
















Workgroup Report		At what stage is this document in the process?
<p>0565 0565A 0565B:</p> <p>Central Data Service Provider – General framework and obligations</p>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; padding: 2px; margin-bottom: 2px;">01 Modification</div> <div style="border: 1px solid blue; padding: 2px; margin-bottom: 2px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; margin-bottom: 2px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px;">04 Final Modification Report</div> </div>
<p>Purpose of these Modifications:</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 Workgroup recommends that these modifications should:</p> <ul style="list-style-type: none"> not be subject to self-governance procedures proceed to Consultation <p>The Panel will consider this Workgroup Report on 04 November 2016. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
	<p>High Impact: Large and Small Transporters, Shipper Users and Transporter Agency. Indirect effect on ‘industrial & commercial’ and ‘domestic’ gas consumers.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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Timetable		
Modification timetable:		
Initial consideration by Workgroup	01 December 2015	
Amended Modifications considered by Workgroup	01 November 2016	
Workgroup Report presented to Panel	04 November 2016	
Draft Modification Report issued for consultation	04 November 2016	
Consultation Close-out for representations	02 December 2016	
Final Modification Report available for Panel	07 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 1st 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.

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

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.

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 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 consider 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 arrangements in operation between Transporters, the Transporters Agency and SPAA is being undertaken.

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 use of a formal review, once they have been established.

- It is noted that a number of UNC related or referenced documents would need to be reviewed and amended or withdrawn should the Authority direct either 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 committees prior to 01 April 2017 FGO implementation date.
- It was also noted that the UK Link Subcommittee would need to be closed, as DSC committees would undertake its tasks. Therefore, it is recommended that the UNCC establish a transition process to allow such tasks and activities to migrate to the relevant DSC committees.
- It is recommended that existing UNCC subcommittees review their Terms of Reference to ensure they would be consistent with the FGO regime should it 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 to the implementation date.
- 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.
- Participants were concerned that Licence changes were approved 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 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 on the Joint Office website at this location:
<http://www.gasgovernance.co.uk/0565/sbd>
- The workgroup considered the DSC Committee constitutions proposed by these modifications and note that any of the options proposed could be implemented.

User Pays

It should be noted that the arrangements proposed in these modifications remove the User Pays

process from UNC and therefore User Pays is not applicable.

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	None

satisfied as respects the availability of gas to their domestic customers.	
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

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 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, 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), as they introduce additional and more complex governance arrangements. However, it is likely that these negative impacts would be offset by the increased visibility and a more inclusive approach to the governance of UNC and central systems.

Modification 0565:

Modification 0565 should facilitate relevant objective f) Promotion of efficiency in the implementation and administration of the Code as the DSC committee constitution proposed is representative of industry parties and those bearing the operational and investment risk.

Modification 0565A:

Modification 0565A should further facilitate competition and therefore relevant object d) as no customer group is given an advantage or disadvantage against other customer groups, 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:

Modification 0565 should facilitate relevant objective f) Promotion of efficiency in the implementation and administration of the Code as the DSC committee constitution proposed is representative of industry parties and those bearing the operational and investment risk.

8 Implementation

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

It should be noted that there is a dependency on development of appropriate CDSP funding arrangements and DSC.

9 Legal Text

Legal Text has been provided by National Grid Distribution and is published alongside this report <http://www.gasgovernance.co.uk/0565/>. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution for Modifications 0565 and 0565A.

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, and

Drafting approach document in Appendix C,

Text

Legal Text is published alongside this report.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- These modifications should proceed to consultation.

