

## Representation - Draft Modification Report 0506 0506A

### Gas Performance Assurance Framework and Governance Arrangements

Responses invited by: **12 November 2015**

<b>Representative:</b>	Richard Pomroy
<b>Organisation:</b>	Wales & West Utilities Ltd
<b>Date of Representation:</b>	11 <sup>th</sup> November 2015
<b>Support or oppose implementation?</b>	0506 - Oppose 0506A - Support
<b>Alternate preference:</b>	<i>If either 0506 or 0506A were to be implemented, which would be your preference?</i>  0506A
<b>Relevant Objective:</b>	<b>d)</b> Positive for 506 and 506A  <b>f)</b> Positive for 506A

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

The difference between the two proposals is whether the role of Performance Assurance Framework Administrator (PAFA) is done by Xoserve or whether a procurement event is conducted. Our view is that giving the role to Xoserve as proposed by 0506A will enable the service to commence sooner than if the role is subject to a procurement event. Since the scope of the role under 0506 is poorly defined at present we believe that a procurement event will struggle to achieve the lower costs that are generally the benefit of a procurement event. It is better to appoint Xoserve for an initial three year period as proposed by 0506A and then review once the service has been operational for an appropriate period.

We recognise that both 0506 and 0506A will have a beneficial effect on competition between Shippers by introducing a method of monitoring performance of Code obligations. We believe that 0506A will better achieve the efficient administration of Code because it introduces the PAFA with minimum overhead and avoids the expense of a procurement event that is unlikely to produce savings owing to the current, understandable lack of detail in the specification of the PAFA role.

Both modifications bring into effect UNC related documents, we would have preferred that these documents were issued as draft in the modification proposals and were

reviewed and adopted by the Performance Assurance Committee (PAC) once formed. We believe that this would have meant that the PAC took more ownership of the documents rather than having them imposed by the modification process.

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

Both modifications could be implemented with immediately although in both cases the PAFA will not be immediately operational. For 0506 the delay while a procurement event is run by the Transporters is likely to be significant.

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

The impact on WWU will be minimal.

It is important that the Transporter Agency monitor spend on PAFA under 506A to ensure that procurement regulations are not breached. We do not expect this to be an issue over the three year term for 0506A.

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

Yes, subject to the variation request being granted.

**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.*

No

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

We note that the proposer of 0506 is disappointed that the Transporters have indicated that they would intend to use Xoserve to procure the PAFA if 0506 was implemented as this would preclude Xoserve from bidding for the PAFA role. It should be noted that 0506 includes Xoserve in its scope so even if Xoserve was able to bid for the role it could be difficult for it to demonstrate that it would be independent in that role. A further consideration is that the, shortly to be introduced new Xoserve Funding, Governance and Operation arrangements, will have the effect of making bidding for commercial opportunities unattractive for Xoserve so it is unlikely that Xoserve would bid for the role even if it was able to do so.