed to enable bid costs to be allocated 100% to Shipper Users.

Why

The existing DSC Committees are Network Code Sub-committees and these do not have any mechanisms to discuss commercially confidential discussions with a sub-set of industry participants, in this case Shipper Users who are funding the CSS bid.

How

The requirements can be met by amending the Transitional Arrangements Document and CDSP Service Documents: CDSP Service Description (and Service Description Table) and Budget and Charging Methodology.

The CSS Bid Group can be created under the Transitional Arrangements Document, with CDSP Service Documents being amended to create CSS bid services as 100% funded by Shipper Users.

The arrangements created by this Modification are transitional and will fall away on notification from the Data Communications Company that the CDSP's bid has or has not been successful. In the event that the CDSP is successful wider changes under the GT Licence, UNC and DSC will be required, these will be the subject of a separate Modification.

2 Governance

Justification for Urgency

The closing date for bid submission to the Data Communications Company is 26th September 2018. The CDSP needs a mechanism to be in place under the DSC to consult with the bid funders (Shipper Users (as DSC parties)) prior to the submission of the bid. Following bid submission, the CDSP will need to engage with the bid funders on an ongoing basis as the bid process proceeds. This new group is required to enable the CDSP to discuss commercially sensitive aspects of the bid activity with those funding the bid.

Requested Next Steps

This modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority

DSC customers have been engaged on the requirements for the new group and are supportive of it. Shippers Users have agreed to fund 100% of the bid costs. The timescale provided allows for a workgroup meeting, with an Ofgem decision in time for the first meeting of the CSS Bid Group prior to bid submission.

3 Why Change?

The existing DSC Committees are Network Code Sub-committees. As such the UNCC has oversight of their proceedings. This oversight means that these committees do not provide an environment where the CDSP can discuss commercially sensitive matters with Shipper Users, who are funding the bid activity.

A new group is required that can provide for confidential discussions with a sub-set of DSC customers i.e. Shipper Users.

It is not feasible for the CDSP to constitute a group outside of the DSC. Shipper Users are already signatories to the DSC so the optimal route is to amend the UNC (of which the DSC is a part) to create the new group.

The new group will be established so as to not be a UNC Sub-committee, and therefore not subject to UNC Sub-committee rules / processes. The CDSP will chair and provide secretariat support. In the event that notes of meetings are taken these will not be published in the public domain.

4 Code Specific Matters

Reference Documents

The proposer welcomes Ofgem's comments with regard to addressing governance constraints that might make it difficult for Xoserve to bid.

<https://www.ofgem.gov.uk/publications-and-updates/switching-programme-outline-business-case-and-blueprint-phase-decision>

Outline Business Case Page 13 para 1.20

"Consequently we have concluded that it is important that the procurement process should allow existing systems to be considered fairly alongside any new build options. We will work with DCC to ensure that the procurement process and the evaluation criteria do not unfairly benefit or penalise existing systems or discourage new entrants or existing providers from bidding. At the same time we will work with Xoserve to

ensure that any governance constraints that might make it difficult for it to bid for, or operate, the CSS are addressed effectively.”

Knowledge/Skills

None

5 Solution

In Transitional Arrangements Document, create a new group, the CSS Bid Group. Disapply certain sections of General Terms D by establishing the CSS Bid Group such that it is not a Network Code Sub-committee.

The function of the group is relating to the CDSP CSS bid activities, with the CSS Bid Group assisting the CDSP in the formulation of its bid.

The CSS Bid Group needs to be created such that the UNC Committee and DSC Committees have no power over it.

The CSS Bid Group is to comprise of CDSP and Shipper User representatives. Shipper User representatives must be Shipper User employees. All Shipper Users can nominate a representative to attend the CSS Bid Group. There will be no customer class as in the Contract and Change Management Committees. Shipper User representatives will need to enter into a confidentiality agreement with the CDSP.

The CDSP will chair and provide secretariat services for the CSS Bid Group. Meetings will be quorate where at least two CSS Bid Group representatives are present.

Most decisions should be made by consensus. However, if required any voting will be simple majority of those present at a meeting.

