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UNC Final Modification Report		At what stage is this document in the process?
<p><b>0565 0565A 0565B:</b>  <b>Central Data Service Provider –            General framework and obligations</b></p>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; width: 100px; display: flex; justify-content: space-between;"><span style="background-color: #e0f2f1; border-radius: 5px; padding: 2px 5px;">01</span> Modification</div> <div style="border: 1px solid #ccc; padding: 5px; width: 100px; display: flex; justify-content: space-between;"><span style="background-color: #e0f2f1; border-radius: 5px; padding: 2px 5px;">02</span> Workgroup Report</div> <div style="border: 1px solid #ccc; padding: 5px; width: 100px; display: flex; justify-content: space-between;"><span style="background-color: #e0f2f1; border-radius: 5px; padding: 2px 5px;">03</span> Draft Modification Report</div> <div style="border: 1px solid #ccc; padding: 5px; width: 100px; display: flex; justify-content: space-between;"><span style="background-color: #e0f2f1; border-radius: 5px; padding: 2px 5px;">04</span> Final Modification Report</div> </div>
<p><b>Purpose of these Modifications:</b></p> <p>These Modifications identify the framework and principal obligations and terms under which the Central Data Service Provider (CDSP) will operate under the UNC. They also provide for the creation of a Data Services Contract (DSC) as a UNC ‘code referenced document’.</p> <p>Modifications 0565A and 0565B look to change only the committee constitutions for the DSC committees and do not seek to vary any other area of the arrangements to be introduced by Modification 0565.</p>		
	<p>The Panel recommended implementation of:</p> <ul style="list-style-type: none"> <li>• Modification <b>0565</b></li> <li>• Modification <b>0565A</b></li> <li>• Modification <b>0565B</b></li> </ul>	
	<p>High Impact: Large and Small Transporters, Shipper Users and Transporter Agency. Indirect effect on ‘industrial &amp; commercial’ and ‘domestic’ gas consumers.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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<b>Modification timetable:</b>		
Initial consideration by Workgroup	01 December 2015	
Amended Modifications considered by Workgroup	01 November 2016	
Amended Modification 0565B	02 November 2016	
Workgroup Report presented to Panel	04 November 2016	
Draft Modification Report issued for consultation	04 November 2016	
Consultation Close-out for representations	08 December 2016	
Final Modification Report available for Panel	12 December 2016	
Modification Panel decision	15 December 2016	
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# 1 Summary

## What

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.

## Why

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 these Modifications.

There is also a need to develop the Data Services Contract (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.

As the implementation of Project Nexus won't be achieved until after 1<sup>st</sup> April 2017, and to enable the FGO arrangements to be incorporated in UNC prior to Project Nexus, 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 Project Nexus implementation, 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).

It should be noted that the relevant post-Nexus terms will be contained within a further UNC Modification to be raised in due course.

### Modifications 0565A and 0565B

For clarity, the intention of Modifications 0565A and 0565B is to change only the committee constitutions for the DSC committees and do not seek to vary any other area of the arrangements to be introduced by Modification 0565.

## How

### Modification 0565

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.

Modifications 0565A and 0565B look to change only the committee constitutions for the DSC Committees and do not seek to vary any other area of the arrangements to be introduced by Modification 0565.

Each committee has up to 12 voting members evenly distributed between Shippers and Transporters.

The table below is a summary of DSC Committee constitution proposed by each modification:

Shipper Representation - all modifications propose the same membership			
	Shipper Class A	Shipper Class B	Shipper Class C
Modifications 0565/0565A/0565B	2	2	2
Transporter Representation proposed by each modification			
	DNO	iGT	NTS
Modification 0565	3	2	1
Modification 0565A	2	2	2
Modification 0565B	4	1	1

## 2 Governance

### Justification for Urgency, Authority Direction or Self-Governance

Self-Governance procedures are not requested as these Modifications are 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.

### Requested Next Steps

These modifications should:

- not be subject to self-governance
- proceed to Consultation

The Workgroup agreed with the Modification Panel's view that as these modifications propose to change the scope of key customer facing terms and provisions within the UNC such as transfer of Supply Point

ownership and Supply Point metering, that these would have a material impact and therefore these modifications would not be suitable for self-governance.

The workgroup considers that these modifications are suitably developed and should be issued to consultation.

### 3 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.

These modifications seek 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 these modifications 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.

#### **Modification 0565A**

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.

#### **Modification 0565B**

During development of this Modification 0565 the constitution of the proposed DSC Sub-Committees has been considered at length and this has culminated in the raising of UNC Modification Proposal 0565A and a subsequent amendment to the original UNC Modification Proposal 0565. Both

Modifications identify alternative voting arrangements in both Shipper and Transporter categories. The solution identified within Modification Proposal 0565A for the Shipper category has been adopted within this Modification Proposal 0565B. However, a variation on the proposed arrangements for Transporter voting in Modification Proposal 0565 and 0565A is identified within this Modification Proposal. The proposed 4-1-1 arrangements (see solution below) has been determined so as to reflect the level of interest in the activities of the CDSP each category of Transporter has under the proposed FGO arrangements. This will ensure Transporter parties have an appropriate level of accountability for the decisions of the CDSP.

## 4 Code Specific Matters

### Reference Documents

#### **UNC including:**

General Terms, Transporter Principal Document, Offtake Arrangements Document, Transition Document, Independent Transporter Arrangements Document, Modification Rules and UK Link Manual.

#### **UNC related documents, including:**

General:

Legal Text guidance document, User Pays guidance document, UNC Modification Proposals – Guidance for Proposers document.

TPD:

AUGE guidelines document, AUGE Framework document, Customer Settlement Error Claims Process – Guidance document, Energy Credit Balancing Rules, Guidelines document for the Energy Settlement Performance Assurance Regime, Network Code Reconciliation Suppression Guidelines, Operational Rules Governing the Supply of Invoice Charges via the Ad-hoc Process, Shared Supply Meter Points Guide and Procedures, Standards of Service Query Management Operational Guidelines, Validation Rules.

