Programme Initiation Document:

Xoserve Funding, Governance and Ownership arrangements

January 2015

Version 0.1

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i. Document information

Version Control

Version	Date	Author	Key changes	Reviewed by
0.1 draft	13/01/2015	Nicola Cocks	First draft	FGO Programme Overview Board

Document Sign-Off

The purpose of sign off is to formally give the Programme approval to proceed. The PID is owned by the Programme Overview Board (POB). By signing off on the PID the FGO POB confirm that they are satisfied that the Programme is properly prepared and initiated and that plans, resources and processes are in place for work to commence and continue successfully to Programme closure.

This PID has been based on a number of assumptions. Should these underlying assumptions change, or prove incorrect, the Programme team will review the PID to ensure that the Programme's objectives are still valid. Any discrepancy may require the Programme to be reconsidered in the light of these changed circumstances, and the PID reassessed by the POB and Programme team.

On behalf of the FGO POB:

Printed name: _____

Position: _____

Company: _____

Signature: _____

Date: _____

On behalf of the Programme team:

Printed name: _____

Position: _____

Company: _____

Signature: _____

Date: _____

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1. Executive Summary

The purpose of this document is to provide an overview of the high level plans and context for the execution of the development and implementation of the changes needed to deliver the conclusions of the Xoserve Funding, Governance and Ownership review.

This document forms a single point of reference for the delivery of Programme Management services to the industry, as provided by KPMG.

Ofgem originally initiated a review of Xoserve's funding, governance and ownership (FGO review) arrangements with the main conclusions focusing on three areas:

- The Delivery of services;
- Budget setting, cost allocation and charging; and
- Corporate governance and ownership.

Following Ofgem's conclusions an industry Programme Overview Board (POB) was formed, which undertook an exercise to appoint a Programme Manager to be responsible for giving effect to the FGO review outcomes.

The objective of this FGO Implementation Programme is to implement the reforms to the funding, governance and ownership of Xoserve as set out by Ofgem, by April 2016. This essentially means developing a fully cooperative model which retains the integrated systems and services that Xoserve currently offers the industry. In terms of scope, there are a few exclusions, for example the Programme Manager will not be responsible for implementing any changes to licences or codes – these responsibilities will lie with market participants who will need to use existing industry change mechanisms.

The programme is expected to follow a five stage approach, covering Initiation, Design, Development, Delivery and Closure – with each stage comprising a number of activities in order to deliver the intended outcomes between now and April 2016 – Programme deliverables are detailed in section 5.

As well as detailing the obligations on industry participants to engage with the programme and provide appropriate levels of review and approval, the roles and responsibilities of the parties of the Programme are identified.

In section 7 we provide a high level plan that will be used to guide this programme through the initial months – with the key activities being our attendance of the POB meetings on 16th January and 13th February, as well developing a full programme of work which will be presented to the industry on 13th February 2015.

In the appendices we give an indication of the approach to tracking risks, issues and assumptions, which will be managed in their entirety within standalone documents. We also provide an indicative view of our approach to managing multiple deliverables and stakeholders – a full approach to stakeholder management will be provided within a standalone document.

This document is currently in draft and will be presented to the POB meeting on 16th January 2015 – for discussion, with approval expected in late January early February. It is expected that this document will be updated periodically to reflect relevant programme changes.

CONFIDENTIAL: PRELIMINARY DRAFT – FOR DISCUSSION

2. Background

Xoserve is appointed by the principal Gas Transporters ("the GTs") as the Transporter Agency ("Agency"), with responsibility for discharging the GTs' Licence and Uniform Network Code obligations in respect of transportation transactional services. The range of services includes transportation and energy balancing invoicing services, managing the booking of capacity, running the gas settlement systems and managing the Change of Supplier process.

During 2011-13 Ofgem undertook a review of Xoserve's funding, governance and ownership arrangements ("the FGO Review"). Ofgem published its FGO Review conclusions in October 2013, confirming its preliminary recommendations across three areas:

1) Delivery of services: the integrated systems and services that the Central Data Services Provider (CDSP) provides for both GTs and shippers should be retained. It would be inefficient and complex to split physical service delivery based on the recipient(s) of each service.
2) Budget setting, cost allocation and charging: all users will collectively fund the CDSP which will require changes to the funding approach. A new cost allocation methodology will need to be established and the GTs' price controlled revenue allowance for Xoserve's expected operating cost will be removed. Alongside these changes transparency will be further reinforced through an inclusive annual budget setting process and an invoicing approach which ensures users have sight of the costs they are exposed to.
3) Corporate governance and ownership – governance arrangements will be in line with the full co-operative model resulting in all users taking a share in the control of the CDSP and being accountable for the CDSP's performance risk. To this end, users will be required to operate the CDSP economically and efficiently. More inclusive board arrangements will be established with a robust and transparent process for election to the Board. The GTs will remain the owners as this is the simplest approach to take. However, their rights and liabilities as owners will be restricted.

In order to take forward the programme of work required to give effect to Ofgem's FGO Review conclusions, the industry established in June 2014 the FGO Programme Overview Board ("the FGO POB"), comprising representatives from the GTs, Shippers, Xoserve, independent Gas Transporters ("iGTs") and Ofgem.

