

Ofgem's review of Xoserve's Funding, Governance and Ownership (FGO)



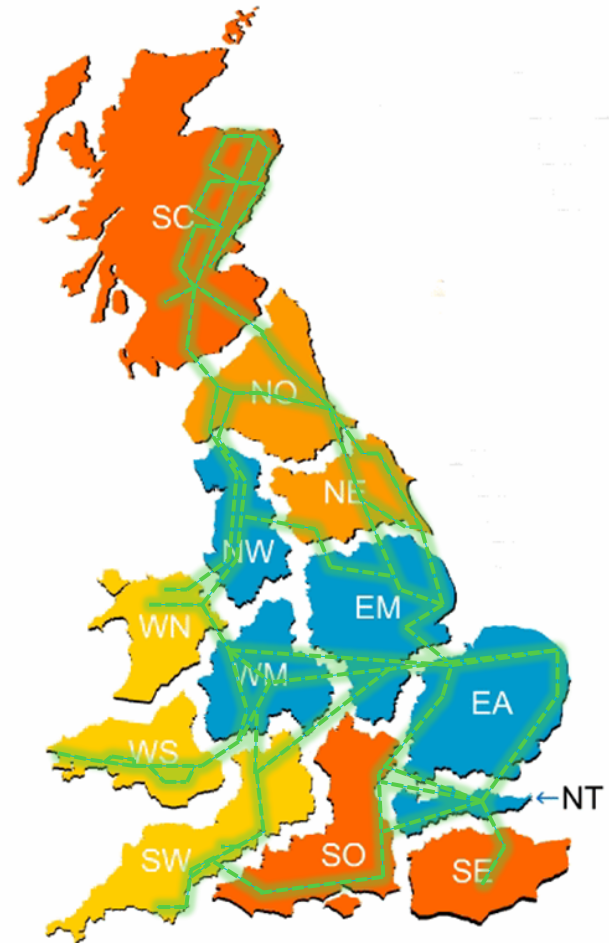
Transmission Workgroup – June 2015
Seán McGoldrick