For the avoidance of doubt the CSS Bid Group cannot modify the DSC or change the services provided within it.

Amend the CDSP Service Description, table in section 3.2.3 to add Part J CSS Bid Services and new Service Area 23: CSS Bid Services.

Amend the Budget and Charging Methodology, table in section 3.1.1 to add Service Area 23 CSS Bid 100% funded by Shipper Users

Amend the Service Description Table (Direct Service Non-Code Service) to include a new Service Line for CSS Bid Services.

Establish these arrangements as transitional until the CDSP is notified by the Data Communications Company that the CDSP's bid has or has not been successful.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

Consumer Impacts

None. This Modification does not amend any services that impact consumers. The Modification creates arrangements between the CDSP and Shipper Users only.

Cross Code Impacts

None. There is no equivalent Modification required to the IGTUNC as the IGTUNC points across to the arrangements in the UNC.

EU Code Impacts

None

Central Systems Impacts

None. This Modification seeks to create a new group for the limited purpose of the CDSP bidding for central switching system services. There are no impacts to central systems.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
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.	None
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

Demonstration of how the Relevant Objectives are furthered inserted here

This Modification to create a group under the DSC with whom the CDSP can proceed into the Data Communications Company bid activity would further Relevant Objective d) Securing Effective Competition (ii) between relevant suppliers. This Modification provides a route by which the CDSP can discuss commercially sensitive matters with bid funders and submit its bid for the central switching system services thus ensuring the Data Communications Company has the widest pool of potential service providers to select from.

8 Implementation

Implementation is required in accordance with the timetable above.

9 Legal Text

Text Commentary

See separate documents.

Text

Suggested Text has been published alongside this Modification.

10 Consultation

Panel invited representations from interested parties on 30 August 2018. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 11 representations received, 6 supported implementation and 5 offered qualified support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Qualified Support	d - positive	<ul style="list-style-type: none">• Understands the reasons for the establishment of this workgroup under the DSC arrangements.• Notes the drivers for the need for a workgroup and note that confidential issues are likely to be discussed between Xoserve and the bid funders (Shipper Users).• Has some disquiet with regard to some Data Services Contract (DSC) parties i.e. Gas Transporters being excluded from meetings albeit Cadent are prepared to accept the situation on this occasion given its unique nature. In this respect the basis of the qualification is that these arrangements should not be viewed as setting any form of precedent given the underlying principles of the Xoserve Funding, Governance and Ownership (FGO) arrangements

			<p>which are based on openness and co-operation between parties.</p> <ul style="list-style-type: none"> • Supportive of Xoserve's CSS bid and view this as an opportunity for the efficiency of the proposed CSS/OSP arrangements to be maximised. However, what is less clear is the extent to which activities associated with the CSS bid should be administered under CDSP arrangements. Given the short-term nature and restricted scope of this modification, we are not unduly concerned at this point and we do see merit in following the DSC route for funding clarity in particular. However, Cadent understand that further, more significant, related Modification Proposals may be forthcoming depending on progress on the bid. In this respect Cadent believe this Modification should not be viewed as setting a template for further DSC related contractual arrangements pertaining to the CSS.
Centrica	Support	d - positive	<ul style="list-style-type: none"> • Implementation of this modification will create the necessary arrangements within the DSC for Shippers/Suppliers to support Xoserve in their bid for CSS activities. Funding will be provided by Shippers/Suppliers and therefore it is wholly appropriate for supporting governance, by way of a dedicated DSC group, to be in place for this.
Engie	Support	d - positive	<ul style="list-style-type: none"> • Agrees with the proposal.
E.ON	Support	d - positive	<ul style="list-style-type: none"> • Supports the creation of this group to support the bid activity.
First Utility	Support	d - positive	<ul style="list-style-type: none"> • Modification will allow Xoserve (CDSP) to effectively engage with Shippers on commercial activities during the bidding process of the Centralised Switching Service (CSS).
Gazprom	Support	d - positive	<ul style="list-style-type: none"> • The formation of a Bid Committee is crucial to ensure that Xoserve (CDSP) has access to expert advice during the Central Switching Service (CSS) bid process.
National Grid	Qualified Support	d - positive	<ul style="list-style-type: none"> • Supports the proposed measure to facilitate the development of an Xoserve bid to provide Centralised Switching Service (CSS) for the gas and electricity markets. However, this support is qualified to the extent that the bid activities do not adversely impact or increase the risk to effective delivery of existing services it provides as the Central Data Services Provider. Notwithstanding this caveat, National Grid agrees that implementation would better facilitate relevant objective (d) by expediting an Xoserve bid for provision of the CSS. • Given the extent and scope of work (and resource) likely to be required to deliver a robust bid for the CSS in the

