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Your Reference: UNC Modification Proposal 0565/A/B

UNC Modification Proposal 0565/A/B -Central Data Service Provider: General framework and obligations

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal and its alternatives. As proposer, National Grid Gas Distribution Limited (NGGD) would like to provide qualified support for Modification 0565. We also support alternative Modification 0565B but are not in support of alternative Modification 0565A

Do you support or oppose implementation?

0565 - Qualified support
0565A - Not in support
0565B - Support

Alternate preference

0565B

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)?

NGGD believes that the measures identified within each of the Modification Proposals are fundamental to enabling implementation of the Xoserve Funding, Governance and Ownership (FGO) arrangements in April 2017. If one of these Modifications is not implemented it would not be possible for Large Transporters to discharge the new GT Licence conditions proposed under Standard Special Condition (SSC) A15A (Central Data Service Provider (CDSP)).

Self-Governance Statement

We agree with the view of the UNC Modification Panel that this Modification should not be subject to Self-Governance procedures. This is based on our belief that the proposed changes have a material effect on gas customers, contractual arrangements between UNC parties or commercial activities

associated with the shipping of gas.

Implementation

This Modification Proposal can be implemented with effect from 1st April 2017.

Impacts and Costs

No requirement for User Pays arrangements to apply has been identified.

Legal Text

As the legal text provider NGGD is satisfied that the drafting and text commentary contained within the Modification Proposal meets the requirements of the Modification.

Are there any errors or omissions in this Modification that you think should be taken into account?

We have not identified any errors or omissions within this Modification Proposal.

Please provide below any additional analysis or information to support your representation

We do not believe any additional analysis is necessary to underpin this Modification Proposal. It is driven fundamentally by the creation of new GT Licence conditions.

We would draw attention to the excellent performance of the UNC Workgroup in identifying and working collaboratively to develop and assess a complex regime while meeting the challenging reporting timetable set by the UNC Modification Panel. As Modification proposers we appreciate the support given by regular Workgroup members including GDNs, NTS, iGTs, Shippers, NGGD's lawyers and Xoserve in developing the new UNC terms and Data Services Contract (DSC). We also acknowledge the role of the FGO Programme Overview Board (PoB), KPMG as project assurers and Ofgem in offering appropriate guidance and direction as necessary. We note that the FGO programme is on target for implementation of the Phase 2 arrangements on 1st April 2017.

We would advise that given that the FGO arrangements will be implemented ahead of Project Nexus (1st June 2017), NGGD has raised UNC Modification Proposal 0604 'Central Data Services Provider – Arrangements following implementation of Project Nexus'. This is to ensure the UNC and DSC is suitable for the enduring period following Nexus implementation. A draft version of the Proposal has already been shared with and discussed by the UNC FGO Workgroup and the Modification will be presented at the December 2016 meeting of the UNC Modification Panel.

Assessment of alternatives

We have taken the opportunity to provide comment on our Modification Proposal and each of the alternatives. It is important to recognise that the Proposals are identical in every respect with the exception of DSC Management Committee voting arrangements in the Transporter constituency class.

On several occasions in the Modification 0565 Workgroup we have expressed a clear and unambiguous view that NGGD's participation (and that of the GDNs in general) in the maintenance and development of the CDSP will be based wholly on mutual cooperation and trust under the 'co-operative model' contemplated by the proposed GT Licence conditions. We do not foresee many circumstances where voting will be necessary. This is particularly because in our view CDSP change

will frequently be driven by UNC Modifications although we do acknowledge that there may be situations, in some cases involving prioritisation of change where committee decisions will be required.

To undertake a meaningful assessment of the extent of voting influence a constituent group or class should have over the activities of the CDSP it is necessary to consider the extent of interest the group has over the scope of the CDSP. We believe these can be sub-divided into two areas; these being obligation & funding and engagement activity.

Obligations & funding

The GDNs have clear obligations under the proposed SSC GT Licence Condition A15A concerning the joint control and governance of the CDSP. However, in our opinion the proposed funding arrangements for GTs are not fully consistent with the notion of joint control. In this respect the CDSP will continue to be largely funded through the GTs price control. Mindful of this position we are concerned that GDNs will have only a limited ability to control CDSP costs, especially those associated with investment and are therefore exposed financially to the relevant allowances being exceeded through the undue voting influence of parties which have very little exposure to CDSP costs.

Engagement activity

GDNs have a direct interest and involvement on the majority of the services provided by the CDSP. These include Supply Point Administration, Energy allocation, settlement and reconciliation, Transportation Invoicing, Non-Daily and Daily Meter Reading, Meter Information, Demand Estimation, Annual Quantity and LDZ Capacity. A significant proportion of the above 'core' CDSP functions are of negligible interest to both NTS and iGTs. Therefore it is not unreasonable to pre-suppose that the level of contribution and commitment to the relevant Committee from those parties to topics with which they have no interest may not be as full a priority or as complete as might otherwise be expected. For the avoidance of doubt in no way is this intended to be a criticism of NTS and iGTs, it is merely a statement of reality as we see it.

Modification Proposal 0565

NGGDL supports this Proposal with qualification albeit we have a preference for Modification 0565B.

Upon the raising of UNC Modification Proposal 0565A, we amended our Modification Proposal 0565 to a 3 x GDN - 2 x iGT - 1 x NTS position (Modification Proposal 0565 previously featured a solution now identified within Modification 0565B) in an attempt to reflect a 'compromise' position which, while not ideal in that we believe it is not wholly representative of the balance of parties risk and influence under the FGO regime, does provide a sustainable option to that identified in 0565A. However the proposal does give a disproportionate level of voting influence to iGTs. This is the basis for our qualification.

Modification Proposal 0565A

NGGDL does not support this alternative Proposal.

We believe that the 2-2-2 (2 x GDN - 2 x iGT - 2 x NTS) voting arrangement is wholly unsuitable for the role of the relevant Committee within the UNC/DSC FGO framework. As we have described above, the GDNs have a direct interest in the activities performed by the CDSP and by definition, significant exposure to CDSP costs. This is not the case for NTS and iGTs who in our opinion have a minimal interest and limited cost exposure. Our view that it is inevitable that this will carry over into inappropriate decisions being made, particularly associated with prioritisation of change which may have an adverse impact on gas customers and other industry parties.

Modification Proposal 0565B

NGGD supports and prefers this alternative Proposal.

We believe the 4-1-1 (4 x GDN - 1 x iGT - 1 x NTS) arrangement is properly reflective of and proportionate to the balance of influence and risk to UNC/DSC Transporter parties commensurate with the funding arrangements and activities of the CDSP.

We also note this is consistent with the constitution of the Uniform Network Code Committee (UNCC) under the Project Nexus - Modification 0432 arrangements which met with the approval of all parties. We believe it would be odd that the FGO Committees did not align with this particularly given the significant role of the UNCC in the decision appeals process.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 01926 653541 (chris.warner@nationalgrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Stakeholder Implementation Manager, Distribution