

# Xoserve FGO

Monthly update

4<sup>th</sup> May

# FGO programme update – Executive summary

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Following the implementation of Phase 1 of the programme on 1<sup>st</sup> April, the programme is moving on towards full implementation for 1<sup>st</sup> April 2017 as stated in Ofgem's letter of 28 April.



**Overall:** A significant amount of progress has been made on this programme as a result of the effort put in by a range of stakeholders.

**Corporate governance:** Shipper nominations process continues to make progress. Xoserve board have now ratified the revised constitutional documents.

**CDS Governance/ Business Planning:** First meetings of wider change and contract management steering groups have now been held. Xoserve have now issued communications document in relation to 2016/17 business plan. **Please contact Xoserve to nominate your attendees for these sessions**

**Ofgem:** Ofgem have issued a response to their February 2014 consultation and an informal consultation on the draft licence condition. They are due to issue a minded to position on GT funding shortly.

**UNC Workgroup:** mod 0565 workgroup continues to make progress, and an FGO workgroup has been established to cover wider issues such as charging and cost allocation.

# FGO programme update – April 2016 activities

Work area	Update
POB meetings	<p><b>8<sup>th</sup> April meeting.</b></p> <ul style="list-style-type: none"><li>• Draft letter to Ofgem discussed. Letter highlights successful delivery of FGO Phase 1 and commitment of POB to full delivery of FGO going forward. Attendees stressed need for Ofgem to attend UNC 565 workgroups to give the regulator greater awareness of the issues involved. It was also highlighted that developments around CMA investigation and central registration services would have to be monitored for impacts on FGO.</li><li>• Meeting discussed areas of work that would need to be delivered in time for full FGO Go Live in April 2017, and highlighted the importance of interactions between the UNC 565 workgroup and POB/ FGO workgroups, with many historic FGO workgroups now being taken forward under UNC governance.</li><li>• In relation to Xoserve corporate governance, the need for GDNs to reduce their number of Board representatives was highlighted.</li><li>• Outstanding issues in relation to CDS governance were highlighted (quoracy, voting and escalation processes).</li><li>• Programme dependencies map was discussed. Programme Manager took an action to use the map to develop a full FGO workplan for 2016/17.</li><li>• For charging and cost allocation work, an FGO/ UNC 'hybrid' approach was proposed, with Joint Office providing administrative support to the FGO Programme Manager, and the Programme Manager facilitating the production of workgroup outputs.</li><li>• The meeting was advised that Xoserve's communications document for the 2016/17 business plan had been issued.</li></ul>

# FGO programme update – April 2016 activities

Work area	Update
<b>POB meetings</b>	<p><b>29<sup>th</sup> April meeting.</b></p> <ul style="list-style-type: none"><li>• Group discussed the Ofgem response to the February 2014 consultation (published 28<sup>th</sup> April). It was felt that greater clarity was still required around Ofgem’s decision on Xoserve’s status as Not for Profit.</li><li>• Draft project plan for 2016/17 presented to the group. New version to be tabled at 13<sup>th</sup> May POB reflecting comments.</li><li>• Feedback from first meetings of change and contract management steering groups provided and Xoserve will seek further nominations from shippers and IGTs.</li><li>• Update from UNC 565 workgroup meeting on 18<sup>th</sup> April- ongoing concerns around Ofgem non-attendance, especially given likely need for a decision around certain aspects of CDS governance arrangements e.g. voting arrangements.</li><li>• Next steps for charging and cost allocation work discussed, prior to this work continuing under UNC governance through the new FGO workgroups (starting 3<sup>rd</sup> May).</li></ul> <p><b>Next POB meeting to be held on 13th May – KPMG London office.</b></p>