			<p>prescribed timescales, National Grid are unclear on the impacts that this may have on delivery of existing CDSP services in the interim period. Any adverse impacts on the delivery of such services may impact National Grid and impose cost and risk, hence this is the basis of the qualification of our support.</p>
NGN	Qualified Support	d - positive	<ul style="list-style-type: none"> • NGN agrees that using the UK Link systems to undertake additional non-UNC activities may be the most cost-effective way to support the Ofgem Switching Program, and is therefore in principle in support of Xoserve considering this as part of their future development landscape. • Agrees that these activities are relevant to shippers and suppliers and therefore the funding and control of this specific activity should be appropriately targeted. • This proposal aims to achieve this targeting, but does not consider some of the wider implications that may come about as the program develops. • The current DSC arrangements operate the contract level arrangements, including any liabilities Xoserve may incur, at an all party level. This is appropriate as all parties have an element of control through the DSC Contract Committee. Carving out activities to exclude a constituency from the control and funding should also include appropriate measures to limit any consequential liabilities or impacts on the excluded parties and we do not believe that this modification has addressed this issue. • NGN do not anticipate any direct impacts or costs from this modification. They are keen to receive assurance that Xoserve have suitable arrangements in place to ring-fence these activities in a manner that will not cause management distraction from core activities and ensure delivery of business as usual to a satisfactory level with no additional risk on DSC parties. • Believes the Legal Text should have also included specific arrangements to limit impacts on excluded parties. • Believes that consideration of consequential impacts on excluded parties is not included in this proposal. Understand that, should the bid be successful, further modifications will be required. We would like to see risk mitigation to exclude parties for liabilities and assurance on delivery of core activities considered as part of any subsequent proposals.
SGN	Qualified Support	d - positive	<ul style="list-style-type: none"> • SGN believe this modification proposal will enable Xoserve as the Central Data Service Provider (CDSP) to participate in

			<p>the Central Switching Service (CSS) Bid process.</p> <ul style="list-style-type: none"> • SGN agrees that this activity is a restricted class service and as such will be wholly funded by the Shipper community. • Whilst SGN supports the restricted class nature of the activities, they do not consider that the legal text sufficiently addresses the associated indemnity arrangements. • The DSC Terms and Conditions 12.5(a) Customer Indemnity specifies that all parties are expected to indemnify the CDSP. • SGN believes that this service line activity falls outside of the current CDSP permitted services and, given it is a restricted class service in nature, the Indemnity should only refer to the restricted community to which this service line applies.
Wales & West Utilities	Qualified Support	d - positive	<ul style="list-style-type: none"> • Does not wish to prevent Xoserve from bidding to provide CSS services as ultimately this may be the best value solution for customers; however, they have some concerns about the approach adopted. • Does not believe that the CSS bid is a CDSP activity and that the approach adopted stretches the current arrangements beyond what was intended. Think that these issues could have been better addressed had the issues being considered earlier. • Concerned that diversion of key experienced Xoserve resources to the bid team will result in a degradation of experienced resources in core activities. This may indirectly impose increased cost and risk. • WWU main concern is that they do not believe that bidding for CSS is a CDSP activity. This proposal lists CSS Bid Services as a CDSP in the Data Service Contract and then excluding it from the DSC governance arrangements. • Believe that any objective test would conclude that the CSS bid activity is not a CDSP activity under licence condition A15A. Inserting it as a service in the DSC does not override the licence. • Notes that in the recent consultation on REC governance Ofgem stated that it did not have the powers to create new classes of licence and therefore could not create a new licence for CRS activities and therefore the CRS activities had to be done under DCC's existing licence. The implication of this is that CRS could not be done under any other licence provisions which suggest that CRS could not be done under A15A by Xoserve as it stands. In turn this suggests that the CSS and the CSS bid could not be done by Xoserve under