The goal of the FGO POB is to achieve in a collaborative manner the transition from prevailing to new arrangements for the funding, governance and ownership of Xoserve consistent with Ofgem's FGO Review conclusions. Ofgem have tasked industry to deliver the FGO reforms by April 2016. The initial view of the FGO POB is that, though difficult, this target is achievable, with phased delivery where practicable in the run up to this date.

Whilst Ofgem's FGO Review conclusions provide overall direction, there is still a significant amount of detailed work required across a number of Workgroups to deliver the transition. The FGO POB concluded that a Programme Manager was required to support the POB in the achievement of its goal.

This Programme Initiation Document sets out the context for the Programme Manager to undertake its role in relation to the FGO Development and Implementation Programme.

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3. Programme Overview

3.1. Objective

The objective of this FGO Implementation Programme is to implement the reforms to the funding, governance and ownership of Xoserve as set out by Ofgem, by April 2016. This essentially means developing a fully cooperative model which retains the integrated systems and services that Xoserve currently offers the industry. The details of the required changes are outlined below in Scope.

3.2. Scope

3.2.1. What is in scope?

The scope of the FGO programme includes meeting the requirements of Ofgem's FGO decision document. The scope outlined below is based on the requirements of the decision document, as well as further options developed in papers by some members of the POB. The first iteration of these papers have been discussed with Joanna Campbell, the Ofgem lead. The scope below requires input and engagement from stakeholders and will be subject to change before a final Programme design is agreed, and a decision made on the blueprint for the final target operating model.

Funding

- The CDSP is to operate on a not for profit basis, with an annual transparent and inclusive budget setting process;
- Develop amendments to the GT's Price Controls Financial Model (PCFM), as necessary; and
- All users to collectively fund the CDSP and to be invoiced for the services that they use[1].

Governance

- Requirement to run the CDSP economically and efficiently
- Requirement for xoserve to operate in line with best practice under the Companies Act 2006;
- Ensure the alignment of service contracts, governance and corporate arrangements;
- More inclusive board arrangements, including a robust and transparent election process and a process to remove board members;
- The Board to be accountable to users and as a minimum to include: an independent Chair, non-executive members and a Chief Executive; and
- The Board to be subject to a performance evaluation framework to monitor the effectiveness of the Board.

Agency Services

- Xoserve is to remain GT owned but with limited rights and liabilities, with all users taking a share in the control and performance risk of the CDSP;
- Changes to Articles of Association and Memorandum necessary to facilitate the required changes, but that:
    - 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

[1] The POB is yet to decide whether to implement a direct or indirect (via GTs) invoicing approach.

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    - Position the risk and reward associated with the provision of services that are not Central Data Services with the shareholders of Xoserve.
- Xoserve will need to agree a new service agreement contract with each recipient of Central Data Services.

3.2.2. What is out of scope?

- The industry, not the Programme Manager, will be responsible for the implementation of industry code modification proposals;
- Ofgem will be responsible for any changes to licences and price control arrangements
- Further development work post April 2016 is out of scope of this programme. This programme is focussed on delivery of the required changes by April 2016. However, the aim is to deliver a solution that will be flexible to accommodate future industry change.
- There is likely to be a requirement for further assurance and advisory work, to assist the Workgroups in the development of key deliverables and to ensure that these work in practice. Any consultancy requirements for work will be identified separately under a new contract.

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4. Approach

4.1. High level roles and responsibilities of key groups/parties

Party / group / organisation	Responsibilities
Ofgem	• Provide input to the programme and approval (or otherwise) that the proposals being developed are acceptable; • Modify GT licence to facilitate the new arrangements; • Modify Shipper licence to facilitate the new arrangements, if required; • Remove the price control revenue allowance from the GT licence; • Modify the GT licence to accommodate the new funding arrangements; and • Act as the appeal body for disputes on budget and finances.
GTs (as shareholders)	• Change Articles of Association, Memorandum and Shareholder agreements to reflect new arrangements.
Industry (Xoserve, Shippers, GTs, IGTs)	• Implement new financial, governance and ownership arrangements; • Develop new cost allocation methodology; • Develop new statement of charges; • Raise UNC (and any other necessary) code modifications; and • Make further changes to Service Agreements, as required.
KPMG	• Programme Management of the FGO programme, including the PMO.

4.2. Programme delivery approach

The programme will be delivered in five key phases. These are summarised below:

Phase 0: Initiation

During this stage we will focus on the mobilisation of the programme, and in doing so:

- Develop and seek approval by POB of a programme initiation document (PID) describing the various different aspects of the programme, programme success factors, KPIs and other relevant programme management details. We expect to prepare one Draft PID for review by a sub group of POB and a final PID for presentation to POB;
- Establish the governance and decision making structures for the programme. This will take the form of preparation of a document describing relevant aspects of the management of the programme. We expect to prepare two drafts of the governance document and one final version for review and approval by POB;
- Create the programme management office; and
- Meet with POB on 16th January 2015 to present the PID and seek approval for the document and the proposed programme management approach.

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Phase 1: Design

During the design phase we will seek to establish programme priorities and prepare a robust plan for delivery, and in doing so:

- Develop a set of blueprints for the target operating model – setting out the key options for meeting the requirements of the FGO programme and implementing this change as business as usual for Xoserve. These will consider the key options for delivery, will be consulted on with industry and then amended to reflect stakeholder input. A decision on the target operating model, and the blueprint to implement, will be sought from the POB in April.
- Agree and document cross industry programme roles and responsibilities and the allocation of these between relevant parties;
- Put in place suitable reporting structures and relevant processes;
- Establish a high level programme plan with milestones and workgroup deliverables. Prepare 2-3 drafts of the programme plan for review and discussion with a subgroup of POB and present a final workplan to POB on 13th February 2015 for review and acceptance; and
- Agree and establish a communication plan and structure for the duration of the programme.