OAD:

Measurement Error Notification Guidelines for NTS to LDZ Measurement Installations.

#### **Data Services Contract - note this is new contract that includes sections or references to the following;**

Budget and Charging Methodology, Contract Management, Change Management, Credit Policy, Third Party and Additional Services Policy, Service Descriptions and Transition Rules.

### Knowledge/Skills

No specific knowledge or skills were required for the assessment of these modifications.

## 5 Solution

Modifications 0565, 0565A and 0565B

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 these Modification Proposal will be the need for detailed business rules predicated on the above principles and relevant legal text/commentary.

### **DSC Committee Representation**

#### Shipper Representatives – proposed by all modifications:

The Shipper User Representatives will be appointed as follows:

- 2 by Shipper Users in Class A (large domestic shippers);
- 2 by Shipper Users in Class B (industrial/commercial shippers); and
- 2 by Shipper Users in Class C; (those not in Class A or B).

If there are 2 nominations for a Class then the 2 nominees are appointed; where there are 3 or more nominations for a Class, Shipper Users in the Class get to vote, and the 2 nominees with the highest number of votes are appointed.

In the event there are insufficient nominations for a Class the approach is as follows:

- (a) where there is only one nomination, the nominee will be appointed and hold 2 votes
- (b) where there are no nominations:
  - (i) in the event there are 3 or more nominations for any other Class, the nominee with the 3rd highest number of votes will be appointed;
  - (ii) where there are less than 3 nominations for any other Class, then:
    - o if 2 shipper representatives have been appointed, one representative will hold 2 votes (to be determined at random);
    - o if 1 shipper representative has been appointed, the representative will hold 3 votes, i.e. an additional vote to the 2 votes held under (a) above.

**Modification 0565 proposes the following rules, which are different to those proposed in Modifications 0565A and 0565B**

#### **Additional requirements – DSC sub-committee voting arrangements**

During development of this Modification Proposal the constitution of the proposed DSC Sub-Committees has been considered at length and this has culminated in the raising of UNC Modification Proposal 0565A. That Modification identifies proposed voting arrangements in both Shipper and Transporter categories. The solution identified within Modification Proposal 0565A for the Shipper category has been adopted within this Modification Proposal 0565. However, a variation on the proposed arrangements for Transporter voting in Modification Proposal 0565A is identified within this Modification Proposal.

The proposed 3-2-1 arrangements (see solution below) has been determined to best reflect the level of interest in the activities of the CDSP each category of Transporter has under the proposed FGO arrangements. This will ensure Transporter parties have an appropriate level of accountability for the decisions of the CDSP.

#### **Transporter Representatives**

The Transporter Representatives will be appointed as follows:

- 1 will be appointed by National Grid NTS;
- 3 will be appointed by the DN Operators collectively; and
- 2 will be appointed by the IGTs.

In the event the IGTs:

- (a) only make one appointment, the IGT representative will hold 2 votes;
- (b) make no appointment, National Grid NTS, and the DN Operators collectively, will each appoint an additional representative.

**Modification 0565A proposes the following rules, which are different to those proposed in Modifications 0565 and 0565B:**

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:

**Additional requirements – DSC sub-committee voting arrangements**

Transporter Representatives

The Transporter Representatives will be appointed as follows:

- 2 will be appointed by National Grid NTS;
- 2 will be appointed by the DN Operators collectively; and
- 2 will be appointed by the IGTs.

In relation to the 2 DNO representatives, one will be appointed by those DN Operators with 4 million or more supply points on the relevant networks and one by those DN Operators with less than 4 million supply points on the relevant networks.

In the event the IGTs:

- (a) only make one appointment, the IGT representative will hold 2 votes;
- (b) make no appointment, National Grid NTS, and the DN Operators collectively, will each appoint an additional representative.

**Modification 0565B proposes the following rules, which are different to those proposed in Modifications 0565 and 0565A:**

**Additional requirements – DSC Sub-Committee voting arrangements**

Transporter Representatives

The Transporter Representatives will be appointed as follows:

- 1 will be appointed by National Grid NTS;
- 4 will be appointed by the DN Operators, with 1 representative appointed by each DN Operator; and
- 1 will be appointed by the IGTs. In the event there is no nominations from iGTs, then NTS will hold an additional vote.

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

These modifications propose significant changes to the current UNC structure, including changes to governance and funding of the Transporters Agency. However, these changes are unlikely to have a material or direct impact on any current SCRs or the Project Nexus Implementation programme.

### Consumer Impacts

No direct consumer impacts have been identified during the assessment of these modifications, as the impacts are restricted to Transporters and Shipper contractual arrangements. However, it is anticipated that the benefits established by these modifications should provide indirect benefits to consumers, as it is assumed that the adoption of a cooperative model for the management of central systems should lead to more efficient industry changes that benefit consumers.

### Cross Code Impacts

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. It is understood that the iGT UNC parties are currently considering the next steps for this review.

There is likely to be an impact on the Supply Point Administration Agreement (SPAA) process and a review of the potential impacts is to be undertaken by SPAA.

### EU Code Impacts

None identified.

### Central Systems Impacts

It should be noted that there are no impacts on central systems should one of these modifications be implemented.

Future requirements (for information only, not part of these Modifications as they would not materially impact Project Nexus Implementation):

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 are to be introduced when one of these Modifications 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.

### Workgroup Impact Assessment

The workgroup has assessed Modifications 0565, 0565A and 0565B with the following conclusions:

- None of these modifications would be suitable for self-governance as they are expected to have a material impact on the contractual relationships between UNC parties, including the establishment of the CDSP and DSC arrangements.

- These modifications, if implemented would further the relevant objectives and that sufficient assessment has been undertaken to allow the modifications to be issued to consultation with the following caveat:

The workgroup requests the Panel to note that these changes have been delivered under challenging timescales and that parties may want to consider the overall impacts of these arrangements further by the establishment of a formal review, once they have been implemented.

