












# 0565A:

## Central Data Service Provider – General framework and obligations

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

This Modification Proposal identifies the framework and principal obligations and terms under which the Central Data Service Provider (CDSP) will operate under the UNC. It also provides for the creation of a Data Services Contract (DSC) as a UNC 'code referenced document'.

	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>• Should not be subject to self-governance</li> <li>• assessed by a Workgroup</li> <li>• This modification will be presented by the Proposer to the Panel on 20 October 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</li> </ul>
	High Impact: Large and Small Transporters, Shipper Users and Transporter Agency. Indirect effect on 'industrial & commercial' and 'domestic' gas consumers.
	Medium Impact: None
	Low Impact: None

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About this document:		 Any questions?
This modification is to be presented by the proposer to the panel on 20 October 2016.		Contact: <b>Code Administrator</b>
The panel considered the proposer’s recommendation and agreed this modification should be:		 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
<ul style="list-style-type: none"><li>Should not be subject to self-governance; and</li><li>assessed by a workgroup.</li></ul>		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: <b>Colette Baldwin</b>
Initial consideration by Workgroup	26 October 2016	 <a href="mailto:colette.baldwin@eonenergy.com">colette.baldwin@eonenergy.com</a>
Workgroup Report presented to Panel	04 November 2016	 +44 24 7618 1382
Draft Modification Report issued for consultation	04 November 2016	Transporter: <b>National Grid Distribution</b>
Consultation Close-out for representations	02 December 2016	Systems Provider: <b>Xoserve</b>
Final Modification Report presented to Panel	06 December 2016	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
UNC Modification Panel decision	15 December 2016	

# 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 were 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.

There is also a need to develop the DSC in parallel with the UNC solution to ensure that the DSC and UNC complement each other, to ensure development of the DSC is subject to an appropriate level of governance and when approved, to adopt the DSC into the UNC as a code referenced document.

Implementation of Project Nexus is unlikely to be achieved until 1<sup>st</sup> April 2017 at the earliest which is presently the target implementation date for the 'phase 2' FGO arrangements under this Modification and the associated Gas Transporters Licence amendments.

To enable the FGO arrangements to be incorporated in UNC prior to Nexus and therefore ensure timely implementation of the FGO programme, it is necessary to identify and implement relevant 'transitional' or interim terms within the UNC, these being based on the current version of the UNC Transportation Principal Document (TPD).

It is not possible for Independent Gas Transporters (iGTs) to be subjected to the FGO regime prior to the Project Nexus Implementation Date (PNID) as they will not have acceded to the UNC and become UNC parties until then. Therefore proposed changes to the General Terms (GT) will include further transitional

terms to dis-apply certain elements of the proposed FGO arrangements (principally associated with iGTs).

The proposer notes that the relevant post-Nexus terms will be contained within a further UNC Modification Proposal to be raised by National Grid Gas Distribution (NGGD) in due course.

For clarity, the intention of this alternate modification looks to change only the committee representations for the DSC committees and does not seek to vary any other area of the arrangements to be introduced by Modification 0565.

The proposed structures of the committee needs to contain a balance of representatives from the affected CDSP customer classes, such that no sector is disadvantaged under the arrangements and all have an equal opportunity to participate and be equally and fairly represented in these new arrangements.

Historically it is fair to say that smaller participants have found it more challenging to be put forward representatives at industry committees and workgroups and we need to address how we ensure that any shortfall in nominating representatives to the DSC committees is addressed in a balanced and fair manner between CDSP customer classes.

## 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. The creation of the DSC will also be required alongside the necessary UNC changes with the resulting DSC becoming a code referenced document once approved.

In addition, this alternative proposal is to vary the proposed constitution of the DSC committees to

1. In line with the co-operative nature of FGO, provide a more balanced representation of the customer classes and to propose alternate voting rules to equalise participation in the committees; and
2. Rules to deal with any shortfall of nominated representatives in any customer class.

## 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 1<sup>st</sup> April 2017. It will be noted that there will be a dependency on development of appropriate CDSP funding arrangements and UNC transitional terms prior to implementation.

## 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.

## 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. It also provides for the creation of the DSC and for the resulting DSC to be adopted into the UNC as a code referenced document once approved.