Phase 2: Development

The development phase will see us working with industry through the work groups to propose and challenge process and modification proposals and identify areas for additional research / exploration. This will build on the agreement of the programme design with POB in the Design phase.

The workgroup process will aim to deliver solutions in line with POB's high level aims and objectives, as well as the group's terms of reference. The workgroups will be led by us throughout this phase and the programme focus will be on the development of:

- Feasible recommendations for the early delivery of programme components that merit such an approach being taken;
- Regular workgroup reports / highlight reports for the consumption of parties engaged with the development of the programme;
- Where there are a number of options for implementation or delivery, we will facilitate the production of implementation options / analysis papers;
- Industry engagement activities that add value in terms of generating cross industry buy in and support, as well as raising programme visibility amongst industry parties; and
- Implementable solutions and an indication of the time / resources / mechanisms needed to implement these.

Phase 3: Delivery

During the delivery phase we will be responsible for the management of the process for developing the FGO solution whilst providing support and guidance in relation to the proposals presented in the development phase. The majority of work within this phase will be focused on effective implementation of the programme deliverables.

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Phase 4: Closure

Having assisted with the management of implementation of the deliverables of the FGO Review programme, we will aim to use the Closure phase to ensure that all our critical success criteria has been met and that our work meet the needs of the industry going forward.

We will run the programme through three key workgroups, which cover all of the key deliverables and tasks. These are: Agency Services, Funding/finance and Governance. The specific scope of each of these workgroups is set out in the Deliverables section.

4.3. Programme Manager Roles and Responsibilities

KPMG Resources	Role	Responsibilities
Nicola Cocks	Programme Manager	• Work closely with the FGO POB to bring about a Programme of reform that is fit for purpose and closely aligned to the needs of the market going forward; • Assume overall responsibility for the operation of the POB meetings and work groups; • Responsible for signing off the papers to the POB and workgroup members; • Actively engage with members of the POB and wider industry leaders; • Responsible for identifying, communicating and, where necessary, escalating programme risks; and • Lead on the planning and scheduling of the programme and its activities.
Mayokun Alonge Jacob Kane	PMO	• Provide day to day operational support – including the preparation of meeting documentation prior to and following meetings; • Act as a point of contact for the industry, interfacing with key stakeholders on a regular basis and tracking and updating the stakeholder engagement strategy and communications plan; • Responsible for highlighting and tracking programme risks, issues, actions and decisions; • Act as secretariat for POB and Workgroup meetings; and • Provide insight, challenge and review based on insight and knowledge of the industry and Ofgem.
Alistair Buchanan	Engagement leader	• Provide advice and guidance on any issues escalated for their attention. This is likely to include stakeholder engagement advice particular at Board level; and • Act as point of escalation for issues.
Duncan Michie	Expert panel lead	• Responsible for managing any interfaces with KPMG's subject matter experts; • Lead on all contractual matters; and • Provide challenge to the KPMG team to ensure robust delivery.

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4.4. KPIs + success criteria

[To be discussed and agreed with POB]

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5. Deliverables

The table below summarises each of the key deliverables identified to date for delivery under this programme. These have been separated into three groups in line with Ofgem's required changes to funding, governance and ownership. The table includes details of each deliverable, its intended purpose, the workgroup to which it belongs and the group/individual ultimately responsible for final approval. As with the scope section, the deliverables table below includes the key deliverables required in Ofgem's document, and further deliverables identified in the current drafts of the options papers. A deliverables map, summarising the likely sequence of completion of deliverables and the key dependencies is included at Appendix 1. This will be discussed with the POB in order to identify target dates for each deliverable.

The list of deliverables presented below, and their specific content, purpose and timing will be subject to change following consultation and engagement with stakeholders.

REF	Deliverable	Purpose	Workgroup	Responsible	Target date
1	Funding				
1A	New cost allocation methodology	Ensure that: Xoserve has certainty of its revenue stream from the provision of central services and has assurance of funding for those identifiable and predictable activities; and Service users have transparency of the costs for which they are liable and the terms of liability.	Funding / finance	Requires industry agreement before POB sign off Requires Ofgem review before implementation	[tbc]
1B	New statement of charges	Ensure that: Xoserve has certainty of its revenue stream from the provision of central services and has assurance of funding for those identifiable and predictable activities; and	Funding / finance	Requires industry agreement before POB sign off Requires Ofgem review before implementation	[tbc]