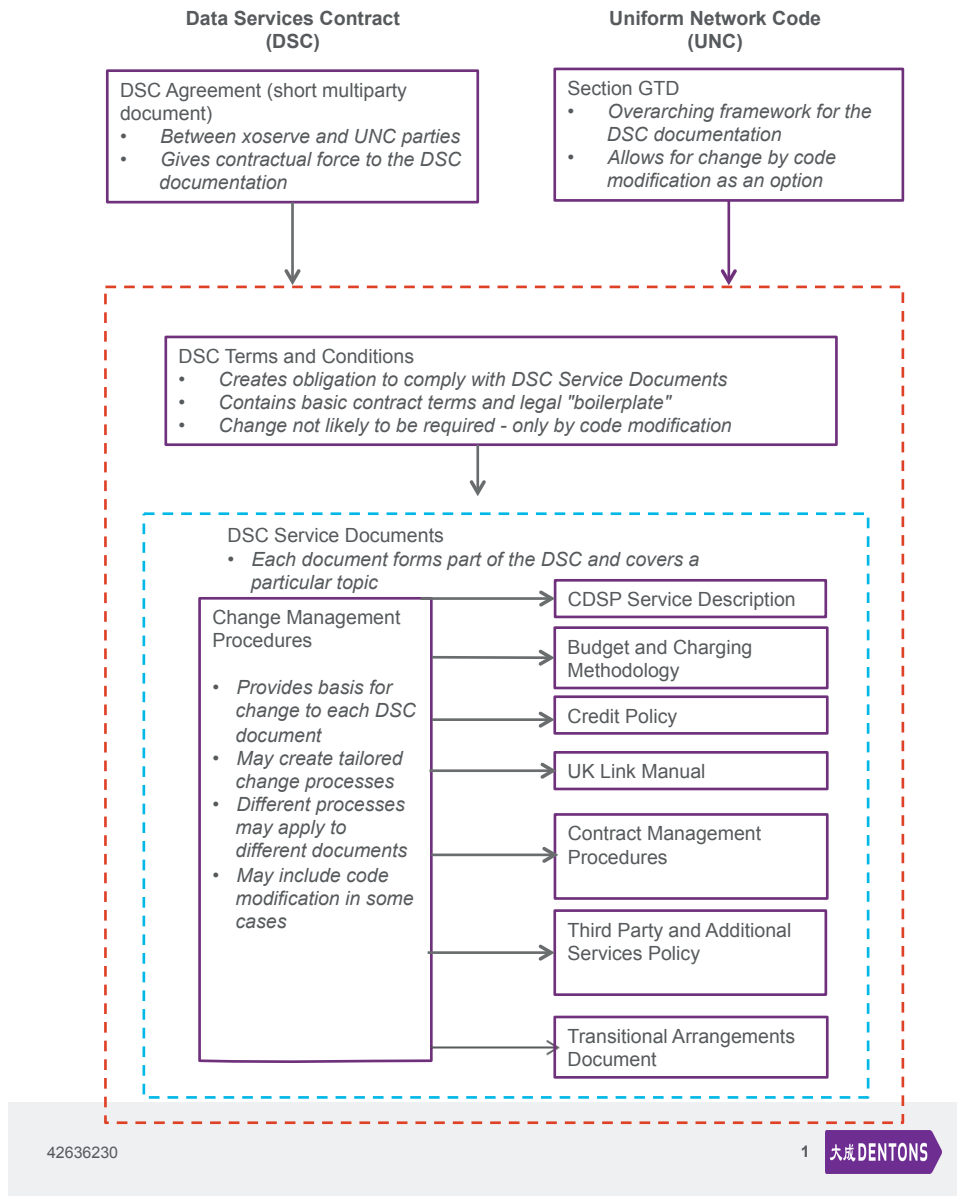
Additional Workgroup recommendations:

- 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 committees prior to 01 April 2017 FGO implementation date.
- That the UK Link Subcommittee would need to be closed, as DSC committees would undertake its tasks. Therefore, it is recommended that the UNCC establish a transition process to allow such tasks and activities to migrate to the relevant DSC committee.
- It is recommended that existing UNCC subcommittees review their current Terms of Reference to ensure they would be consistent with the FGO regime should it be implemented.

Additional?

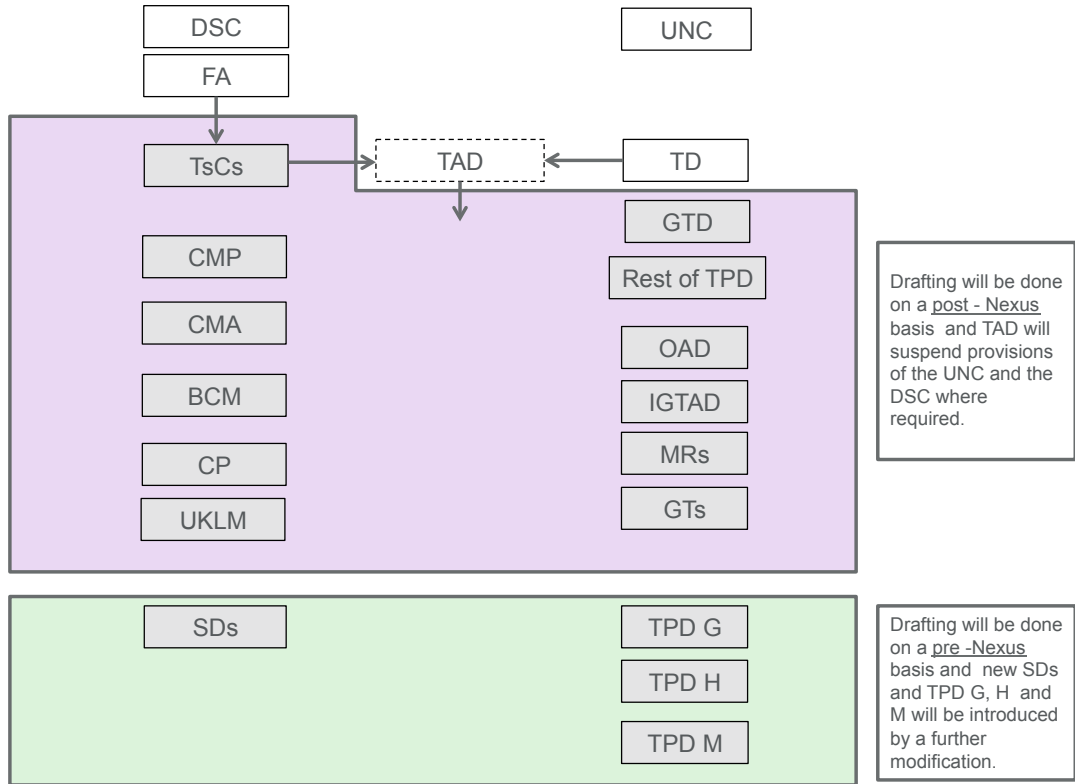
11 Appendix A - DSC / UNC Structure

FGO : Structure of DSC



12 Appendix B – Drafting Approach Diagram

FGO - DRAFTING APPROACH FOR 1 APRIL 2017



13 Appendix C – Not needed?