Stage 01: Modification

At what stage is this document in the process?

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0565:

Central Data Service Provider – General framework and obligations

This Modification Proposal identifies the framework and principal obligations and terms under which the Central Data Service Provider (CDSP) will operate under the UNC.

The Proposer recommends that this modification should be:

- assessed by a Workgroup

High Impact: Large and Small Transporters, Shipper Users and Transporter Agency. Indirect effect on 'industrial & commercial' and 'domestic' gas consumers.

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About this document:

This modification will be presented by the proposer to the panel on 19 November 2015.

The panel will consider the proposer's recommendation and agree whether this modification should be:

- referred to a workgroup for assessment.

The Proposer recommends the following timetable:

Initial consideration by Workgroup	December 2015
Workgroup Report presented to Panel	October 2016
Draft Modification Report issued for consultation	November 2016
Consultation Close-out for representations	November 2016
Final Modification Report presented to Panel	December 2016
UNC Modification Panel decision	January 2017

Any questions?

Contact:
Code Administrator
enquiries@gasgovernance.co.uk
0121 288 2107

Proposer:
Chris Warner
chris.warner@nationalgrid.com
07778 150668

Transporter:
National Grid Distribution

Systems Provider:
Xoserve
commercial.enquiries@xoserve.com

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1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this Modification is expected to materially impact existing or future gas consumers; competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and the uniform network code governance procedures or the network code modification procedures.. This is because the change scope encompasses key customer facing terms and provisions within the UNC such as transfer of Supply Point ownership and Supply Point metering.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested for the reasons described above.

Why Change?

At present, all Transporter Agency services pertaining to discharge of UNC obligations are the responsibility of the Gas Transporters (GTs) who contract with Xoserve via an Agency Services Agreement (ASA) for the delivery of these. Transporters receive allowed revenue through the RIIO framework to recover the forecast costs (set at the outset of the price control period) which Xoserve charge for providing those services (noting that the funding of User Pays services is outside of the allowed revenue arrangements).

The Funding, Governance and Ownership (FGO) Programme was established in May 2014 to define and deliver a blueprint for the future funding and governance of the Central Data Service Provider (CDSP) and Central Data Services (CDS), in line with Ofgem's FGO Review conclusions in October 2013. The implementation of these conclusions requires amendment to relevant regulatory and UNC arrangements and the development of a fully cooperative model for the CDSP which retains the integrated CDS systems and services which Xoserve presently delivers in its role as the Transporter Agency.

Implementation of the FGO programme requires a UNC modification to develop and implement a framework appropriate to the efficient implementation of the FGO arrangements thereby giving effect to the proposed new GT Licence conditions. To the extent that obligations are changed or reassigned at a licence and/or UNC level, revisions to and/or replacement of Xoserve's existing service contracts will also need to be developed albeit this will occur outside of UNC governance. It is necessary for the cohesion of the overall framework that this occurs in parallel with this Modification.

Solution

Modification of the UNC is required to identify the requirement for the CDSP and CDSP services within the UNC and to make corresponding changes in relevant obligations to reflect this.

Relevant Objectives

The measures identifies within this Modification Proposal facilitate relevant objectives 'c' and 'd'.

Implementation

Whilst no implementation date is proposed it is anticipated that this modification will be implemented with effect from 1st April 2017. It will be noted that there will be a dependency on development of the proposed DSC and the development of appropriate CDSP funding arrangements.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification is essential to the implementation of the FGO programme.

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2 Why Change?

The Transporter Agency, Xoserve is appointed by the Transporters to be responsible for discharging the Transporter's Licence and UNC obligations in respect of certain transportation services. These include energy balancing, allocation and settlement, NTS and LDZ capacity, invoicing, 'change of shipper user' systems/processes and provisions concerning the UK-Link system.

In the period 2012-13 Ofgem undertook a review of Xoserve's funding, governance and ownership arrangements. The objectives of the FGO Review were:

1. To promote increased Agency pro-activeness for the benefit of the broader industry;
2. To support the transparency and efficiency of Agency costs;
3. To position funding, risk and control of Xoserve and the central services it provides in the most appropriate way to support these objectives;
4. To implement governance arrangements that recognise the importance of Xoserve services to a broad range of stakeholders and are consistent with new regulatory arrangements for Transporters for Agency Services; and
5. To vary Ofgem's role in the setting of business plans and budgets for Agency Services.

Ofgem published its FGO Review conclusions in October 2013, in which it confirmed its preliminary recommendation that it would require changes to be made to the prevailing funding and governance arrangements so as to establish a co-operative model. This model requires Transporters and Shipper Users to participate jointly in the governance of Xoserve and in the funding of its central services. Ofgem's decision also confirmed that the Transporters will continue to own Xoserve, although the governance arrangements will ensure that they cannot have an undue influence over how Xoserve is run.

At present, all UNC obligations for central services are the responsibility of the Transporters who contract with Xoserve via the ASA.

