

# Xoserve FGO

Update on FGO outputs to UNC 565 workgroup  
21<sup>st</sup> March 2016

# Agenda

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1. Overall summary of progress
2. Obligations
3. Contracts
4. Corporate Governance
5. CDS Governance
6. Business Planning and Budgeting
7. Charging and Cost Allocation
8. Ongoing communication

# Summary of progress

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The FGO Programme Manager has been asked to attend UNC 565 workgroup to provide update on work done under FGO. A significant amount of progress has been made on this programme as a result of the effort put in by a range of stakeholders.

Ofgem's decision letter of October 2013 clarified the need for Xoserve to introduce cooperative arrangements and make all users accountable for the CSP.

The following overarching documents have been endorsed by POB:

- Programme Initiation Document ✓
- Blueprint setting out target operating model ✓
- Transition Plan setting out 2 phase approach to FGO delivery (2016/17 transition year and 2017/18 full Go Live) ✓
- Letter to Ofgem setting out risks to FGO from CMA enquiry and faster switching programme ✓
- Dependencies map ✓

# Summary of progress (2)

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Under the POB sit 5 different workstreams as follows:

- Obligations and contracts
- Xoserve corporate governance
- Central Data Services (CDS) governance
- Business planning and budgeting
- Charging and cost allocation

With the launch of 565 modification, the plan is for the output of three of these workstreams to be handed over to the 565 workgroup now, so that they can be finalised and incorporated into the modification proposal that will go to panel and then Ofgem in September/ October. These relate to:

- Obligations and contracts
- CDS governance
- Business planning and budgeting

# Obligations

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## Aim

- At present all UNC obligations for GT agency services are the responsibility of the GTs
- FGO provides an opportunity to review where these obligations sit, and whether changes are needed to provide greater transparency, inclusivity and involvement of all users

## Progress and outputs

- Table allocating ASA service lines to constituencies (endorsed by POB 30<sup>th</sup> October) ✓
- Workgroup reviewed 300+ service lines of the ASA related to central data services
- This has been an iterative process with the workgroup reaching an agreed view for further discussion on each service line
- Discussion on how to allocate obligations has focused on whether obligations should be allocated based on use of the service/ benefit from the service/ ability to influence the delivery of the service.
- Generally the group has agreed that these three components are linked, and have allocated on the basis of those who benefit from a service and influence how it is delivered

## Next steps

- Allocation table with latest position set out for each of 300+ service lines handed over to UNC 565 workgroup for you to progress ✓

# Contracts

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## Aims:

- The current ASA is a contract between Xoserve and the GTs
- FGO provides an opportunity for a review of these contractual arrangements, in particular to provide greater transparency, inclusivity and involvement for all users of CDS services

## Progress and outputs:

- Excel table highlighting potential areas of change for each ASA schedule and contract front end ✓
- Summary of workgroup discussions around necessary changes to ASA (presented to POB on 11<sup>th</sup> September) ✓
- The contract workgroup spent several sessions reviewing the ASA front end and each schedule
- The group discussed and identified potential areas of change needed to implement FGO
- This was an iterative process which assumed that the ASA would be a useful starting point for the new contract

# Contracts (2)

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## Progress and outputs (continued):

- The aim was to provide a view and ideas that could be used by legal experts in drafting the new contract
- The final workgroup was held on 17<sup>th</sup> August, with a presentation to POB on 11<sup>th</sup> September

## Next steps:

- We are handing over the tables highlighting areas where the new contract could depart from the ASA ✓
- Assumption is that this work will be taken forward by Xoserve with Dentons, but that close working with the UNC workgroup is essential

# Corporate Governance

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## Aims:

- The current Xoserve board includes 6 GT-appointed directors
- FGO provides the opportunity to amend the constitution and operation of Xoserve's corporate governance arrangements, specifically for the appointment of shipper-nominated directors from 2016 and iGT involvement in appointment from 2017