- It is noted that a number of UNC related or referenced documents would need to be reviewed, amended or withdrawn should the Authority direct one of these modifications to be implemented.
- It is suggested that the FGO workgroup undertake an initial assessment of impacted UNC referenced documents and that any amendments be prepared for approval at the relevant UNC Modification Panel or UNC committees prior to 01 April 2017 FGO implementation date.
- It should be noted that the UNC UK Link Subcommittee would need to be closed, as DSC Committees would undertake its tasks following the implementation of FGO. Therefore, it is recommended that the UNCC establish a transition process to allow such tasks and activities to migrate to the relevant DSC Committees by 02 April 2017.
- It is recommended that existing UNCC Subcommittees review their Terms of Reference to ensure they would be consistent with the FGO regime should one of these modifications be implemented.
- It is recommended that the UNCC consider options for establishing DSC Committees prior to 01 April 2017 implementation date to ensure transition tasks are managed. This may include establishing the DSC Credit Committee to ensure suitable Credit Rules are approved prior by 01 April 2017.
- It should also be noted that the Transition Rules allow for iGTs to be represented on DSC Committees from the FGO implementation date, as these committees may be making decisions that impact iGTs prior to the implementation of Modification 0440 - Project Nexus – iGT Single Service Provision. However, iGTs wont be UNC parties until Modification 0440 is implemented and therefore not represented on the UNC Modification Panel or UNCC as voting members.
- Participants were concerned that Transporter Licence changes giving effect to these arrangements were not approved until late into the assessment process for these modifications, and that such delay has created uncertainty in the legal drafting. It is noted that the delay may require the late submission of amended legal text during consultation period for these modifications and prior to the Panel recommendation at 15 December meeting.
- It should be noted that a number of reference and discussion papers were presented to the workgroup which influenced the drafting of the UNC and DSC documents and that these have been published for reference on the Joint Office website at this location (see Appendix C for a summary list of papers) : <http://www.gasgovernance.co.uk/0565/pospapers>
- The workgroup considered the DSC Committee constitutions proposed by these modifications and note that any of the options proposed could be implemented.
- There were concerns that the quoracy of meetings might impede the timely decision making of restricted class changes. It is anticipated that changes may need to be made to the management

process for these committees, to ensure any such impacts are minimised or removed.

## User Pays

It should be noted that the arrangements proposed in these modifications remove the User Pays process from UNC: any costs would be addressed via the DSC arrangements.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
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.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

## 7 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.	Positive
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

Each of these modifications 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 Central Data Services Provider (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.

In addition, some participants consider the additional clarity provided by these arrangements should promote more accurate cost targeting and therefore promote competition.

These modifications also facilitate implementation of the proposed Licence conditions underpinning FGO. This can be expected to facilitate relevant objective c) Efficient discharge of the licensee's obligations.

It is noted that the arrangements introduced by these modifications could be seen to have a negative impact on relevant objective f), Promotion of efficiency in the implementation and administration of the Code, as they introduce additional and more complex governance arrangements. However, it is likely that these negative impacts would be more than offset by the increased visibility and a more inclusive approach to the governance of UNC and central systems changes and thereby furthering relevant objective f).

It should be noted that each of these modifications further the wider aims of the relevant objectives and that the following points below are made based on the narrow concerns around the Transporter voting arrangements for DSC Committees set out in each of the modifications proposed.

**Modification 0565:**

Some participants consider Modification 0565 should facilitate relevant objectives d) and f) as the DSC Committee constitution proposed is in part representative of all industry parties using a cooperative model, while recognising the collective risk faced by DNOs.

**Modification 0565A:**

Some participants consider Modification 0565A should facilitate competition and therefore relevant objective d) as no customer class is given an advantage or disadvantage against other customer classes, as representation is equal which should promote cooperation in the development of industry arrangements.

Modification 0565A should facilitate relevant objective f) Promotion of efficiency in the implementation and administration of the Code, as the DSC committee structure proposed is representative of industry parties and provides equal representation for all DSC customer types.

**Modification 0565B:**

Some participants consider Modification 0565B should facilitate relevant objectives d) and f) Promotion of efficiency in the implementation and administration of the Code as the DSC committee constitution proposed is more representative of the risks faced by some Transporters.

## 8 Implementation

No implementation timescales are proposed. However, it is anticipated that if one of these modification were implemented, it would be effective from 1<sup>st</sup> April 2017 to comply with the proposed Transporter licence changes.

## 9 Legal Text

Legal Text has been provided by National Grid Gas Distribution. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution for Modifications 0565, 0565A and 0565B.

### Text Commentary

Text Commentary is published alongside this report. In addition see the:

DSC UNC Structure diagram in Appendix A.

Drafting approach diagram in Appendix B.

### Text

Legal Text is published on the Joint Office website at the following locations:

CDSP and DSC documents: <http://www.gasgovernance.co.uk/0565/DSC>

UNC documents: <http://www.gasgovernance.co.uk/0565/UNCdrafting>

## 10 Consultation

Panel invited representations from interested parties on 17 November 2016. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

### Modification 0565

Of the 16 representations received, 3 supported implementation, 4 offered qualified support, 8 were not in support and 1 was neutral.

### Modification 0565A

Of the 16 representations received, 10 supported implementation, 1 offered qualified support, 4 were not in support and 1 was neutral.

## Modification 0565B

Of the 16 representations received, 7 supported implementation, 1 offered qualified support, 7 were not in support and 1 was neutral.

### Preference expressed

Of the 16 representations received 11 expressed a preference for **0565A**, 4 expressed a preference for **0565B** and 1 remained neutral (*i.e. no preference expressed and/or a preference was not expressed for either modification*).

