

## 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](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Seán McGoldrick
<b>Organisation:</b>	National Grid Gas Transmission (NGGT)
<b>Date of Representation:</b>	December 8 <sup>th</sup> , 2016.
<b>Support or oppose implementation?</b>	0565 - Support 0565A - Support 0565B - Support
<b>Alternate preference:</b>	<i>If either 0565, 0565A or 0565B were to be implemented, which would be your preference?</i>  0565A
<b>Relevant Objective:</b>	<b>c)</b> Positive  <b>d)</b> Positive  <b>f)</b> Positive

*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**

We consider that each variation of Modification Proposal 0565 meets the requirements of the chosen relevant objectives and are supportive of all three Alternates. We consider that Modification Proposal 0565A provides the best fit with the aims of the FGO Programme insofar as it avoids introducing constraints to the decision-making process for Retail Market services.

The fundamental difference between each of the Alternates lies in the apportionment of voting arrangements between members of the proposed UNCC sub-committees. The

proposed voting arrangements for representatives from the Shipper Community are the same in each Alternate and are not a factor in choosing a preferred option.

It is, therefore, the apportionment of votes to Transporters (Transmission, Distribution and iGTs) which needs to be considered in deciding on which of the three Alternates we feel offers the most balanced and enduring proposal for the Cooperative business model going forward.

Modification Proposals 0565 and 0565B both offer voting arrangements which would result in iGTs having an automatic minority share of the vote for DN/iGT restricted class service areas, thereby disenfranchising iGTs and failing to deliver joint control. This inequality could negatively impact on the CDSP's ability to efficiently deliver the benefits of strategic retail market change such as Smart Metering and Faster Switching.

By offering equal votes to Transmission Network, Distribution Network and iGT constituencies, Modification Proposal 0565A does not introduce this constraint to shared control and provides the best fit with the overall aims of the FGO Programme.

Modification Proposal 0565A's apportionment of votes to Transporter constituencies on the basis of 2:2:2 to Transmission: Distribution Networks: iGTs also reflects that the Transmission business has an important part of such non-Gemini functions as Invoicing, User Admission and Termination, etc.

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

We concur with the Modification Proposers that Self-Governance procedures should not be applied to these Modification Proposals.

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

We support the proposed implementation date of April 1, 2017.

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

The revised apportionment of service delivery costs is such that any variation to Xoserve's cost-base, incurred as a result of the introduction of the CDSP business model, should broadly reflect each party's "share" of the CDSP portfolio. It is anticipated that the broad industry engagement in the development of subsequent annual CDSP business plans will enable further refinement of the cost allocation model with the potential to drive targeting of cost drivers and efficient investment cost apportionment.

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

The evolution from Transporters' Agency to an inclusive Industry-facing service provision model is both wide-ranging and complex in nature. We are broadly satisfied that the legal text will deliver on the intent of the solution.

We have noted an omission in the detail of the quoracy arrangements for the proposed new UNCC sub-committees, in particular relating to the timeliness of Gemini system control engagement with the proposed Change sub-committee. This has been noted in

the Draft Modification report and we look forward to engaging with industry representatives to develop an efficient and cost-effective solution in the New Year.

**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.*

We have identified that the proposed voting and quoracy arrangements for the Change and Contract committees have the potential for introducing inefficiencies and additional costs into the overall system operation / change delivery process for the Gemini system. This has been documented in the Final Modification Report. We will, in the New Year, be seeking to work with industry representatives to identify and agree solutions which deliver efficient and effective enhancements to the proposed process.

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

National Grid Gas Transmission is committed to the successful delivery of the co-operative business model, delivering inclusion, transparency and proportionate allocation of costs across all industry parties. We are satisfied that Modification Proposal 0565A offers the breadth and depth of change needed to make the step change from the legacy Transporters' Agency model.

It should be noted that the success of the CDSP model will rest on the level of engagement provided by representatives from each of the key industry constituencies, not only in the early days of the new business model but also on an enduring basis into the future. Of all the risk facing the new co-operative business model, it is the risk of poor levels of engagement which, in our opinion, is most likely to see the CDSP fail. We consider that the paradigm designed in the development of this Modification is, notwithstanding the comments made in this document regarding the need to refine the quoracy arrangements, broadly fit for purpose for the desired changes targeted for April 2017 but also acknowledge that, in an ever changing market, further refinement and enhancement are likely to be necessary as time progresses.

Full and active engagement by representatives of all industry constituencies will be needed if the evolution of the CDSP model is to progress smoothly. Failure to achieve suitable levels of cross-industry engagement could result in unnecessary costs, negative impacts to the timing and quality of service delivery and a lack of focus on meeting the needs of the industry and its customers. With this in mind, we would suggest that Ofgem may wish to consider monitoring the levels of industry engagement to ensure that adequate levels are delivered.