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REF	Deliverable	Purpose	Workgroup	Responsible	Target date
		Service users have transparency of the costs for which they are liable and the terms of liability			
1C	*Amendment to T1 and GD1 price control financial model and licence conditions, to remove revenue allowance*	*The revised funding arrangements mean that the price controlled revenue allowance must be removed by Ofgem from GTs. Ofgem must therefore amend the relevant licence conditions.*	*Funding / finance*	*Ofgem – but POB may need to ask Ofgem to trigger this action, once relevant amended funding arrangements are in place*	*[tbc]*
1D (sub 1A and 1B)	Credit risk management arrangements	Sub deliverable to the charging methodology and charging statement. To assure the ongoing viability of Xoserve's service provision and the business-critical systems that it provides and services that it delivers and to protect the interests of the community of service users and the wider industry	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1E	Inclusive budget setting process (annual)	Ensure that: Xoserve has certainty of its revenue stream from the provision of and has assurance of funding for those activities; and Service users are engaged in the budget setting process in order to ensure that the costs and outputs to be incurred are reasonable and justifiable.	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1F (sub 1G)	Framework for invoicing	Sub deliverable to the transparent invoicing approach. To be used to agree the process for invoicing specific parties – namely – directly or indirectly. As well as identifying related issues such as frequency and format of invoices.	Funding / finance	Requires industry agreement before POB sign off	[tbc]

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REF	Deliverable	Purpose	Workgroup	Responsible	Target date
1G	Transparent invoicing approach	Ensure that: Xoserve has certainty of its revenue stream from the provision of central services and has assurance of funding for those identifiable and predictable activities; and Service users have transparency of the costs for which they are liable and the terms of liability	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1H (sub 1G)	Framework, process and plan for developing the Business Plan	Sub deliverable of 1G – ensuring that the process of setting the business plan is fully inclusive and reflective of the cross industry impact of Xoserve's role.	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1I	Business plan for Xoserve	Business plan to set out how Xoserve is financed and funded and how its services will evolve in future years	Funding / finance	Review by all recipients Approval from Xoserve Board	[tbc]
1J (sub 1A and 1B)	Financial model	Sub deliverable to the charging methodology and charging statement A financial model for the funding of Xoserve is needed to consider requirements for operating expenditure and investment	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1K	Annual budget for 2015/16	The budget needs to set out Xoserve's expected expenditure and is a sub deliverable to the cost allocation methodology which will be used to calculate charges for individual recipients	Funding / finance	Requires industry agreement before POB sign off	[tbc]
1L	Process for notifying Ofgem of within year budget changes	Escalation process required for unexpected changes where regulatory oversight is required.	Funding / finance	Requires industry and Ofgem	[tbc]

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REF	Deliverable	Purpose	Workgroup	Responsible	Target date
		This deliverable will include the escalation process within industry that will take place before escalation of any issues to Ofgem.		agreement before POB sign off	
1M (Link to 2F)	Escalation process for issues – escalation to Ofgem	Process to be agreed for internal escalation of budgetary/funding issues by POB, with escalation to Ofgem as a last resort.	Funding / finance	Requires industry and Ofgem agreement before POB sign off	[tbc]
2	Governance				
2A	More inclusive board arrangements	Board arrangements that meet best practice requirements and ensure that Xoserve as CDSP is accountable to all users	Governance	Requires industry agreement before POB sign off	[tbc]
2B (sub 2A)	Board composition and constitution	Sub deliverable to the revised board arrangements Set out the agreed composition and constitution for the Board, ahead of election processes – with options to consider how succession and continuity is managed.	Governance	Requires industry agreement before POB sign off	[tbc]
2C (sub 2A and 2D)	Role specifications for Board members	Sub deliverable to the revised board arrangements and to the election process Specifications for individuals to meet in order to be considered for a Board position.	Governance	Requires industry agreement before POB sign off	[tbc]
2D	Robust and transparent election process	To ensure the fair election of suitable and skilled members to the Board – and considering the extent to which cross industry participation can be facilitated.	Governance	Requires industry agreement before POB sign off	[tbc]
2E	Performance evaluation framework	Establishing mechanisms to monitor Board effectiveness and consider the implications of resultant outcomes.	Governance	Requires industry agreement before POB sign off	[tbc]

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REF	Deliverable	Purpose	Workgroup	Responsible	Target date
2F	Voting process for dismissal of Board members	To specify conditions and requirements for service users to remove specific Board members if required	Governance	Requires industry agreement before POB sign off	[tbc]
3	Agency Services				
3A	Changes to Articles of Association	Changes will need to be made to the Articles of Association, to ensure that the fully cooperative model is reflected in the risks and control of Xoserve, with responsibilities for all users and not just the GTs as owners. Xoserve will still be able to provide additional (non CDSP) services – although these services remain out of scope of this programme.	Agency Services	Requires industry agreement before POB sign off	[tbc]
3B	Changes to Memorandum and or Shareholder Agreement	Changes will need to be made to the Memorandum, to ensure that the fully cooperative model is reflected in the risks and control of Xoserve, with responsibilities for all users and not just the GTs as owners. Xoserve will still be able to provide additional (non CDSP) services – although these services remain out of scope of this programme.	Agency Services	Requires industry agreement before POB sign off	[tbc]
3C	Customer contract framework	Xoserve will be able to provide both core and other (non-core) services to recipients. The customer contract framework will set out the standard structure, content and requirements for each user specific service agreement with individual service users.	Agency Services	Requires industry agreement before POB sign off	[tbc]
3D (sub 3C)	Contract between Xoserve and each user	Sub deliverable to the customer contract framework. Xoserve will need to agree and put in place new service agreements for the provision of services with each service user.	Agency Services	Requires industry agreement before POB sign off	[tbc]

CONFIDENTIAL: PRELIMINARY DRAFT – FOR DISCUSSION

REF	Deliverable	Purpose	Workgroup	Responsible	Target date
		Xoserve will still be able to provide additional (non CDSP) services – although these services remain out of scope of this programme.			