Representations were received from the following parties:

Organisation	Response	Prefer	Relevant Objectives	Key Points
British Gas	0565 Oppose 0565A Qualified Support 0565B Oppose	<b>0565A</b>	c - positive d - positive f - positive	<ul style="list-style-type: none"> <li>• Supports the intention of Modification 0565 and the alternates as they introduce governance changes and new CDSP service contract arrangements.</li> <li>• Notes the governance changes reallocate UNC Code obligations to the CDSP where relevant. Agrees all three modifications meet relevant objectives for licensee's to discharge their obligations, have a positive impact to competition and support efficiency in the implementation and administration of the Code.</li> <li>• Feels Modification 0565 introduces Transporter split voting for DNOs where there is no justification under a cooperative model for DNO's to have additional voting compared to other constituencies.</li> <li>• Comments on the fact that Modification 0565B introduces greater skewed voting in favour of DNOs. Notes that DNOs will pick up higher costs and risks, compared to IGTs, but believes this argument does not hold true against NTS risk and costs. With DNOs holding four votes, they have the ability to block industry change, which does not support the cooperative model.</li> <li>• Agrees Modification 0565A introduces equal voting by providing each constituency two votes.</li> <li>• Agrees should not be subject to self-</li> </ul>

				<p>governance.</p> <ul style="list-style-type: none"> <li>• Agree with the implementation date of 1 April 2017 is the most logical to tie the new funding to and governance arrangements to the CDSP financial year.</li> <li>• Points out that there are still some issues with comments made in relation to the Legal Text but note these are not 'new issues'. Believes they can be addressed through the new Committee(s) or through the raising of a new UNC Modification. These concerns do not stop the Modifications from progressing.</li> <li>• Concerned that implementation of Nexus and RAASP will be very complex and twelve months, plus three months, is insufficient time to identify all Nexus defects and therefore additional costs will 'spill over' to shippers and their customers. Therefore these time periods may warrant review and amendment.</li> <li>• Concerned that invoicing and credit cover arrangements are unknown and that parties will be asked for an initial period to process and pay invoices without appropriate validation.</li> <li>• Comments on the fact the Trader Users are being asked to sign off on a Modification which will introduce a new Trader User agreement, without the Trader User agreement being made available.</li> </ul>
BUUK	<p>0565 Oppose</p> <p>0565A Support</p> <p>0565B Oppose</p>	<b>0565A</b>	<p>0565A only</p> <p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>• Points out that the 0565A modification does not disenfranchise IGTs from the decision making process under the various DSC committees.</li> <li>• Wished to see a clear voting balance, as IGTs and GDNs are direct competitors with differing commercial drivers and business models. Feels 0565 and 0565B will always provide GDNs with a majority advantage (and subsequent approval) regardless of the IGT constituency position.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• Concurs that 0565 (or variant) must be</li> </ul>

				<p>implemented for 1<sup>st</sup> April 2016, although notes that IGTs will not be a UNC signatory until NEXUS/modification 0440 go-live.</p> <ul style="list-style-type: none"> <li>• Concerned in relation to the Funding Governance and Ownership costs and uncertainty to IGTs who will be unable to pass through any overspend by the CDSP.</li> <li>• Feels that modification 0565A will allow IGTs to have some form of control over such potential costs.</li> <li>• Agrees the Legal Text will deliver the intent of the solution.</li> </ul>
E.ON	<p>0565 Oppose</p> <p>0565A Support</p> <p>0565B Oppose</p>	<b>0565A</b>	<p>c - positive</p> <p>d - positive</p> <p>f - none</p>	<ul style="list-style-type: none"> <li>• Believes Modification 0565A doesn't allow any group to create a voting block; it requires a more co-operative approach to agreeing change.</li> <li>• Notes with Modification 0565 the model will allow the GDNs to always out-vote the iGTs, on a change that affects Gas Transporters with Distribution networks only.</li> <li>• Supports the introduction of new arrangements for funding and governance of Xoserve, having seen improvements already in the transparency of information on future budgeting plans.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• The Licence changes are effective for 1<sup>st</sup> April, however as contracts will need to have been signed by the entire industry by 15<sup>th</sup> February, time is clearly of the essence and therefore a decision as early as possible is desirable.</li> <li>• Agrees the Legal Text will deliver the intent of the solution but accepts some errors will need to be addressed.</li> <li>• Wishes to see the detailed Xoserve Implementation Plan to give the industry confidence of delivery within the timescales.</li> </ul>
Energetics Gas	<p>0565 Oppose</p> <p>0565A Support</p>	<b>0565A</b>	<p>0565A only</p> <p>c - positive</p> <p>d - positive</p>	<ul style="list-style-type: none"> <li>• Concurs that Modification 0565A is the best model for iGTs, as it does not exclude them from the decision making process governed by the DSC.</li> </ul>

	0565B Oppose		f - positive	<ul style="list-style-type: none"> <li>Concerned that under restricted class changes, which only impact on iGTs and GDNs, the voting models proposed by 0565 and 0565B, provide the GDNs with a superior voting position.</li> <li>Agrees modification 0565A should not be self-governance.</li> <li>Concurs that modification 0565 (or variant) must be implemented for 1<sup>st</sup> April 2016 although iGTs will not be a UNC signatory until NEXUS go-live date.</li> <li>Comments on the fact that Funding Governance and Ownership brings an uncertainty around costs, this uncertainty would be enhanced by the implementation of modifications 0565 or 0565B whereas modification 0565A, would allow iGTs to have some control over any potential changes to cost allocation.</li> <li>Agrees the Legal Text will deliver the intent of the solution.</li> </ul>
ESPUG	0565 Oppose 0565A Support 0565B Oppose	<b>0565A</b>	0565A only c - positive d - positive f - positive	<ul style="list-style-type: none"> <li>Believes that Modification 0565A is the only modification that does not disenfranchise IGTs from the decision making process under the various DSC committees.</li> <li>Concerned regarding restricted class changes, which would impact only IGTs and GDNs.</li> <li>Points out that modifications 0565 and 0565B, will always provide GDNs with a majority advantage within the voting arrangements (and the subsequent approval/rejection) regardless of the IGT constituency position.</li> <li>Believes that modification 0565A would create the right voting balance between IGTs and GDNs.</li> <li>Agrees that these modifications should not be subject to self-governance.</li> <li>Draws attention to the fact that although UNC565 (or alternate) should be implemented on 1 April 2017, IGTs will not be subject to these new arrangements until</li> </ul>