## Progress and updates:

- Revised Terms of Reference have been developed through workgroup ✓
- This was an iterative process with a final workgroup on 21<sup>st</sup> September, and endorsed by POB on 13<sup>th</sup> November
- These Terms of Reference were passed to Xoserve to reflect in their updated constitutional documents on 20<sup>th</sup> November
- Revised set of constitutional documents was circulated on 5<sup>th</sup> February ✓
- For the transition year, the Shipper Nominations Committee has been established and the process is underway- the process was endorsed by POB on 11<sup>th</sup> December and is included in this slide pack ✓



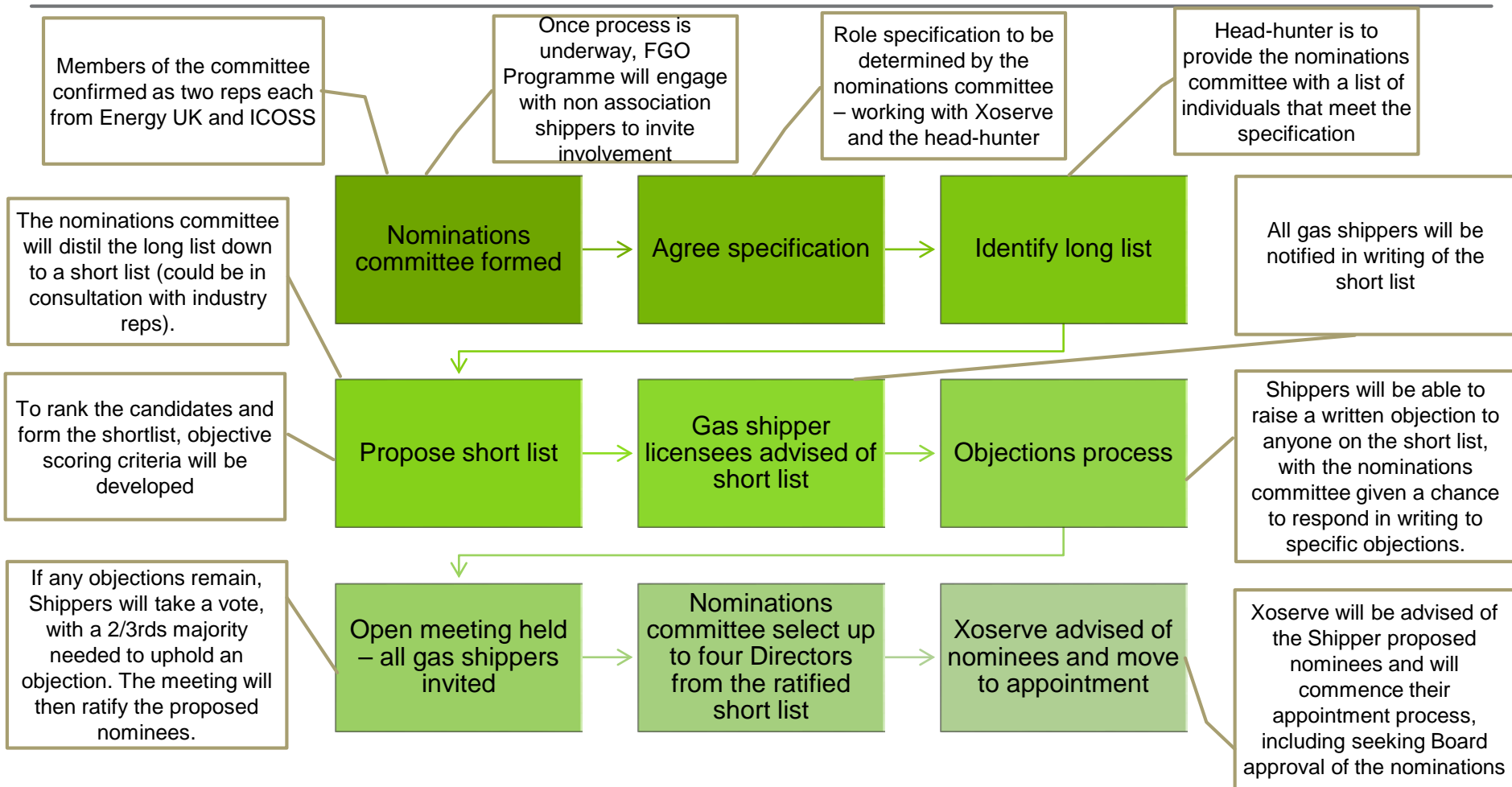
# Corporate Governance (2)

