

Representation - Draft Modification Report 0565 0565A 0565B

Central Data Service Provider: General framework and obligations

Responses invited by: **5pm 08 December 2016**

To: enquiries@gasgovernance.co.uk

Representative:	Colette Baldwin
Organisation:	E.ON
Date of Representation:	8 th December 2016
Support or oppose implementation?	0565 - Oppose 0565A - Support 0565B - Oppose
Alternate preference:	<i>If either 0565, 0565A or 0565B were to be implemented, which would be your preference?</i> 0565A, followed by 565, then 565B
Relevant Objective:	c) Positive d) Positive f) None

Please note that due to the number of documents required the 'Supporting Business Documentation' page has been linked to the main modification page, which includes the legal drafting as follows:

CDSP/DSC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/DSC> (CDSP and DSC documents)

UNC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/UNCdrafting> (UNC Legal Text)

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

In terms of the different modifications, Modification 565A doesn't allow any group to create a voting blocs; it requires a more co-operative approach to agreeing change. As no constituency on its own can out-vote another it requires co-operation between groups to achieve the requisite voting majorities which E.ON believes will deliver better decisions. This is particularly important for restricted class changes where subsets of constituencies may vote. In Mod 565 for example, the model will allow the GDNs to always out-vote the iGTs, on a change that affects Gas Transporters with Distribution networks only. If we are to have truly mutual model, no group should be marginalised, whether that's NTS or a small domestic only shipper.

We support the introduction of new arrangements for funding and governance of Xoserve. We have already seen improvements in the transparency of information on future budgeting plans through early engagement approaches adopted by Xoserve and the GDNs for Business Plan 2017. We believe that this more co-operative approach delivers improvements for the entire market since it positions Xoserve more as a provider to the whole market rather than serving the needs of just their agency relationship.

We believe that the introduction of these new arrangements will also deliver better financial/cost benefit justification between modifications and CDSP costs.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

No, this change has material impacts on charging for both Xoserve and the GDNs and as such it affects competition and is not suitable for self-governance.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

The Licence changes are effective for 1st April, however as contracts will need to have been signed by the entire industry by 15th February, time is clearly of the essence and therefore a decision as early as possible is desirable.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

We would expect a re-balancing of costs to reflect the change in approach to who is funding the service delivery. We will face on-going additional costs for implementing the arrangements, including additional credit cover requirements, invoice validation costs, contract management costs etc., however we do expect to have more input into future costs and therefore balancing the on-going costs against the improved arrangements we see as beneficial.

Transporters will have faced substantial costs for FGO development, including significant legal costs for delivering new UNC legal text and Xoserve Data Services Contracts, as well as FGO programme support costs - both from the programme management and Joint office arrangements. However, a cost benefit analysis of the change and programme to deliver this has not been conducted, so it is not clear how long it will take before the benefits to the industry can be quantified and demonstrated to have overtaken the substantial costs to deliver the programme and the on-going costs.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

The legal text has been delivered in a very rushed manner and no doubt we will find that there may be omissions and errors that need to be addressed in the future, however the text does deliver the intent of the modifications.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

While there are no issues with the report per se, there are things that are yet to be resolved or provided to deliver a full set of requirements to make the arrangements effective.

We have not seen the changes to the Articles of Association that reflect the changes to the corporate governance arrangements that are necessary to deliver the change, this is particularly important as Xoserve haven't shared with us the details of for example the details of future matters to be reserved for shareholders, and at the last discussion on this there was a gap in expectations.

We haven't seen the Cost Allocation Model, despite repeated requests during the modification development groups and also at multiple FGO POB meetings. Xoserve had been asked to ensure this was provided prior to the consultation period closing out, but we haven't seen this. While we have seen methodology documents and explanatory documents, the model itself has not been published.

While principles for Credit arrangements have been developed, the Credit Committee hasn't been established. This needs to be put in place to ensure that it can agree the credit rules and enable parties to address appropriate security requirements with Xoserve before the arrangements come into effect.

Trader Users as UNC parties will not not signatories to the DSC, they will be signatories to a UK Link User Agreement. There is a code requirement on Trader User to sign the UK Link User Agreement in the same time as Users will sign the DSC, however at this point there is no document for the Trader Users to review as part of their right to respond to this consultation.

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

Under 565 and 565B the GDN's interests should be aligned in terms of Xoserve service delivery and a constituency representation model should work effectively since this is a monopoly service being provided to all constituency parties equally, without fear or favour. Shippers have had this model for many years under Code Committees, even when facing the pressures of competition in supply and shipping.

We haven't yet seen Xoserve's implementation plans and there's very little time and a lot to do, so we'd expect Xoserve to come forward with detailed implementation plans which will give the industry confidence that implementation is capable in the timescales allowed.

There are migration issues to be addressed. Existing committees need to be closed down and outstanding work handed over – e.g. UKLC. New committees need to be established e.g. – the DSC Credit Committees and Xoserve's existing groups for contract and change management need to be adapted to implement the arrangements.