				<p>Nexus/UNC440 go-live.</p> <ul style="list-style-type: none"> <li>• Concurs that the legal text will deliver the intent of the solution of this modification.</li> </ul>
Indigo Pipelines	<p>0565 Oppose</p> <p>0565A Support</p> <p>0565B Oppose</p>	<b>0565A</b>	<p>0565A only</p> <p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>• Believes that Modification 0565A is the best model for iGTs, as it does not exclude them from the decision making process governed by DSC.</li> <li>• Supports Modification 0565A as it is the only voting model that does not allow decisions to be imposed on IGTs.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• Concurs that modification 0565 (or variant) must be implemented for 1<sup>st</sup> April 2017 although iGTs will not be a UNC signatory until NEXUS go-live date.</li> <li>• Comments that Funding Governance and Ownership brings an uncertainty around costs to iGTs who will be unable to pass through any overspend by the CDSP.</li> <li>• Concurs that the legal text will deliver the intent of the solution of this modification.</li> </ul>
National Grid Gas Distribution	<p>0565 Qualified Support</p> <p>0565A Oppose</p> <p>0565B Support</p>	<b>0565B</b>	<p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>• Believes that the measures identified within each of the Modification Proposals are fundamental to enabling implementation of the Xoserve Funding, Governance and Ownership (FGO) arrangements in April 2017.</li> <li>• Comments that if one of these Modifications is not implemented, it would not be possible for Large Transporters to discharge the new GT Licence conditions proposed under Standard Special Condition (SSC) A15A (Central Data Service Provider (CDSP)).</li> <li>• Agrees that this modification should not be subject to Self-Governance procedures.</li> <li>• Concurs this modification can be implemented with effect from 1<sup>st</sup> April 2017.</li> <li>• Concerned that GDNs will have only a limited ability to control CDSP costs, especially those associated with investment and are therefore exposed financially to the relevant allowances being exceeded through</li> </ul>

				<p>the undue voting influence of parties, which have very little exposure to CDSP costs.</p> <ul style="list-style-type: none"> <li>Points out that GDNs have a direct interest and involvement on the majority of the services provided by the CDSP. These include Supply Point Administration, Energy allocation, settlement and reconciliation, Transportation Invoicing, Non-Daily and Daily Meter Reading, Meter Information, Demand Estimation, Annual Quantity and LDZ Capacity.</li> </ul> <p>Believes the 0565B 4-1-1 (4 x GDN - 1 x iGT - 1 x NTS) arrangement is properly reflective of and proportionate to the balance of influence and risk to UNC/DSC Transporter parties commensurate with the funding arrangements and activities of the CDSP.</p>
National Grid Transmission	<p>0565 Support</p> <p>0565A Support</p> <p>0565B Support</p>	<b>0565A</b>	<p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>Supports all three Alternates with a preference for Modification 0565A as modifications 0565 and 0565B both offer voting arrangements which would result in iGTs having an automatic minority share of the vote for DN/iGT restricted class service areas.</li> <li>Feels modification 0565A's apportionment of votes reflects that the Transmission business has an important part of such non-Gemini functions as Invoicing, User Admission and Termination, etc.</li> <li>Agrees should not be subject to self-governance.</li> <li>Supports the proposed implementation date of April 1, 2017.</li> <li>Concurs the Legal Text will deliver the intent of the solution.</li> </ul>
Northern Gas Networks	<p>0565 Qualified Support</p> <p>0565A Oppose</p> <p>0565B Support</p>	<b>0565B</b>	<p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>Supports Modification 0565B as the arrangements in either Modification 0565 or 0565A do not allow appropriate balance of risk and control of costs. Important that these costs can be effectively controlled through the contract and change committees.</li> <li>Agrees these Modifications should not be subject to self-governance. Supports the</li> </ul>

				<p>proposed implementation date of April 1, 2017 subject to Ofgem approval and additional contractual documentation being completed</p> <ul style="list-style-type: none"> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> <li>• Believes there will not be any extra costs or impacts.</li> </ul>
Npower	<p>0565 Oppose</p> <p>0565A Support</p> <p>0565B Oppose</p>	<b>0565A</b>	<p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>• Supports Modification 0565A due to the fact that it is in line with the spirit of Xoserve's Funding, Governance and Ownership (FGO) programme with no imbalance of power between any of the signatories to the Data Services Contract.</li> <li>• Agrees these Modifications should not be subject to self-governance.</li> <li>• Supports the proposed implementation date of April 1, 2017 to comply with the proposed Transporter Licence changes.</li> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> </ul>
RWE Supply & Trading GmbH	<p>0565 Support</p> <p>0565A Support</p> <p>0565B Support</p>	<b>0565A</b>	<p>c - positive</p> <p>d - none</p> <p>f - negative</p>	<ul style="list-style-type: none"> <li>• Believes that any of the modifications will deliver the Funding Governance and Ownership arrangements.</li> <li>• Feels modification 0565A better reflects the ethos of a cooperative governance model. Shipper representation is constituency-based and the constituencies are a proxy for the diversity of Shipper organisations. It does not seem unreasonable for a similar approach for the GTs, particularly as attendees will be representing a constituency rather than individual companies.</li> <li>• Agrees should not be subject to self-governance.</li> </ul>
Scotia Gas Networks	<p>0565 Oppose</p> <p>0565A Oppose</p> <p>0565B Support</p>	<b>0565B</b>	<p>c - positive</p> <p>d - positive</p> <p>f - positive</p>	<ul style="list-style-type: none"> <li>• Believe that representation on the Change and Contract sub-committees should be proportionate to the level of risk and funding that each constituent party faces. Neither Mod 0565 nor 0565A offer sufficient committee representation to the GDNs with regard to the risk exposures they each face.</li> </ul>