This modification seeks to make the necessary changes for FGO, ensuring that the UNC is compliant with the proposed changes to the Standard Conditions of the Transporter Licence.

The purpose of the modification is to require all parties to establish and sign a relevant services contract with the CDSP (for the purposes of this Modification entitled the Data Services Contract (DSC)) and reallocate relevant UNC obligations to the CDSP in relation to CDS that are presently the responsibility of Transporters.

Of note it is intended that the proposed DSC between Xoserve and users of its services (replacing the ASA) will be as consistent as possible across all users (being Gas Distribution Networks (GDNs), National Grid Transmission (NTS), Shipper Users and Independent Gas Transporters (iGTs).

It is expected that service schedules in the DSC will vary according to the services each party takes. The use of relevant contract schedules will progressively increase as additional services are taken on by users. iGTs will be required to become signatories to the DSC following Project Nexus implementation.

It is a pre-requisite that the DSC should be developed in parallel with this Modification Proposal and the Authority should make relevant decisions concurrently. As part of preparation of this Modification Proposal, consideration was given to an alternative solution whereby the DSC would be incorporated within the UNC. This was not preferred for the following reasons:

- There is no precedent for having a third party agency contract becoming part of the UNC.
- It would require full accession to the UNC by the CDSP.

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- Changes to the DSC could only be made under UNC governance potentially requiring the Authority to take on a significant role in the decision making process.
- Extensive changes to the UNC Modification Rules would be required to facilitate bespoke governance of the DSC.

3 Solution

To aid understanding of this Solution it is recognised that the changes to the UNC will be extensive, requiring input and consideration from all affected parties. Consequently it would be inappropriate for a Transporter to fully develop all of the obligations at this early stage. For this reason, the Solution identifies the broad requirements and it is expected that a dedicated UNC Workgroup will be required to develop them further.

Modification of the UNC is required to facilitate the incorporation of the following requirements:

- Introduce a definition of Central Systems Services Provider (CDSP) and CDSP Services.
- Introduce a definition of CDSP Agreement being the Data Services Contract (DSC) while noting that the DSC will not form part of the UNC. Reference will be made to the clauses/schedules that shall/may be in the DSC.
- Introduce an obligation for all UNC Parties (Large and Small Transporters and Shipper Users to be party to and comply with the DSC.
    - Note; it will be necessary to include relevant terms in the DSC (i.e. those which create functions for the CDSP) to render the UNC provisions binding between the CDSP and UNC parties.
    - The signing of the DSC will be a pre-requisite for accession to the UNC for new parties.
- Introduce an obligation for UNC parties to jointly control and govern the CDSP.
- Introduce an obligation for UNC parties to use or procure the use of CDS Services from the CDSP.
- Introduce an obligation for UNC parties to pay for CDS Services used in accordance with the charging statement prepared by the CDSP.
- Identify and where appropriate reallocate the present obligation on Large Transporters to provide CDS services to Shipper Users (while noting that the CDSP will continue to provide services that discharge residual GT obligations).
- Replace where relevant references to the Transporter with CDSP.
- Identify, categorise and allocate as required (from UNC parties being GDN, NTS & iGTs and Shipper Users) activities relevant to the UNC which are the functions of the CDSP and that the CDSP is contracted under the DSC by UNC parties to undertake such.
- Identify and exempt activities, which are not the function of the gas transmission sector from the CDSP relevant obligations.

Central to the assessment of this Modification Proposal will be the need for detailed business rules predicated on the above principles and relevant legal text/commentary.

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User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	This Modification is not subject to User Pays arrangements. The funding mechanism for the relevant changes is to be determined.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

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This modification is required to establish clear rules pertinent to Large and Small Transporters and Shipper Users with respect to the FGO programme and in particular the function of the CDSP. Such measures can be expected to facilitate relevant objective d) Securing of effective competition between Shipper Users. This is achieved by maximising the opportunity for parties to have influence in the efficient operation of the CDSP and ensuring clarity and transparency of UNC obligations discharged by the CDSP. The modification also facilitates implementation of the proposed Licence conditions underpinning FGO. This can be expected to facilitate relevant objective c) Efficient discharge of the licensee's obligations.

5 Implementation

No implementation timescales are proposed. However, it is anticipated that this modification is implemented so that it would be effective from 1st April 2017. It will be noted that there will be dependency on development of the proposed Data Services Contract and the development of appropriate CDSP funding arrangements.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification is required to facilitate implementation of the FGO programme. However it is not required to facilitate implementation of Xoserve's UK-Link programme including Project Nexus. Notwithstanding this it is noted that Project Nexus will require either a DSC or an IGT ASA to be established and a solution option is therefore that DSC is in place on or soon after Nexus implementation.

Pre Project Nexus Implementation

As above

Project Nexus Implementation

As above

Post Project Nexus Implementation

As above

7 Legal Text

Text Commentary

Text commentary will be provided

Text

Legal text will be provided

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8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup for assessment.

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