Xoserve

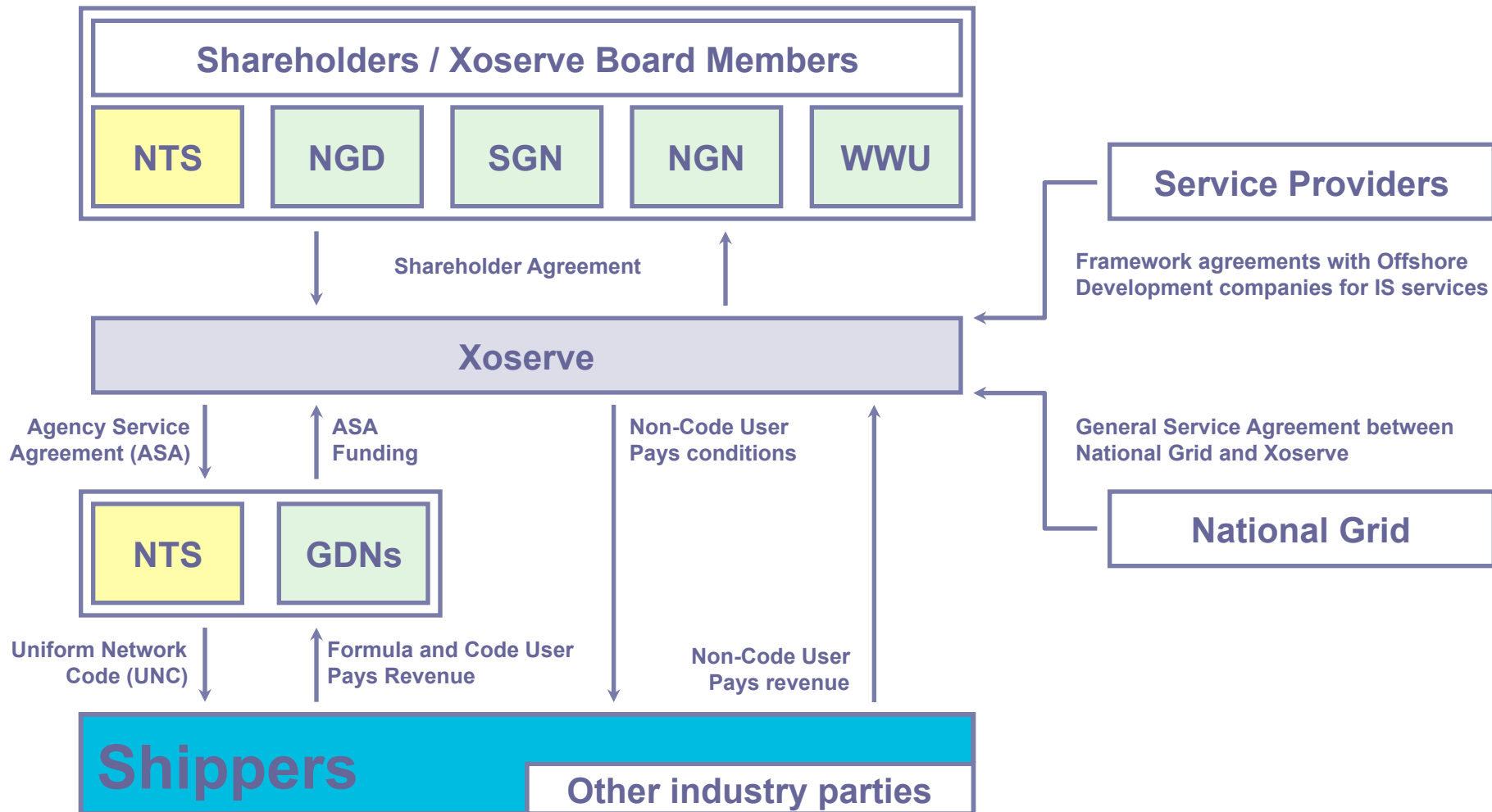
Background and Current Arrangements

Background

- Established as a limited company on May 1st, 2005.
- Facilitated Distribution Network (DN) Sales
- Designed to provide transactional services to the industry on behalf of Gas Transporters – “The Transporters’ Agent”
- Ownership and Management of UK Link suite of systems
- Management of NTS’ Gemini system (remains under NTS Ownership)



Current Arrangements



Xoserve

Why FGO?

Stakeholder feedback

- Ofgem received a number of comments relating to Xoserve:
 - Need more cost transparency
 - “Gold-Plated” solutions v Always goes for the least-cost option
 - More industry engagement needed
 - Change Black Box.
- CEPA review carried out
 - Industry-wide workshops held looking at identifying desired enhancements to Xoserve’s FGO arrangements
 - Cooperative Business Model recommended

Xoserve

Future design options

Ofgem's conclusions

- Xoserve to become the Gas Industry's "Central Data Service Provider" (CDSP).
- The Scope of central data services provided by the CDSP is to be kept whole
- GTs costs for Central Data Services will be recoverable via "Pass Through" mechanism
- Central Data Service requirements will be subject to cross-industry governance
- Service outputs and funding requirements will be determined through industry-facing business planning processes, ratified by the CDSP Board.

