

XOSERVE FUNDING, GOVERNANCE AND OWNERSHIP REVIEW

TOPIC SUMMARY FOR FGO PROGRAMME OVERVIEW BOARD

TOPIC: Constitutional Documents

1) Ofgem's Conclusions

Ofgem has concluded previously that:

- a) In their capacity as the owners of Xoserve, the Gas Transporters ("the GTs") will be required to make changes to the Company's Articles of Association and Memorandum;
- b) These changes will be the means by which performance risk and control associated with the delivery of Central Data Services ("CDS") are positioned with the recipients of those Services, thereby protecting the GTs as the owners of Xoserve; and
- c) Xoserve will be able to provide additional services that are not CDS.

2) Topic Deliverables

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

- a) Changes to corporate / industry / regulatory documents necessary and sufficient to give effect to the change in the status of the GT ownership of Xoserve.

3) Giving Effect to Conclusions

Must Do	<ul style="list-style-type: none">• The positioning of CDSP performance risk and control with CDS recipients – rather than with the shareholders of Xoserve - is fundamental to the introduction of a new governance model for the provision of CDS
Options	<ul style="list-style-type: none">•
Matters for Resolution	<ul style="list-style-type: none">• It must be made clear that the status of the Gas Transporters as licensees and UNC signatories is relevant to neither their rights nor obligations as the shareholders of Xoserve• Clarification is required as to whether or not the positioning of risk and control requires or is achievable through changes to Xoserve constitutional documents. It may be the case that risk can be positioned with CDS recipients through the contractual arrangements between the CDSP and its CDS customers• The shareholders of Xoserve should have the right and/or the obligation to

	<p>'step in' in extremis, subject to appropriate overarching regulatory arrangements that permit any resultant reasonable costs of stepping in to be recovered and require them to be transparent</p> <ul style="list-style-type: none">• There is a dependency on the outcome of Ofgem's consultation on certain changes to the regulatory framework to establish the CDSP and to place Licence and/or Code obligations on GTs and Shippers to participate in the governance and funding of the CDSP• There is a requirement to ensure that amendments to constitutional documents:<ul style="list-style-type: none">○ Do not limit Xoserve's role to only that of the CDSP;○ Allow for a distribution to shareholders of profits that have accrued prior to the commencement of CDSP Year 1; and○ Position the risk and reward associated with the provision of services that are not Central Data Services with the shareholders of Xoserve
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