

Representation - Draft Modification Report 0565 0565A 0565B
Central Data Service Provider: General framework and obligations

Responses invited by: 5pm 08 December 2016

To: enquiries@gasgovernance.co.uk

Representative:	Sue Hilbourne
Organisation:	SGN
Date of Representation:	08/12/16
Support or oppose implementation?	0565 - Oppose 0565A - Oppose 0565B - Support
Alternate preference:	<i>If either 0565, 0565A or 0565B were to be implemented, which would be your preference?</i> 0565B
Relevant Objective:	c) Positive d) Positive f) Positive

Please note that due to the number of documents required the 'Supporting Business Documentation' page has been linked to the main modification page, which includes the legal drafting as follows:

CDSP/DSC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/DSC> (CDSP and DSC documents)

UNC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/UNCdrafting> (UNC Legal Text)

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s) for each modification

SGNs position on implementation is primarily informed by a single issue. Whilst we consider that all three Modifications will achieve the relevant objectives our contention remains that of the Transporter representation on the Change and Contract sub-committees. We believe that representation should be proportionate to the level of risk and funding that each constituent party faces, which will also help ensure Xoserve are incentivised to manage costs efficiently for the relevant customers. Neither Mod 0565 nor 0565A offer sufficient committee representation to the GDNs with regard to the risk exposures they each face.

Under the proposed FGO model and based on the latest budget information (November 2016), Xoserve will receive funding from parties in the following proportions, on average for the remainder of GD1:

- GDNs – 39.6%;
- Shippers – 31.1%;
- NTS – 26.9%;
- iGTs – 0.5%;
- Traders – 1.6%; and
- non code parties – 0.3%

We therefore consider equal voting rights to all Shipper and Transporter parties, as proposed in Mod 0565A to be inappropriate when the balance of risks faced by each party are completely disproportionate to the percentage of funding expected. This can be extended to Mod 0565 which is giving iGTs more votes than NTS.

We note that in recent workgroups and in a letter to Ofgem, iGTs expressed concerns that they would always be outvoted by GDNs in respect of any restricted class votes. We have considered these concerns and after reviewing the proposed service lines in question, note that of the 13 services (with a cost association) taken by GDNS, iGTs share eight service areas. Of these eight, there are actually only two service areas that could be considered restricted Transporter class and of these only one is shared exclusively between iGTs and GDNs.

In terms of the two services, one is the provision of supply point information services and other services required to be provided under condition of the GT Licence; and the other is the generation of a supply meter point reference number. The combined total of these costs represents approx. 11% of the total cost of the services shared amongst Transporters of which iGTs pick up a small proportion. We would also point out that under FGO, section 1.5.3 (c) of the General Terms section D states, *“no Party shall knowingly exercise any right under this Section D or the DSC in a way, which would result in a Transporter or Independent Gas Transporter being in breach of a Relevant Licence Provision.”*

Therefore, any voting event that would leave an iGT in breach of their licence is not allowed, and since GDNs would have the same concerns and issues it is not thought likely this would ever materialise as an issue.

However, there are a further five service areas that iGTs do not take, such as energy balancing and transportation services; the calculation of metered quantities and volumes; and demand estimation services, and which form a large chunk of the total services provided on behalf of GDNs and Transmission (40%) to the industry. Under Mod 0565 and 0565A, iGTs would have a significant say in matters to which they have no risk or licence condition to deliver. Whilst the iGT representatives have acknowledged this and stated that they have no interest in voting on services that they do not take (Project Overview Board 7th October 2016), this principle is not binding and may not even be appropriate, and therefore the impact this could have to both GDNs and to the CDSP is considered to be significant. It could lead to either costly or sub-optimal change solutions being voted on and passed that GTs have no control over, as a result of a lack of understanding by Shippers and iGTs of how and why a process works a certain way. This raises a real concern that there is a misapplication of the regulatory principle of

putting risk in one place and accountability and responsibility elsewhere, which is inconsistent with good regulatory practice.

Finally, Ofgem's Funding decision in Sept 2016 to impose a reduced price control allowance, effectively prevents GTs from recovering any overspend of these allowances on a pass through basis. This is inconsistent with our regulatory obligation to manage and control costs and to do so efficiently. Our ability to do this is likely to be diminished by a governance model in which we are not able to control change decisions that could come from non-code changes, or even code changes with a range of development options where we are outvoted in terms of solution, resulting in an unacceptable balance of control vs risk and financial exposure being placed upon the Gas Transporters.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

SGN considers that this Mod is not subject to self-governance as it materially impacts on industry parties and UNC governance procedures.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

SGN supports the aim for 1 April 2017 implementation to coincide with Transporter license condition changes.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

The costs of developing this Mod have been estimated at industry level and an allowance has been granted by Ofgem to cover Programme Management and legal costs. No other costs have been identified.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

N/A

Please provide below any additional analysis or information to support your representation

N/A