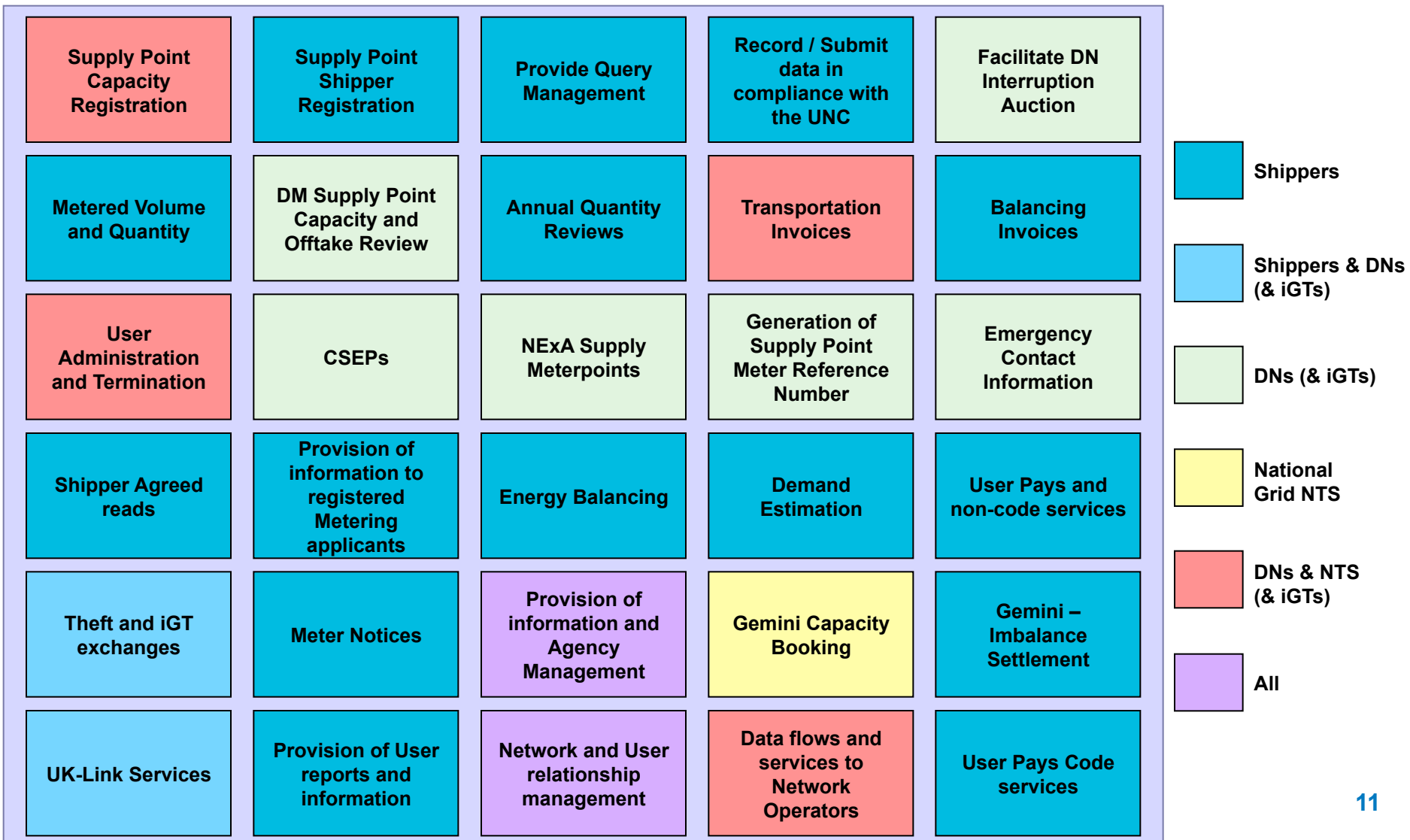
Ofgem's conclusions

- Central Data Services will be provided on a not-for-profit basis
- The CDSP Board will be reconstituted to include both GT and Shipper nominated members
- Xoserve to retain the latitude to develop / provide additional services
- DNs and NTS to continue to hold shares in Xoserve
 - Ownership and Control separated.
- Target go-live date is April 1, 2016.

CDSP Funding Options

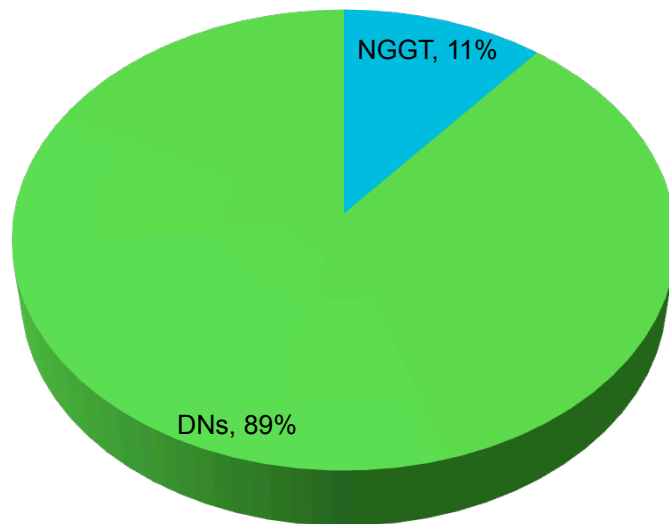
- Reallocation of CDSP costs to each party based on stake in the service
 - GT costs recoverable via Pass Through
 - Remove from RIIO
 - Agree annual business plan
 - Costs will only change in exceptional circumstances
 - Ofgem approval required
- Carry-over to subsequent FY
- Invoicing mechanism TBD.