The purpose of the modification is to require all parties to establish and sign a relevant services contract with the CDSP (the 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.

UNC development work involves extensive changes to the UNC GT, TPD and Transition Document (TD). However, it should be noted that as FGO implementation was anticipated to be following Project Nexus implementation, all legal text pertinent to the TPD is predicated on the version of the UNC to be implemented within the remit of 'Project Nexus' UNC Modifications 0432, 0434 and 0440. Consequently, given that it is now likely that Project Nexus will not be implemented prior to 1st April 2017, to enable the FGO 'phase 2' arrangements to be implemented on the due date of 1st April 2017, it is clear that measures are necessary to amend to text produced under this Modification to cater for the likely delay to Project Nexus implementation. This requires changes to the UNC pre-Project Nexus TPD to reflect the CDSP function.

Significantly, the principal effect of this is that iGTs would not be subject to the FGO arrangements until Project Nexus implementation given that they will not be acceded to the UNC until then and the 'single service' related provisions will not be effective. Therefore it will be necessary to dis-apply or 'set aside'

proposed terms reflecting iGT requirements. Notwithstanding this, the legal text developed under this Modification will be relevant and effective in a pre and post Nexus contractual environment.

Relevant transitional terms associated with the pre-Nexus UNC contained within this Modification Proposal will lapse at the Project Nexus Implementation Date (PNID). A further 'complementary' UNC Modification Proposal will be raised in due course, which will contain additional UNC provisions relevant to the post-Nexus environment.

It should be noted that the proposed DSC will need to reflect a pre-Nexus approach. Therefore, the CDSP Service Description document will be drafted on the basis of the current service lines provided by Xoserve, i.e. pre-Project Nexus service lines. The DSC Transitional Arrangements document will also contain rules which make the necessary variations to the charging models, so for instance to substitute the 'Charge Base Apportionment Table' and to ignore all references to iGTs.

These new arrangements are intended to be cooperative with all parties sharing influence and control in centrally provided services from the CDSP. During the development of these new arrangements discussion in the workgroups has considered the structure of DSC committees and decision making and proposals for weighted voting based on market share of services was not supported by the majority of participants due to the complexity of managing such arrangements. Shipper and Transporter members with smaller numbers of customers felt that their views would be marginalised and decisions imposed unilaterally if the size of their voice was related to their share of the financial value of CDSP costs. Since all parties have an equal stake in ensuring that these arrangements work, and the cost drivers and cost allocation for the CDSP charges will be based on meter points rather than any organisation's size or volume of energy managed, then all parties should be treated equally and there should be an equal distribution among customer classes of representation on committees. Throughout the development of these arrangements we have divided classes in to Transporter Users and Shipper Users and then sub-divided them each into 3 further segments. Each of these sub-categories should be equally represented on the committees. Such an approach has been developed to encourage participation in the management of the DSC and to ensure no market sector is marginalised in the process. By requiring each market customer class to appoint committee members who are nominated from a wide customer base (as opposed to a one company, one vote approach), It will also future proof against any potential company sales and splits by avoiding the need to "rebalance" the total number of Network and Shipper representatives.

### 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). This will constitute a code referenced document..
- 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.
- Ensure consistency between the UNC and DSC such that there are no gaps or overlaps
- Introduce all new obligations, rules, governance and guidelines required for the successful operation of the DSC from implementation.
- Introduce transition terms to reflect contractual requirements pending implementation of UNC Modifications 0432, 0434 and 0440.
- Any provisions relevant to iGTs (Small Transporters) are to be dis-applied pending implementation of Project Nexus.

#### Legal drafting approach

- Uniform Network Code (UNC)
  - The new GT Section D – CDSP and UK Link will be drafted on the basis of the post-Project Nexus legal text. The DSC Transitional Arrangements document will contain rules which override or vary those parts of GT Section D where required, so for instance to modify GT Section D so all references to IGTs are ignored.
  - The changes to TPD Section G – Supply Points, Section H – Demand Estimation and Demand Forecasting and Section M – Supply Point Metering will be made against the current version of each of these sections, i.e. against the pre-Project Nexus text.
  - Other GT and TPD Sections will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify the enduring terms where needed.
  - Changes will be made to the IGT Arrangements Document (IGTAD) to reflect FGO arrangements, such that when the Project Nexus changes become effective and the IGTAD becomes part of the UNC it will properly reflect the requirements of FGO.
- Data Services Contract (DSC)

