

# Modification 379 and 379A review comments from Xoserve

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- One of the recommendations of Review Group 334 was that where Xoserve considered that issues or unintended consequences were not being considered Xoserve should raise these
- A further recommendation was that before the industry committed to spend on a particular modification that, where appropriate, a sense check is made to ensure all aspects of the modification and business benefits are aligned
- Xoserve has participated in the development of modifications 379 and 379A and would like to draw a number considerations to the attention of the development group

# Audit, audit or review?

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- Modification 379
  - Proposes financial penalty on shippers
  - Auditor will be required to provide an opinion
  - A qualified Auditor will be required for this role
- Modification 379A
  - Proposes an external performance review of a shippers processes
  - Process reviewer will need to be qualified to a certain extent
- Applicable to both:
  - Scope / terms of the audit need to be fully defined within the modifications and UNC (they should not be at the discretion of the GTs)

# Candidate population

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- Mod 379
  - Proposes mechanisms to identify minimum/maximum candidate population, although a worked example and confirmation of the mechanism is still required
- Mod 379A
  - Proposes mechanism that identifies candidate population in relation to the meeting of a standard

# Candidate Population Mod 379A

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- The candidates are determined against [85%] performance
- All or no shippers could pass / fail this standard
- Implications for the GTs:
  - GTs required to have arrangements in place to “call-off” audits
  - GTs may plan on a worst case scenario and expect an audit of all shippers (failure to conduct an audit would put the GTs in breach of UNC so their protection may be to order 44 audits)
  - If no audits are required (all shippers meet the performance) the GTs have still incurred costs (contract set-up, cancellation/stand-down fees), the Mod does not recognise this or propose how they are to be recovered
  - The above leads to inefficient procurement activities

# Suggested next steps

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- Mod 379
  - Clarify the rules for the auditor and GTs for financial liabilities
  - Clarify the candidate shipper mechanism
- Mod 379A
  - Consider a better formula to identify the candidate population to enable the GTs to implement the proposal efficiently and / or consider a mechanism to recover costs where no audits are required in a year
- Both modifications
  - Draw up a UNC Guidelines document clearly defining the scope and terms of the audit activity. Note, it may be prudent to get this reviewed by an audit company. The GTs will want to ensure they are procuring the correct service.