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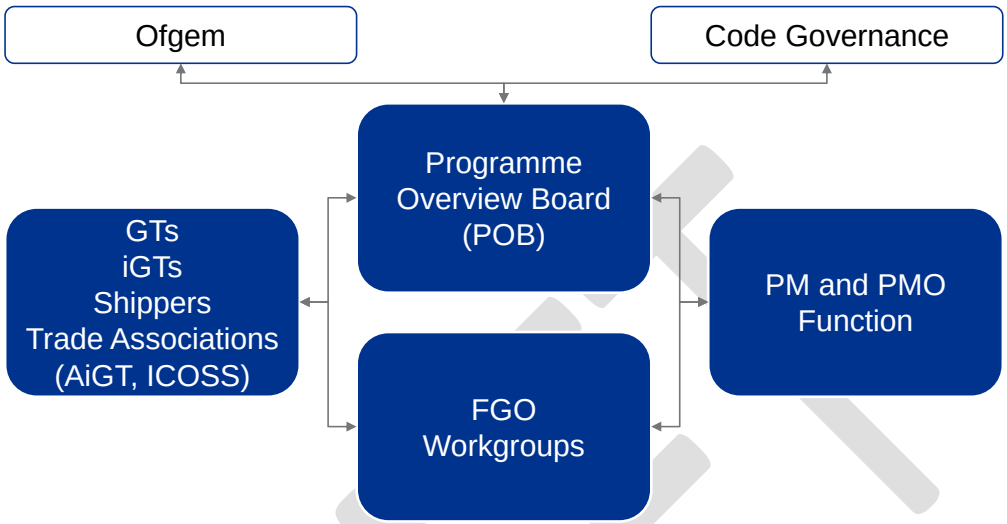
6. FGO programme Governance

A high level summary of the proposed Governance arrangements for the Programme are set out in the figure below.



6.1. Roles and responsibilities

Name	Role	Responsibilities
FGO POB	Oversight and governance of the programme, including overall decision making.	• Decision makers to drive the programme forward, and approve final deliverables for submission to Ofgem, to wider industry (via relevant codes) or through implementing operational changes to Xoserve
Programme Manager and PMO	Programme Management and PMO activities.	• Please see the table presented in Section 4.3.
FGO Programme workgroups	Progress the specific deliverables within each workgroup, through discussion at meetings, joint working and consultation.	• Develop the key deliverables within each workgroup for consultation among wider industry and for submitting to POB for approval • Although POB has overall decision making responsibility, workgroups will make decisions on recommendations to the POB

Name	Role	Responsibilities
Ofgem	Regulatory oversight, involvement in meetings and escalation of issues unresolved by POB, where appropriate.	• Attend meetings and participate in discussions; • Review key deliverables as appropriate; • Provide input and advice; and • Approve key deliverables and enact key tasks, including licence modifications and UNC approvals.
GTs	Continued participation in POB and workgroups as well as providing challenge to ensure the robustness of solutions.	• Attend meetings and participate in discussions; • Review key deliverables as appropriate; • Provide input and advice; • Ensuring workgroup representatives are sufficiently experienced and of the seniority required to approve and authorize programme outputs; • Communicating outputs and deliverables within organisations and at an industry level as required; • Approve key deliverables and enact key tasks, including raising subsequent modification proposals and internal process changes as relevant.
iGTs	Continued participation in POB and workgroups as well as providing challenge to ensure the robustness of solutions.	• Attend meetings and participate in discussions; • Review key deliverables as appropriate; • Provide input and advice; • Ensuring workgroup representatives are sufficiently experienced and of the seniority required to approve and authorize programme outputs; • Communicating outputs and deliverables within organisations and at an industry level as required; • Approve key deliverables and enact key tasks, including raising subsequent modification proposals and internal process changes as relevant.