Potential realignment of control / obligation

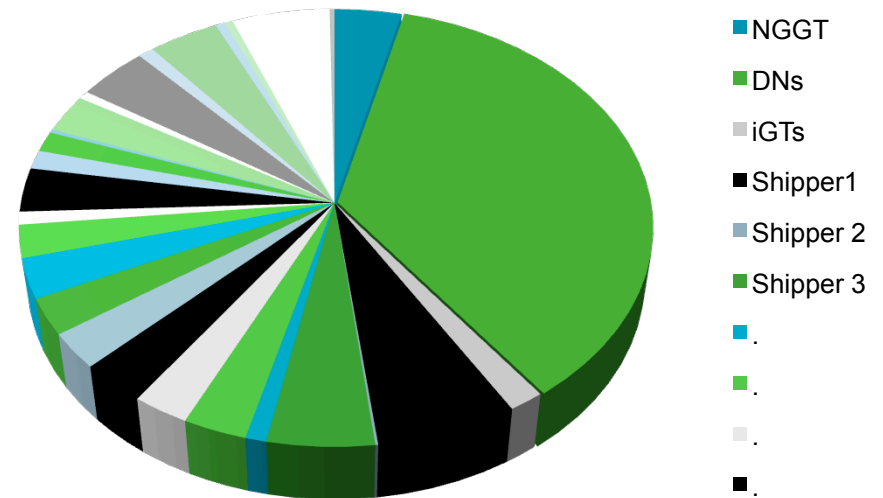


CDSP Funding Options

Current cost apportionment



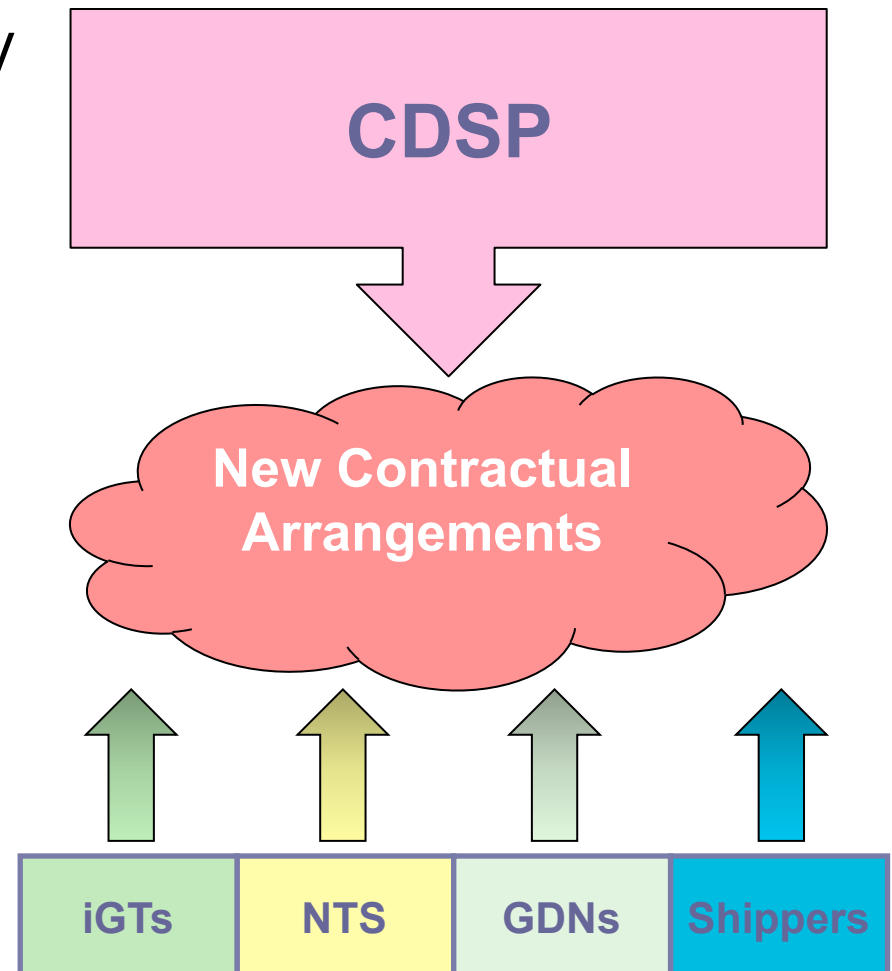
Future cost allocation
(example only)



- Need to close down current funding and financing arrangements at point of switch over to new model
- Need to ensure new arrangements provide for an enduring financial model.