- The DSC Agreement will provide for signature by the iGTs. The DSC Transitional Arrangements Document will then dis-apply all DSC rules, which are relevant to the iGTs.
- The DSC Terms and Conditions will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify any rules where needed before the Project Nexus text becomes effective.
- The CDSP Service Description document will be drafted on the basis of the current service lines provided by Xoserve, i.e. pre-Project Nexus service lines.
- The DSC Budget and Charging Methodology document will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which make the necessary variations, so for instance to substitute the 'Charge Base Apportionment Table' and to ignore all references to the iGTs.
- The other CDSP Service Documents (including the DSC Contract Management and Reporting Arrangements document) will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify any rules where needed before the Project Nexus text becomes effective.
- Amendments to the UK Link Manual will be necessary.

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.

**This alternate modification proposes the following rules in addition to those proposed in Modification 0565:**

The proposed DSC committee composition has been developed to minimise the breadth of changes required to the current proposed DSC and UNC drafting whilst also minimising the overhead in managing such arrangements. Consequently, each Customer class will have 3 sub-categories and each sub-category will hold a combined 1/3 voting share which can be held either by each representative individually or by one representative collectively:

Shipper User Representatives will be drawn from 3 sub-categories (as currently defined in GT D Annex D-2,

- Up to 2 drawn from Class A
- Up to 2 drawn from Class B
- Up to 2 drawn from Class C

Transporter representatives will be sub-divided as follows:

- Up to 2 representatives appointed by NTS
- Up to 2 representatives drawn from DN Operators (DNOs)
- Up to 2 representatives drawn from Independent Gas Transporters (iGTs)

The desire is to ensure that there are always sufficient representatives to fill the seats in the relevant committees and every effort should be made to encourage full participation by the affected customer class. However, in the event that a sub-category of customer class is unable to field 2 representatives for the DSC Committees, the 1/3 voting share of the sub-category may be held by one organisation (effectively allowing one representative to hold 2 votes).



In the event that no Shipper Users are nominated in any sub-category, if there are sufficient nominations for two representatives to be appointed from each of the remaining sub-categories – one representative will be appointed from each, however if there are insufficient nominations then the shipper Users voting share will be divided equally between the remaining categories.

Options Matrix:

	Class A	Class B	Class C
Sufficient Nominations in each class	2	2	2
If there are insufficient Nominations in one class – Implement	2	2	0
Option A – Implement	2	2	1 Class A & 1 Class B
Option B – do not implement	2	2	1 Class A only
Option C – Implement	2 (50% voting share)	2 (50% voting share)	0

*To be detailed in GT D Annex D-2*

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

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 1<sup>st</sup> April 2017. It will be noted that there will be dependency on 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.

#### Pre Project Nexus Implementation

As above

#### Project Nexus Implementation

Future requirements (for information only, not part of this Modification Proposal and would not impact Project Nexus Implementation):

Once a revised Project Nexus Implementation Date is identified a further UNC Modification Proposal will be required so that:

- the rules in the DSC Transitional Arrangements document which modify the changes to the UNC and the rules in the DSC which were introduced when Modification 0565 become effective are 'switched off';
- Each of TPD Section G – Supply Points, Section H – Demand Estimation and Demand Forecasting and Section M – Supply Point Metering will be deleted and replaced with new versions which reflect the post-Project Nexus text; and
- The CDSP Services Description will be substituted with a new version which reflects the changes introduced through Project Nexus, i.e. the post-Project Nexus service lines.

There may be a need to review IGT UNC Modification 'iGT039 - Use of a Single Gas Transporter Agency for the common services and systems and processes required by the iGT UNC' to ensure consistency with the FGO and Project Nexus arrangements.

#### Post Project Nexus Implementation

As above

## 7 Legal Text

### Text Commentary

Text commentary is to be provided by Transporters

### Text

Legal text is to be provided by Transporters

## 8 Recommendation

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance should not apply;
- Refer this proposal to Workgroup 0565 for assessment.