			<p>A15A as it stands. This suggests that the CSS bid is not a CDSP activity.</p> <ul style="list-style-type: none"> • Xoserve will also have a number of internal issues to address to ensure that it demonstrates separation between the CSS bid activity and its core activity. These are relevant so far as DSC parties are potentially exposed to the risk of non-compliance. They think that the proposal should have included explicit provisions on this. • Has concerns with the arrangements should the Xoserve bid be accepted including GT licence compliance, business separation and risk to core functions, which have been raised with Xoserve. These are not strictly relevant to this proposal but are indirectly relevant as acceptance of the bid would require Xoserve to provide a service and this in turn would require a further modification and hopes that this is raised soon so the issues can be properly discussed. Will be disappointed if this further modification is raised requesting urgency. • Notes that the justification for urgency in the proposal only refers to a time constraint. It was only at panel that the proposer stated that there was a significant risk of a material impact on Shippers and Suppliers should Xoserve be prevented from participating in the bid process. WWU thinks that more attention needs to be paid by proposers of urgent proposal by clearly articulating the reason why the proposal satisfies one of the criteria for urgency.
Xoserve	Support	d - positive	<ul style="list-style-type: none"> • This modification will create, under the Data Services Contract (DSC), the funding arrangements for Xoserve's bid for central switching services such that funding is 100% Shippers Users. This modification also creates a DSC group (which is transitional) with specific rules that ensure confidentiality of discussion (between Xoserve and bid funders) can be maintained. This modification provides the funding and governance necessary for Xoserve to develop its bid for central switching services.

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be considered when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

The Panel Chair summarised that this Modification is to create a specific group under the Data Services Contract (DSC), (that is not a Network Code Sub-committee) to enable the CDSP to discuss bid activities with Shipper Users as funders of the bid exercise.

Panel reviewed a summary of the consultation responses, noting that of the 11 representations received 6 supported implementation and 5 offered qualified support.

Consideration of the Relevant Objectives

Panel considered the relevant objectives, noting that the Proposer highlighted a positive impact on relevant objective d) competition.

One Panel Member disagreed with the word “ensuring” in the second sentence of the proposer’s justification:

*This Modification provide a route by which the CDSP can discuss commercially sensitive matters with bid funders and submit its bid for the central switching system services thus **ensuring** the Data Communications Company has the widest pool of potential service providers to select from.*

It was felt by some that this overstates the situation in terms of the pool of potential service providers.

Other Panel Members did not agree, stating that the CDSP participation in this process is crucial.

One Panel Member noted a governance issue that many consultation responses did not specify why they supported d) and merely noted, as instructed in the current template, which objective was impacted either positively or negatively. Panel noted that respondents are not instructed to indicate why they support a specific relevant objective.

One Panel Member suggested relevant objective f) efficiency in the administration of Code might be more accurate. Other Panel Members agreed, noting that the Modification provides a route for shippers to have an input in developing the bid. The new DSC service line allows 100% shipper funding and therefore could be classed as being more efficient in administration of Code. This allows the potential creation of a new revenue stream, thus improving the cost position.

Panel Members agreed with the suggestion that this is a facilitating Modification supporting opportunities and the benefit to competition d) is the linkage to the switching programme. If this route were not taken then the FGO arrangements may have to be re-examined.

Panel Members voiced concern that these arrangements should not be viewed as setting any form of precedent given the underlying principles of the Xoserve Funding, Governance and Ownership (FGO) arrangements.

Determinations

Panel Members voted and, with 12 in favour (out of a possible 12), recommended implementation of Modification 0666 (Urgent).

12 Recommendations

Panel Recommendation

Panel Members recommended unanimously that Modification 0666 (Urgent) should be implemented.