

Xoserve – the funding, governance and ownership review

UNC Transmission Workgroup

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- In October 2013 we concluded that a co-operative model for the funding, governance and ownership of Xoserve would best achieve an efficient service provider that can respond to changing industry needs.
- We recently published a further consultation on approaches to changing the legal and regulatory framework to establish these new co-operative arrangements.
- We are now focused on achieving successful and timely implementation of new arrangements through:
 - leading on changes to the licences; and
 - engaging with the industry to progress changes to the contractual framework.

The three elements of new arrangements

- Our conclusions in October summarised the changes that would be required
 - **Funding:** removal of regulated revenue funding mechanism. Establish an annual budget process, with collective and cost reflective funding and a transparent invoicing process.
 - **Governance:** retain one body delivering services for both GTs and shippers. Achieve alignment of obligations, risk and control through co-operative arrangements including a new board structure.
 - **Ownership:** retained by GTs but rights and obligations common for all users.

Implementing these arrangements - objectives

1. Facilitate a responsive and client facing IT and data service provider

2. Achieve alignment of obligations, risks and control

3. Ongoing operation of arrangements to be industry led

4. Be simple and practical to both implement and operate

5. Retain regulatory oversight to ensure the protection of public interest

Implementing these arrangements - requirements

- **Core requirements** – needed to establish the central service provider as an entity (to replace the current ‘Agency’ requirements) and to provide regulatory oversight measures.
- **Shipper and GT obligations** – joint obligations on both GTs and shippers, eg to use the CSP for service delivery, to govern it economically and efficiently and to fund its operation.
- **Governance and funding principles** – the principles drafted in licences/UNC that will form the basis of the information that will be in other contractual documents.

Implementing these arrangements - next steps

- **Changing the licences and the UNC** – the balance of changes to the licences and UNC are currently under consultation. We welcome responses by 16 April.
- **Changing other contractual documents** – to establish co-operative arrangements, including:
 - changing the charging methodology to provide a framework where all users pay for delivery of services
 - changing the current agency service agreement (ASA) to capture Xoserve delivering services for, and on behalf of, GTs and shippers
 - changing the articles of association to introduce co-operative governance.