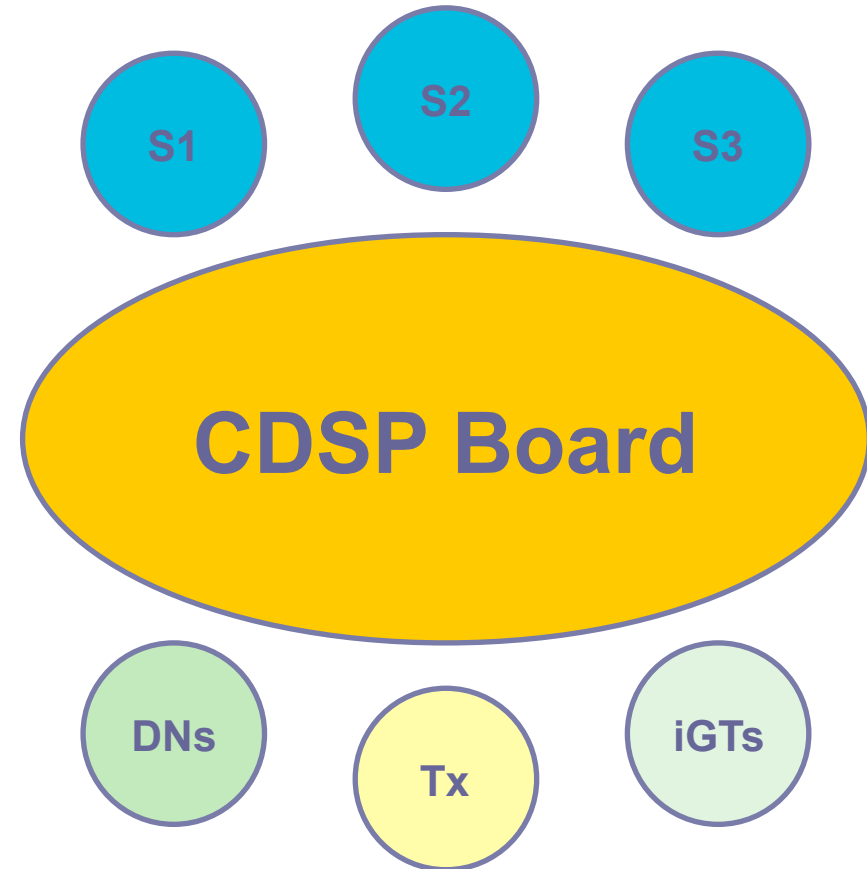
Changes to governance

- Introduction of Cross-industry governance for:
 - Change Management
 - Build annual change workplan
 - Consider F&A work
 - Performance management
 - Contract Management
 - Operational Service KPI management
 - Ongoing management of control / costs.



Ownership impacts

- GTs to retain Ownership
- CDSP to become a “Not-for-profit” organisation
- Xoserve to be de-risked in event of failure of the CDSP
- GT and Shipper membership of the Board
 - Exact composition TBD
 - Constituency nomination
- Ofgem to have “step-in” powers.



Central Data Service Provider

Current activities

Development of CDSP Blueprint

- Initial Workgroups being held
 - Obligations
 - Governance
 - Business Plan & Budget Setting
- Monthly POBs scheduled
- Development workgroups being scheduled now
- Transition: Understanding what can / cannot be delivered in time for April 2016
- Development of plans for subsequent roll-out / formalisation of remaining functions.

What's needed from you?

- Keep up to date with progress
 - Regular update from FGO Programme Manager
- Contribute to informal & formal consultations
- Input to development workgroups
 - Only National Grid Transmission attending on behalf of Tx sector

**Transmission
Stakeholders**



**The FGO Programme
needs YOU**

[illegible]