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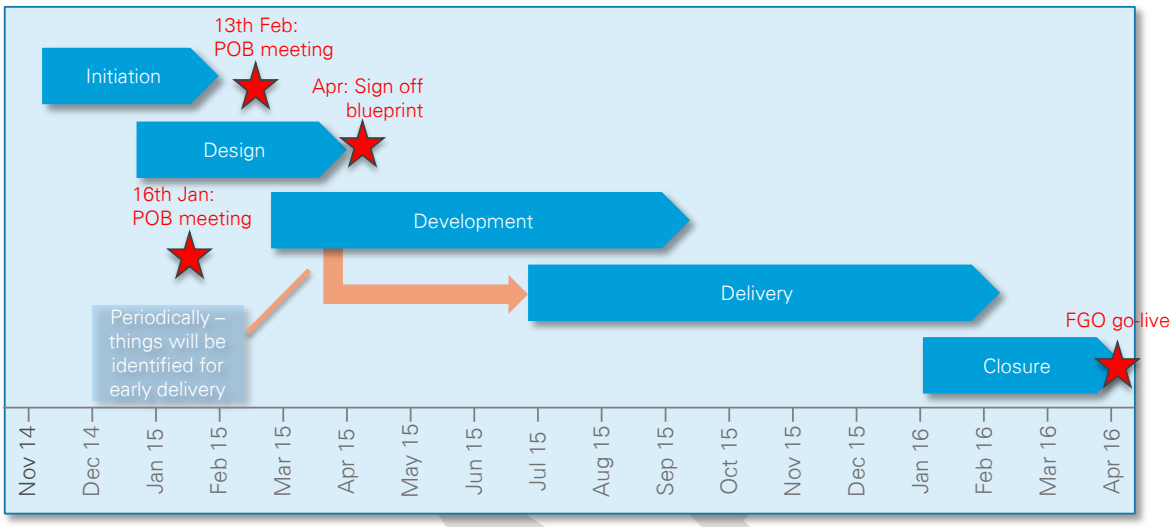
Name	Role	Responsibilities
Shippers	Continued participation in POB and workgroups as well as providing challenge to ensure the robustness of solutions.	• Attend meetings and participate in discussions; • Review key deliverables as appropriate; • Provide input and advice; • Ensuring workgroup representatives are sufficiently experienced and of the seniority required to approve and authorize programme outputs; • Communicating outputs and deliverables within organisations and at an industry level as required; • Approve key deliverables and enact key tasks, including raising subsequent modification proposals and internal process changes as relevant.
Xoserve	Continued participation in POB and workgroups as well as providing challenge to ensure the robustness of solutions.	• Attend meetings and participate in discussions; • Review key deliverables as appropriate; • Provide input and advice, including current and/or historic process and information documents; • Ensuring workgroup representatives are sufficiently experienced and of the seniority required to approve and authorize programme outputs; • Communicating outputs and deliverables within organisations and at an industry level as required; • Approve key deliverables and enact key tasks, including raising subsequent modification proposals and internal process changes as relevant.
Others	Wider industry participation will be key to success, with key deliverables put out to wider consultation as appropriate	• Respond to key consultations and attend meetings as appropriate

6.2. Decision making

A decision log will be produced and brought to each POB meeting. This will be used to record all planned decisions and to agree the information required and the decision makers for each. This will then be updated to reflect each decision made, to ensure continual progress and to provide transparency.

7. High level plan

The following presents a high level indication of our anticipated delivery steps, in consideration of our view of programme timescales and deliverables – given the information available to us at the time of proposal. A more detailed programme plan will be put together and agreed by February 2015.



In the time between now and 13th February 2015, the Programme Management have committed to:

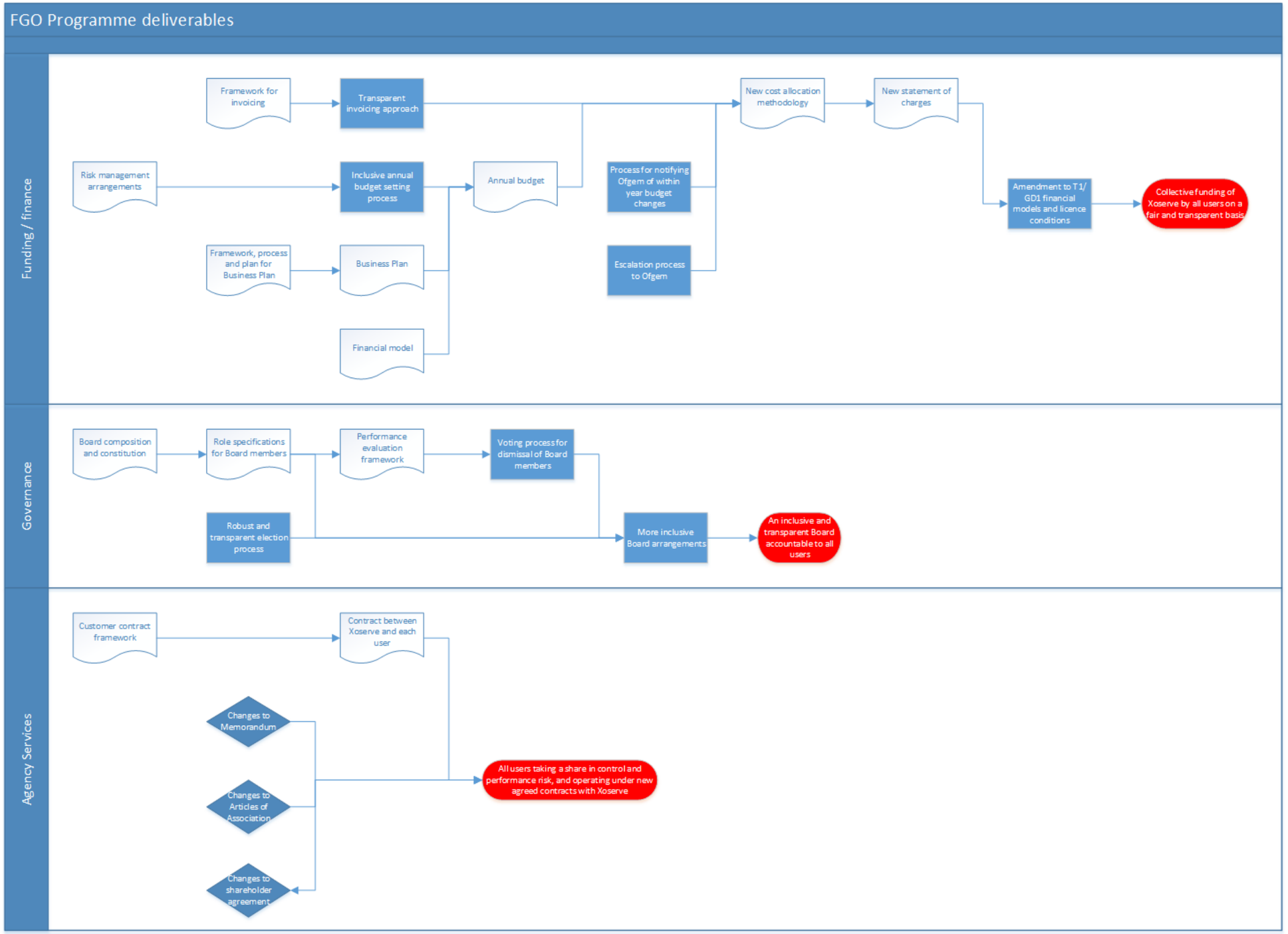
- Create and present a Programme Initiation Document;
- Working through the high level programme deliverables in more detail in order to work these into the detailed plan;
- Undertake a review of programmes currently in place within the gas sector in order to work these into our detailed plan; and
- Meet with the procurement sub-committee to agree terms and conditions and sign the contract.