				<ul style="list-style-type: none"> <li>• Feels that all three Modifications will achieve the relevant objectives.</li> <li>• Points out that under Modifications 0565 and 0565A, iGTs would have a significant say in matters to which they have no risk or licence condition to deliver. Highlight that only two service areas could be considered restricted Transporter class and of these only one is shared exclusively between iGTs and GDNs.</li> <li>• Believes Ofgem's Funding decision in September 2016 to impose a reduced price control allowance, effectively prevents GTs from recovering any overspend of these allowances on a pass through basis.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> </ul>
Scottish Power	0565 Qualified Support 0565A Support 0565B Qualified Support	<b>0565A</b>	c - positive d - positive f - positive	<ul style="list-style-type: none"> <li>• Supports and has a preference for Modification 0565A as it replicates the arrangements for Shippers, with two representatives per Class.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• Supports the proposed implementation date of April 1, 2017 and allow Xoserve to undertake key activities in preparation for the new DSC.</li> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> </ul>
SSE	0565 Support 0565A Support 0565B Support	<b>0565A</b>	c - positive d - positive f - positive	<ul style="list-style-type: none"> <li>• Supports all three modifications proposals as they seek to introduce the changes identified and defined under the Funding, Governance and Ownership Programme.</li> <li>• Feels Modification 0565A looks to ensure a balance of representatives from the affected Central Data Services Provider (CDSP) customer classes, such that no sector is disadvantaged under the new arrangements.</li> <li>• Supports the proposed implementation date of April 1, 2017.</li> </ul>

				<ul style="list-style-type: none"> <li>• Agrees should not be subject to self-governance.</li> <li>• Believes no significant costs have been identified over and above the new funding arrangements detailed in the modification.</li> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> </ul>
Wales & West Utilities Ltd	0565 Qualified Support 0565A Oppose 0565B Support	<b>0565B</b>	c - positive d - positive f - positive	<ul style="list-style-type: none"> <li>• Supports and prefers Modification 0565B as this is consistent with existing representation on UNC related committees.</li> <li>• Points out that markedly different arrangements for the DSC committees may raise wider questions about membership of other committees, using a principles led approach should apply rather than implementing arrangements that seek to address perceived problems which in our view are considerably overstated.</li> <li>• Supports the proposed implementation date of April 1, 2017.</li> <li>• Agrees should not be subject to self-governance.</li> <li>• Concurs the Legal Text will deliver the intent of the solution.</li> <li>• Believes no additional costs are anticipated, unless a requirement by the Credit Rules to post security which is not currently required.</li> </ul>
Xoserve	Neutral	<b>Neutral</b>	c – no view d – no view f – no view	<ul style="list-style-type: none"> <li>• Gives Neutral support on all Modifications proposals.</li> <li>• Agrees not subject to self-governance.</li> <li>• Comments that Xoserve, GTs, IGTs, Shippers and the Joint Office need to prepare for the go-live date of 1<sup>st</sup> April 2017, with at least a 2 months lead time from the Ofgem decision date, with Ofgem making a decision no later than January 2017.</li> <li>• Believes the on-going operation of the new funding and governance arrangements is expected to give rise to additional costs for Xoserve associated with contractual and financial governance, as well as at the Xoserve corporate level.</li> <li>• Concurs the Legal Text will deliver the intent</li> </ul>

				of the solution.
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Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

## 11 Panel Discussions

### Discussion

The Panel Chair summarised that Modifications 0565, 0565A and 0565B identify the framework, principal obligations and terms under which the Central Data Service Provider (CDSP) arrangements will operate under the UNC. They also provide for the creation of a Data Services Contract (DSC) as a UNC ‘code referenced document’.

Modifications 0565A and 0565B propose alternative committee constitutions for the DSC committees and share all other arrangements introduced by Modification 0565.

Members considered the representations made noting that 17 representations were received, including one late representation from the Association of Independent Gas Transporters (AIGT), which were summarised as follows:

Organisation	0565	0565A	0565B	Preference
AiGT	Oppose	Support	Oppose	0565A
British Gas	Oppose	Qualified Support	Oppose	0565A
BUUK	Oppose	Support	Oppose	0565A
E.ON	Oppose	Support	Oppose	0565A
Energetics Gas	Oppose	Support	Oppose	0565A
ESPUG	Oppose	Support	Oppose	0565A
Indigo Pipelines	Oppose	Support	Oppose	0565A
NGGDL	Qualified Support	Oppose	Support	0565B
National Grid Transmission	Support	Support	Support	0565A
NGN	Qualified Support	Oppose	Support	0565B
Npower	Oppose	Support	Oppose	0565A
RWE	Support	Support	Support	0565A
SGN	Oppose	Oppose	Support	0565B
Scottish Power	Qualified Support	Support	Qualified Support	0565A
SSE	Support	Support	Support	0565A
WWU	Qualified Support	Oppose	Support	0565B
Xoserve	Neutral	Neutral	Neutral	Neutral

### **Modification 0565**

- 3 supported implementation, 4 offered qualified support, 9 were not in support and 1 was neutral.

### **Modification 0565A**

- 11 supported implementation, 1 offered qualified support, 4 were not in support and 1 was neutral.

### **Modification 0565B**

- 7 supported implementation, 1 offered qualified support, 8 were not in support and 1 was neutral.