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## Next steps:

- Further work is needed to confirm the constitution and operation of the board on an enduring basis from April 2017
- Current view is that this will be an FGO workgroup with updated Terms of Reference being passed to Xoserve via POB
- A revised set of constitutional documents will then follow
- Key to success will be to learn from the operation of the board in 2016/17

# Shipper nominations process



# CDS Governance

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## Aims:

- CDS governance concerns the day to day and ongoing management and industry governance of Xoserve's delivery against the ASA
- FGO provides the opportunity for revised arrangements to be implemented that reflect the cooperative model and are more transparent and inclusive for all users

## Progress and outputs

- Revised Terms of Reference for Contract Management and Change Management groups have been developed through numerous workgroups ✓
- These were endorsed by POB for passing to the UNC workgroup on 11<sup>th</sup> March

## Next steps

- The aim is to use these Terms of Reference as a starting point for enduring arrangements which will be developed by the UNC workgroup and implemented through the modification proposal
- A key issue to address is how these groups can make recommendations/decisions under the enduring arrangements, taking into account the broader range of constituencies involved

# Business Planning and Budget Setting

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## Aims:

- Xoserve business plan is currently developed by the Xoserve executive and approved by the board
- Budget is currently recovered through the regulatory price control for the GDNs and NTS
- FGO offers an opportunity for increased consultation and engagement with all users at both corporate and CDS governance levels
- This will provide greater transparency and will be consistent with the cooperative model

## Progress and outputs:

- Revised CDS Terms of Reference ✓
- Revised proposed business planning process diagrams ✓
- Xoserve deliverables documents detailing business planning processes ✓
- Xoserve business plans from previous years
- Discussion through workgroups has resulted in the business planning and budget setting engagement process being incorporated into the CDS contract management group with information to be shared and developed with all users ✓

# Business Planning and Budget Setting (2)

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## Next steps:

- Xoserve will confirm timings and issue a commitment statement for 2016/17
- Xoserve plan to circulate a 2015/16 business plan communication by 24<sup>th</sup> March
- The key to success will be for lessons learned from the ASA groups during April to September 2016 to be discussed at the UNC 565 workgroup and incorporated into the Terms of Reference for the enduring arrangements

# Charging and Cost Allocation

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## Aims:

- At present GTs recover agency costs through transportation charges under the price control
- These charges are passed on to shippers and then consumers
- FGO offers an opportunity to review the charging arrangements and to introduce a transparent and cost-reflective charging methodology and cost allocation approach which may include amendments to invoicing arrangements
- This will include an annual review of charging arrangements

## Key documents:

- Draft principles for charging which were last discussed at workgroup on 1st February. A further workgroup discussion has been scheduled for 5th April. ✓
- Ofgem issued a request for information to the GTs asking for cost information for the remainder of the GD1 period. The PM circulated the Xoserve/ GT response (sent to Ofgem on 29th January) on 3rd March ✓
- This included an FGO paper summarising the cost allocation process and methodology underpinning the RFI submission ✓

# Charging and Cost Allocation (2)

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## Next steps

- Significant further work is required to develop the cost allocation approach and detailed charging methodology that will be implemented from April 2017
- POB on 11th March agreed to hold a workgroup on 5th April
- A more detailed plan will be discussed at POB on 8th April
- Once the deliverables have been developed further they will be submitted to the UNC 565 workgroup for review and to incorporate into the DSC as appropriate

# Ongoing communication

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Monthly POB meetings are in diaries and will continue to focus on:

- Tracking and implementing the programme in full
- Ensuring consistency across workstreams
- Providing an opportunity for concerns and issues to be raised

We have agreed with Chris Warner that he will provide summary slides ahead of each meeting outlining the work of the UNC 565 workgroup.

We will support the work of the UNC 565 workgroup as useful with a focus on the planned delivery of the final mod to the panel in October.





Thank you