# FGO programme update – April 2016 activities

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<p><b>Ofgem response to February 2014 consultation</b></p>	<p><b>Ofgem announced its decision on legal/ regulatory framework for new governance and funding arrangements for the gas central service provider on 28<sup>th</sup> April.</b></p> <ul style="list-style-type: none"> <li>Out of the four options on legal framework consulted on, following one should be taken forward:</li> </ul> <table border="1" data-bbox="324 505 1818 1019"> <thead> <tr> <th data-bbox="324 505 668 579">Element</th> <th data-bbox="668 505 1008 579">Option 1</th> <th data-bbox="1008 505 1466 579"></th> <th data-bbox="1466 505 1818 579">Element</th> <th data-bbox="1466 505 1818 579">Option 1</th> </tr> </thead> <tbody> <tr> <td data-bbox="324 579 668 662">Core requirements</td> <td data-bbox="668 579 1008 662">GT licence</td> <td data-bbox="1008 579 1466 662"></td> <td data-bbox="1466 579 1818 662">Service charge application</td> <td data-bbox="1466 579 1818 662">Service agreement</td> </tr> <tr> <td data-bbox="324 662 668 745">Principles of governance and funding</td> <td data-bbox="668 662 1008 745">UNC</td> <td data-bbox="1008 662 1466 745"></td> <td data-bbox="1466 662 1818 745">Co-operative governance arrangements</td> <td data-bbox="1466 662 1818 745">Articles of Association</td> </tr> <tr> <td data-bbox="324 745 668 859">Shipper and GT obligations</td> <td data-bbox="668 745 1008 859">UNC</td> <td data-bbox="1008 745 1466 859"></td> <td data-bbox="1466 745 1818 859">Requirements to provide code and non-code services</td> <td data-bbox="1466 745 1818 859">Service agreement</td> </tr> <tr> <td data-bbox="324 859 668 942">Service requirements from the CSP</td> <td data-bbox="668 859 1008 942">Service agreement</td> <td data-bbox="1008 859 1466 942"></td> <td data-bbox="1466 859 1818 942">Requirements to provide bespoke services</td> <td data-bbox="1466 859 1818 942">Bilateral contracts</td> </tr> <tr> <td data-bbox="324 942 668 1019">Charging methodology</td> <td data-bbox="668 942 1008 1019">UNC</td> <td data-bbox="1008 942 1466 1019"></td> <td data-bbox="1466 942 1818 1019"></td> <td data-bbox="1466 942 1818 1019"></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Appropriate Uniform Network Code (UNC) modifications should be proposed and progressed, to require parties to jointly participate in Xoserve’s governance and funding.</li> <li>Ofgem have identified no additional benefits at this time from Xoserve becoming a party to the UNC in order to implement the funding and governance changes to Xoserve.</li> <li>Ofgem are proposing a licence change that will require Gas Transporters to <b><u>deliver the new arrangements in full by 31 March 2017.</u></b></li> </ul>				Element	Option 1		Element	Option 1	Core requirements	GT licence		Service charge application	Service agreement	Principles of governance and funding	UNC		Co-operative governance arrangements	Articles of Association	Shipper and GT obligations	UNC		Requirements to provide code and non-code services	Service agreement	Service requirements from the CSP	Service agreement		Requirements to provide bespoke services	Bilateral contracts	Charging methodology	UNC			
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# FGO programme update – April 2016 activities

Work area	Update
<b>Charging and cost allocation</b>	<p><b>Workgroup held 5<sup>th</sup> April.</b></p> <ul style="list-style-type: none"><li>• Group revisited original Ofgem aims and objectives around increasing cost transparency and accountability.</li><li>• Group noted that timetable for Ofgem decision on GT cost recovery (expected in September) did not leave much time for making amendments to the agreed cost allocation and charging approach, although it was felt Ofgem 'minded to' paper (expected May) would provide a direction of travel.</li><li>• Group agreed a set of charging and cost allocation principles that should govern group's work</li><li>• As a next step, Xoserve agreed to review its service footprint in a post-Nexus context.</li><li>• The group agreed the importance of understanding the key cost drivers for each of the services within the post-Nexus service footprint.</li><li>• The Programme Manager took an action to produce a high level paper on options around invoicing, to be discussed at POB and presented to the UNC 565 workgroup.</li></ul> <p><b>FGO UNC workgroup - Charging and Cost Allocation workgroup discussion held on 3<sup>rd</sup> May.</b></p> <ul style="list-style-type: none"><li>• Group agreed on proposed next steps for the scope of work.</li><li>• Xoserve agreed to develop principles for financial arrangements for the next workgroup.</li><li>• Xoserve agreed to develop a post-Nexus service footprint for 2017 onwards and to provide an update on progress at the next workgroup meeting.</li><li>• Group agreed set of further meeting dates, to take us to a target completion date of September 2016.</li></ul> <p><b>Next meeting of UNC workgroup on 27<sup>th</sup> May – details on Joint Office calendar.</b></p>