Following this, the Programme Manager will focus on working with the POB and wider industry representatives to develop designs for the target operating model.

- Develop designs for potential blueprints for the target operating model to be implemented for April 2016. These will cover the options to be considered for meeting the requirements of the FGO review and associated work.
- These designs will be consulted on with industry and updated to reflect this input from stakeholders.
- A decision on the final blueprint that will be established as the target operating model will be sought at a POB meeting in April 2015.

The outcomes of the blueprint review and approvals process will be used to guide and inform further iterations of this document.

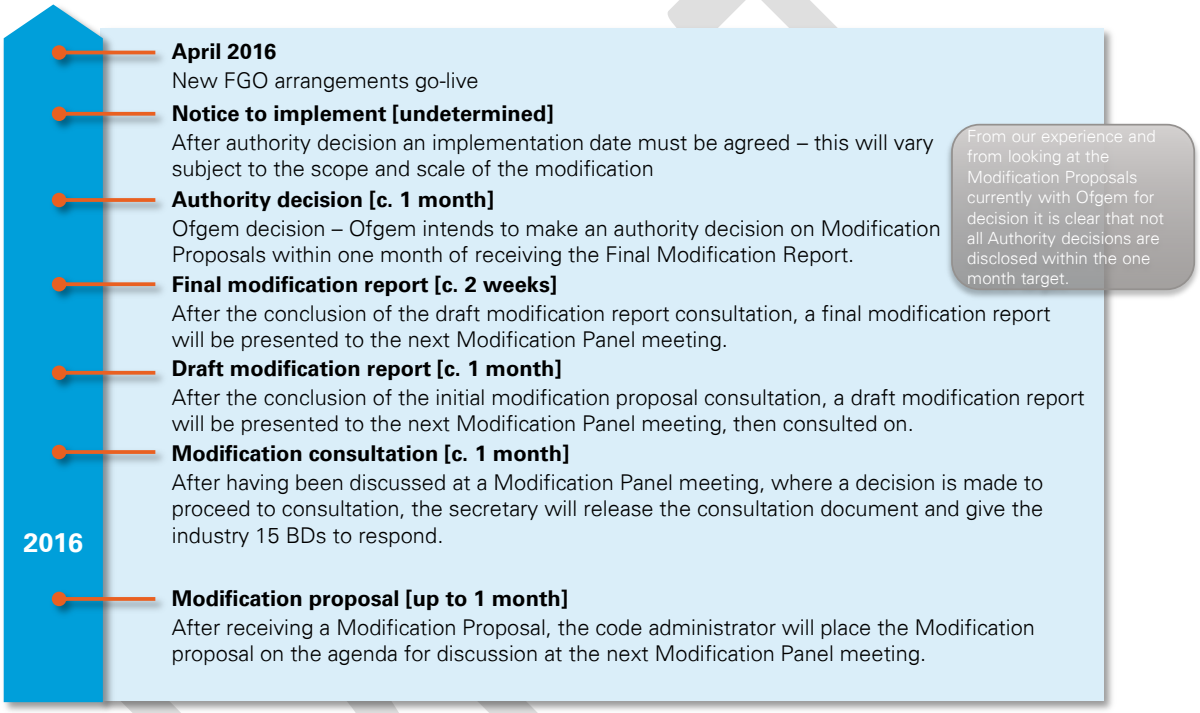
Appendix 1: Deliverables Map



Appendix 2: UNC Modification Process (indicative)

The below diagram demonstrates a relatively smooth UNC Modification process, merely for demonstrative purposes. Consideration must also be given to other mechanisms within the code, which allow for urgent proposals and shortened timescales. We also assume that the Modification Proposals will be in a sufficiently developed state when being raised, which negates the need for the initiation of a UNC workgroup process.

This process suggests that up to five months may be required for any modification proposals to be implemented, which would suggest that we target completion of any modification proposals and their approval by POB by October/November 2015 at the latest.



Whilst the above indicates the progression of a fairly straight forward modification through the code modification process – it is recognised that in order for such a timescale to be realised, the modification would need to be in a very advanced state at the point when the modification is raised. If this were not the case there is a serious risk of the April 2016 target date being compromised.

