

XOSERVE FUNDING, GOVERNANCE AND OWNERSHIP REVIEW

TOPIC SUMMARY FOR FGO PROGRAMME OVERVIEW BOARD

TOPIC: Charging and Invoicing

1) Ofgem's Conclusions

Ofgem has concluded previously that:


- a) Recipients of Central Data Services ("CDS") should work with the Central Data Services Provider ("the CDSP") to develop and implement a new CDS Cost Allocation Model and CDS Charging Methodology that seek to target costs towards parties based on their usage of particular CDS;
- b) The CDS Cost Allocation Model and CDS Charging Methodology should achieve a balance between cost reflectivity and simplicity, and should be adaptable over time so as to accommodate new CDS and / or new groups of CDS recipients;
- c) Invoicing arrangements should ensure that CDS recipients have visibility of the costs to which they are exposed. Achieving transparency and accountability requires Shippers to be able to distinguish between transportation charges and CDS charges, and this could be achieved either:
 - (1) Through 'direct invoicing', where the CDSP would invoice and collect charges directly from GTs and Shippers (and other CDS recipients), and would require to be protected from failure to pay; or
 - (2) Through 'indirect invoicing', where, in the same manner as which Code User Pays Services are currently invoiced, the CDSP would invoice the GTs, who would then invoice and collect charges from Shippers and transfer the funds to the CDSP.

2) Topic Deliverables

The FGO Programme Overview Board ("the FGO POB") considers that the deliverables associated with this topic comprise:

- a) A CDS Cost Allocation Model;
- b) A CDS Charging Methodology;
- c) A framework for the invoicing of Central Data Services; and
- d) CDS credit risk management arrangements.

3) Giving Effect to Conclusions

<p>Must Do</p>	<ul style="list-style-type: none"> • The understanding and establishment of appropriate security and credit risk management arrangements is critical to assuring the ongoing viability of the CDSP and the business-critical systems that it provides and services that it delivers and to protecting the interests of the community of CDS recipients • The criteria that determine to whom Xoserve would issue invoices for CDS must be agreed • The establishment of CDS cost allocation, charging and invoicing arrangements is fundamental to ensuring that: <ul style="list-style-type: none"> ○ Xoserve has certainty of its revenue stream from the provision of CDS and has assurance of funding for those activities; and ○ CDS recipients have transparency of the CDS costs for which they are liable
<p>Options</p>	<ul style="list-style-type: none"> • The options for ‘direct invoicing’ and ‘indirect invoicing’ are outlined at Section 1) d) above. The attached information note (provided by Xoserve at Ofgem’s request prior to the publication of Conclusions) explores the benefits and risks of each option. <div style="text-align: center;">  <p>Invoicing Options</p> </div>
<p>Matters for Resolution</p>	<ul style="list-style-type: none"> • There is a requirement for industry agreement of: <ul style="list-style-type: none"> ○ The CDS Cost Allocation Model; ○ The CDS Charging Methodology; and ○ CDS credit risk and security arrangements • There is a requirement to ensure that recipients of CDS Charges have sufficient transparency of those Charges (whether they are invoiced to the GTs, who then recover these under a pass through arrangement, or are invoiced directly) to enable them to reconcile their total CDS Charges to those anticipated following the planning and budgeting cycle • There is a requirement to ensure that the charging and invoicing arrangements ensure protection of the CDS revenue stream in the event of CDS recipient failure to pay