Members noted that respondents to the consultation felt that the general arrangements were appropriate and fit for implementation as proposed on 01 April 2017. Most views were properly directed towards the differences between the three variants regarding DSC committee structures and were generally aligned with their market position:

- Most Shippers believed that 0565A presented a fair representation at committees, with a few offering equal or qualified support for other variants.
- Large Gas Distribution Networks believed that 0565B was closer to existing UNC committee representation and expressed concerns that other variants did not provide a fair balance of risk and cost control for large GTs.
- Independent Gas Transporters believed that 0565A provided fair representation at committees, ensuring that costs could not be imposed upon them without direct input.

Panel discussed the issue of restricted-class voting. It was noted that currently only one service line was affected.

## **Consideration of the Relevant Objectives**

Members noted that the majority of Respondents believed that each of these modifications furthered the wider aims of relevant objectives c), d) and f), with only a few instances where a party felt that an objective was either neutral or negatively impacted.

### **c) Efficient discharge of the licensee's obligations**

Members believed that the timely progression of these modifications at this time provided Ofgem with sufficient time to direct implementation of one of the variants ahead of implementation on 01 April 2017. This would satisfy the requirements placed in the GT Licence, furthering relevant objective c).

### **d) *Securing of effective competition between relevant shippers***

Members understood that implementation of these modifications ensures that no customer class is given an advantage or disadvantage against other customer classes, which should promote cooperation in the development of industry arrangements. Costs for services should then be allocated to the most appropriate parties, which would further relevant objective d).

### **f) *Promotion of efficiency in the implementation and administration of the Code***

Members observed that having clear rules within the Code was a preferable position with the industry. In addition, treating the associated agreements as Code-Related documents, ensuring proven governance

and facilitation by the Joint Office, was a positive step. Members also noted views expressed in the consultation that the benefits had not been demonstrated to outweigh the costs of achieving the new arrangements. On balance, Members believed that relevant objective f) was furthered.

## Panel Determinations

Members voted with 11 votes in favour (out of a possible 11), to recommend implementation of Modification **0565**.

Members voted with 11 votes in favour (out of a possible 11), to recommend implementation of Modification **0565A**.

Members voted with 11 votes in favour (out of a possible 11), to recommend implementation of Modification **0565B**.

Members considered, should one of the modifications be implemented, which one better facilitated the Relevant Objectives;

- Members voted about whether proposed Modification 0565 better facilitates the Relevant Objectives than proposed Modifications 056A or 0565B (with no votes in favour)
- Members voted about whether proposed Modification 0565A better facilitates the Relevant Objectives than 0565 or 0565B (with 4 votes in favour)
- Members voted about whether proposed Modification 0565B better facilitates the Relevant Objectives than 0565 or 0565A (with 4 votes in favour)

No overall preference was expressed by Panel (with 0565A and 0565B receiving equal support of 4 votes each).

## 12 Recommendations

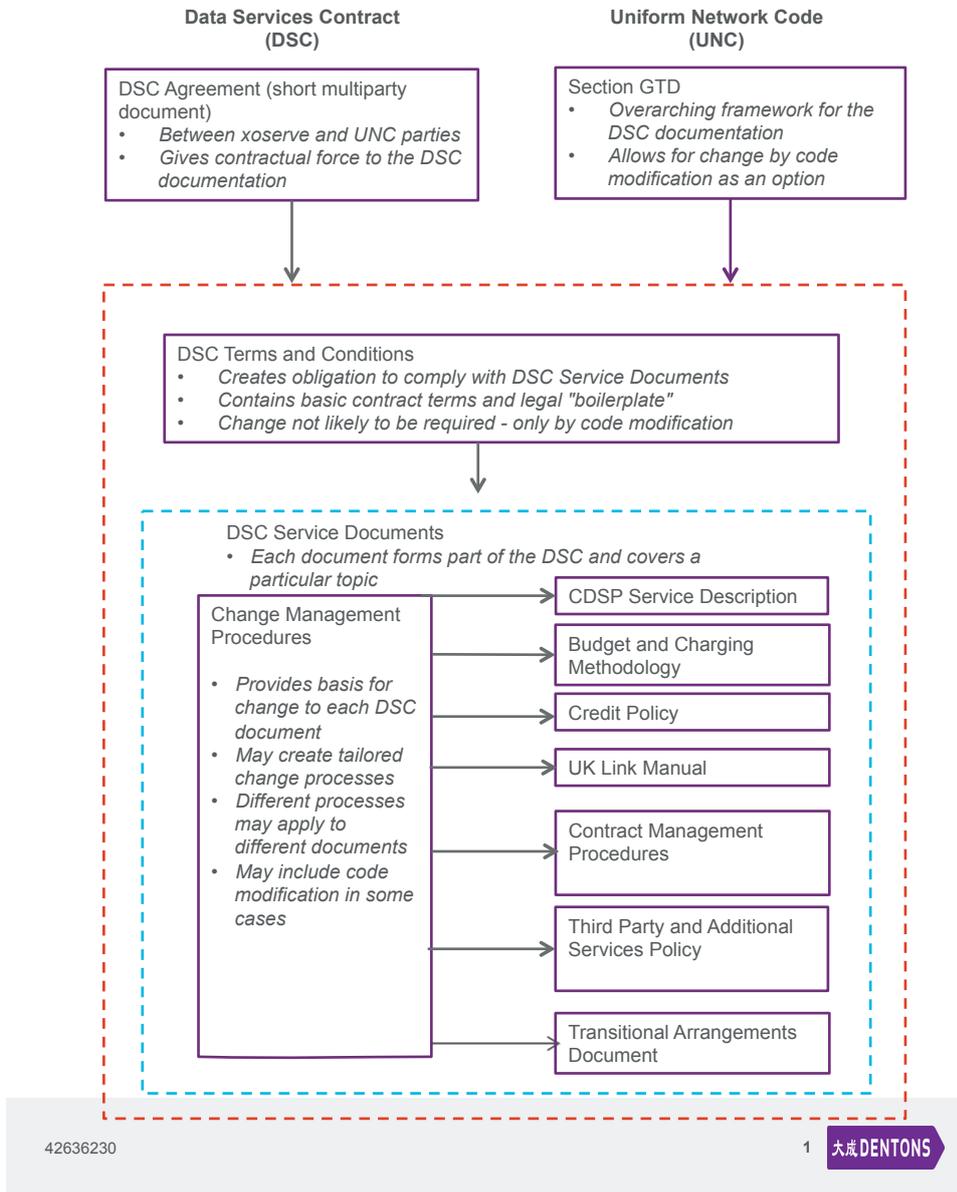
### Panel Recommendation

Members agreed:

- that proposed Modification 0565 was suitable for implementation
- that proposed Modification 0565A was suitable for implementation
- that proposed Modification 0565B was suitable for implementation
- no clear preference was expressed on which of the three modifications better facilitates the Relevant Objectives.