Appendix 3: Ofgem licence change process (indicative)

Ofgem is responsible for deciding on changes to relevant licence conditions applying to GTs, iGTs and shippers. The process for making a licence modification would typically include:

- Consultation on the proposed modification – minimum of four weeks consultation;
- Minded to decision and statutory consultation on the proposed modification – minimum 20 working days; and
- Decision to implement – 56 days' notice required between publication of decision and implementation of the modification, reflecting 28 days for appeal notification and 28 days for implementation (if no appeal).

This would suggest that any licence modifications required to be in place for 1 April 2016, would likely require:

- Consultation in early November 2015;
- Statutory consultation published by mid December 2015; and
- Decision to implement published by 1 February 2016.

While licence modifications are out of scope of this Programme, they will impact on the delivery timescales for any deliverables required prior to licence modifications being made. Responsibility for making licence modifications remains with Ofgem.

The Price Controls Financial Model change process

It is acknowledged that the Price Controls Financial Model change process also needs to be navigated during the development phase of the programme. Deliverables must be suitably developed in order to feed into this change process.

[Clarification will be sought from Ofgem in terms of the specific timeframes which will need to be met in order to align with the Price Controls Financial Model change process]

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Appendix 4: Tracking key programme areas

Key risks and issues

A full risk and issue log will be developed by the PM in consultation with the POB and FGO workgroups. This will be reviewed at POB and workgroup meetings. The list below is the initial summary of current key risks.

Risk detail	RAG	Mitigation	Owner(s)
Absence of sufficient industry participation to reach justifiable consensus	R	National Grid's survey prior to the programme manager procurement indicated a level of commitment from the industry. The PMO will continue to engage with the industry to ensure sufficient traction with key stakeholders.	• Nicola Cocks • Martin Baker
Other areas of the industry change programme (such as Project Nexus, Smart Metering and EU reforms) could distract from the FGO programme and/or introduce additional complexities to the FGO programme	A	We will need to monitor Project Nexus developments and ensure that any pertinent delays are communicated and managed – with impacts accounted for within the FGO programme.	• Martin Baker
Ofgem could release further guidance and/or requirements that are out of alignment with previous indications – introducing complexities and potential delays	A	The PMO will ensure effective two way communication with relevant stakeholders / decision makers in Ofgem in order to gain early sight of releases from Ofgem.	• PMO

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Constraints and Assumptions

A full record of assumptions will be managed and tracked on an on-going basis as part of our approach to risk and issue management. Below presents an overview of some of the assumptions that we have made in putting together this PID and the initial high level plans.

Assumptions / Constraints	Owner	Status	Action(s)
We assume that the programme will have sufficient access to relevant personnel (with relevant expertise and seniority) from necessary organisations. Sufficient access will involve the provision of timely and relevant comment, feedback and engagement, including but not limited to meeting attendance, meeting documentation review and decision making involvement. If this is not the case the programme could be subject to significant delays.	POB members / Industry	Open	
We assume all FGO related meetings will be quorate and have the requisite levels of decision making authority. If this is not the case, the proposed plan will not deliver against the indicative timescales.	POB members / Industry	Open	
We assume the UNC modification process will remain in line with the process as it is at the time of the programme initiation stage. Any introduction of lengthier modification process steps could adversely impact the FGO programme timescales.	Programme Manager	Open	
We assume the Licence modification process will remain in line with the process as it is at the time of the programme initiation stage. Any introduction of lengthier modification process steps could adversely impact the FGO programme timescales.	Programme Manager	Open	
We assume Ofgem will be included in the development of the FGO programme and will subsequently be supportive of the FGO implementation proposals. If Ofgem raise any objections following the formal proposal of FGO implementation proposals, this could present significant programme delays.	Programme Manager	Open	

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Stakeholder engagement

The following presents an indication of a number of the key stakeholders and is not exhaustive. A full stakeholder engagement and communications plan will be developed and agreed with the POB.

Key Stakeholder	Owner	High level engagement principles
Xoserve	Nicola Cocks	• Ensure effective reporting on programme progress, development, risks and issues is provided directly to relevant levels of the organisation. • Work with Xoserve, to ensure that Xoserve are prepared for implementation in terms of internal resource, systems and process planning.
Gas Shippers / Suppliers	Mayokun Alonge	• Ensure effective reporting on programme progress, development, risks and issues is provided directly to relevant individuals in each licensee. • Work with shippers and suppliers to ensure collective shipper / supplier readiness for FGO developments.
Gas Transporters (incl. iGTs)	Mayokun Alonge	• Ensure effective reporting on programme progress, development, risks and issues is provided directly to relevant individuals at each GT. • Work with GTs / iGTs to ensure collective readiness for FGO developments.
Ofgem	Jacob Kane	• Ensure effective reporting on programme progress, development, risks and issues is provided directly to relevant individuals at Ofgem, including Joanna Campbell and Andy Burgess. • Work with Ofgem to ensure that proposals are sent to Ofgem to progress as soon as possible.
Code Modification Panels / members	Jacob Kane	• Work with members/panels to ensure that proposals are sent to Code Administrators / Code Modification Panels progress without delay. • Ensure effective reporting on programme progress, development, risks and issues is provided directly to relevant individuals/panels; • Ensure that panels/members have access to the information that they required in order to make full and timely decisions; and • Work with members/panels to ensure that any concerns are raised and considered during the development phase, to avoid causing delay at a later stage.

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