# FGO programme update – April 2016 activities

Work area	Update
<b>CDS Governance</b>	<p><b>First meetings of change and contract management groups held during April.</b></p> <ul style="list-style-type: none"><li>• The first meetings of the wider contract and change management steering groups have now been held.</li><li>• Feedback from these meetings will allow for the development of enduring Terms of Reference under the UNC 565 workgroup, which will then be implemented through the modification proposal.</li><li>• Parties are encouraged to make nominations to attend meetings and/or receive relevant papers through emailing Xoserve.</li></ul> <p><b>Next change and contract management steering group meetings to be held on 12<sup>th</sup> and 13<sup>th</sup> May respectively.</b></p>
<b>Business Plan and Budget Setting</b>	<p><b>First meetings of change and contract management group held during April.</b></p> <ul style="list-style-type: none"><li>• Contract group approved Xoserve proposed timetable for approving the 2017/18 business plan and budget.</li><li>• The business plan and budget setting process will continue to benefit from lessons learned under the ASA groups between April and September 2016. these lessons will be extracted through discussions at the UNC 565 workgroup and incorporated into the Terms of Reference for the enduring arrangements.</li></ul> <p><b>No further workgroup sessions planned – CDS groups will meet on a monthly basis and will act as the platform for users to provide feedback to Xoserve on the business plan and budget.</b></p>

# FGO programme update – April 2016 activities

Work area	Update
<b>Corporate governance</b>	<p><b>No workgroup held during April.</b></p> <ul style="list-style-type: none"><li>• The Programme has delivered a set of revised constitutional documents and terms of reference for adoption for the transitional period, with further work needed in the introduction of the enduring arrangements for April 2017.</li><li>• Shipper nominations process continues to progress with the purpose of appointing shipper nominees in time for July meeting of Xoserve board.</li><li>• Xoserve are developing a set of corporate governance principles which will be discussed at workgroup following the 13<sup>th</sup> May POB.</li></ul> <p><b>Next workgroup session to take place after 13<sup>th</sup> May POB (date tbc).</b></p>
<b>Contracts and Obligations</b>	<p><b>UNC 0565 workgroups held 6<sup>th</sup> April, 18<sup>th</sup> April and 4<sup>th</sup> May.</b></p> <ul style="list-style-type: none"><li>• All contract and obligations work developed within FGO has now been handed over to the UNC0565 workgroup in order for them to move forward with the contracts and obligations aspects, with a view to placing appropriate mechanisms within industry codes.</li><li>• Further contract work will also need to be delivered in tandem with the UNC outputs, which will be driven by Xoserve and relevant service providers.</li><li>• Minutes of UNC workgroup meeting are available on the Joint Office website at <a href="http://www.gasgovernance.co.uk/0565">http://www.gasgovernance.co.uk/0565</a> . Details of future meetings are also available here.</li></ul> <p><b>Next UNC workgroup meeting 1<sup>st</sup> June.</b></p>



# Further information

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Meeting dates and locations are available on the Joint Office website as well as the FGO sharepoint site.

POB meeting dates have been circulated out to the end of March 2017.

All POB, workgroup and programme materials are available on the FGO SharePoint site

- Email [FGOcentral@kpmg.co.uk](mailto:FGOcentral@kpmg.co.uk) to receive login details

Please contact [FGOcentral@kpmg.co.uk](mailto:FGOcentral@kpmg.co.uk) for any queries or assistance

If you would like to attend a scheduled meeting, then please email [FGOcentral@kpmg.co.uk](mailto:FGOcentral@kpmg.co.uk) to confirm your attendance

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**Thank you**