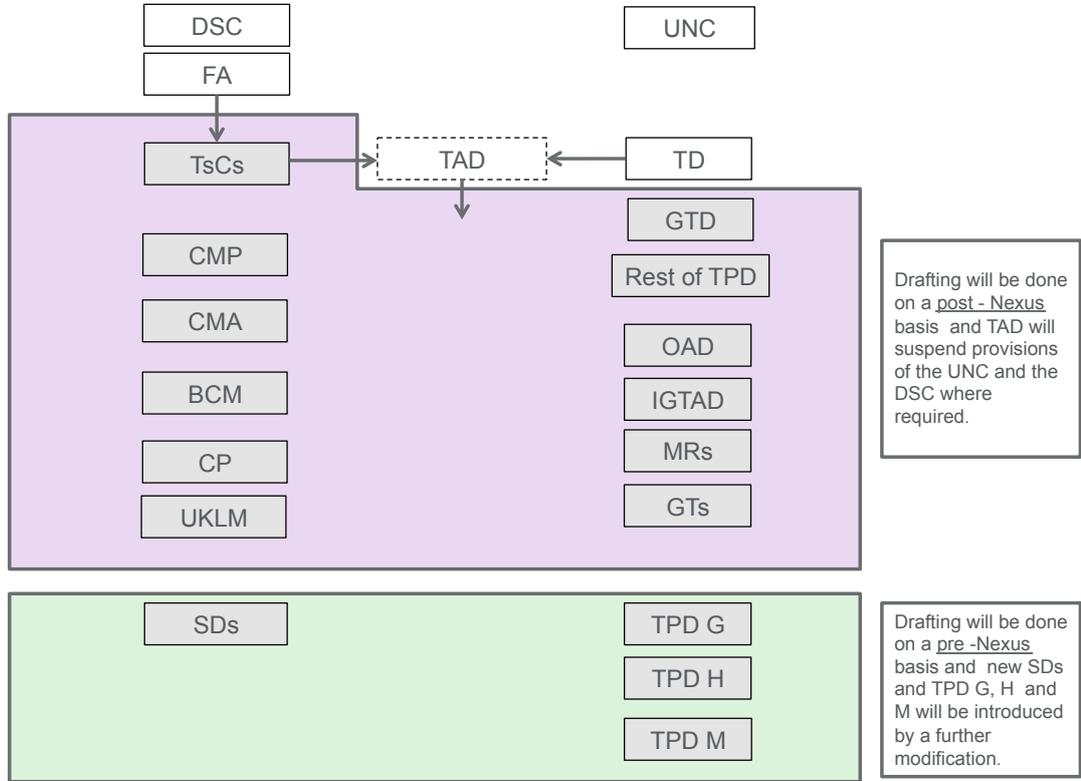
# 13 Appendix A - DSC / UNC Structure

## FGO : Structure of DSC



# 14 Appendix B – Drafting Approach Diagram

## FGO - DRAFTING APPROACH FOR 1 APRIL 2017



## 15 Appendix C – Summary list of Position Papers

The following is a list of position papers presented to the Workgroup including the date of the meeting. These papers have been collated and published on the Joint Office Website at the following location <http://www.gasgovernance.co.uk/0565/pospapers>

<b>List of position papers which have been published for discussion at Workgroup 0565 meetings</b>	
<b>Name of paper</b>	<b>Date of Workgroup Meeting</b>
FGO – Drafting Approach For 1 April 2017	11 October 2016
FGO: DSC Terms And Conditions and UNC – Approach To Data Protection	20 September 2016
FGO: DSC Terms And Conditions and UNC – Approach On Liabilities	20 September 2016
FGO: DSC Terms And Conditions and UNC – Approach On Confidentiality	20 September 2016
FGO: DSC Terms And Conditions and UNC – Approach To Termination For DSC Default	20 September 2016
DSC – Audit Arrangements	3 August 2016
FGO – UK Link changes	20 June 2016
FGO: Modification Rules - Considerations	20 June 2016
DSC Service Changes - Process	20 June 2016
FGO: DSC Terms & Conditions – Drafting Update Following Workgroup Meeting On 1 June 2016	20 June 2016
FGO: DSC – Liability of CDSP	1 June 2016
FGO: DSC – Data flows and rights of use	1 June 2016
FGO: DSC - Default	1 June 2016
FGO: Modification 0565 – UNC & DSC Work Plan	18 May 2016
FGO: Outline of transitional issues under UNC and DSC	18 May 2016
FGO – DSC – Change Management: (1) Governing Body – committee approach	18 May 2016

(2) Approach to Code Modifications	
FGO – Change Management and Control For The DSC: Issues On 'All Party' Governance	18 April 2016
FGO – change management and control for the DSC	18 April 2016
FGO – change and contract management: Committee approach to DSC governance	18 April 2016
UNC and DSC: Accession and Exit	18 April 2016
FGO – General Terms Section B7 Review	18 April 2016
FGO – Review of IGTAD	18 April 2016
FGO – TPD Section U – Categorisation	6 April 2016
FGO – DSC change control note	21 March 2016
FGO – DSC Terms and Conditions – Outline of Contents	2 March 2016