

XOSERVE FUNDING, GOVERNANCE AND OWNERSHIP REVIEW

TOPIC SUMMARY FOR FGO PROGRAMME OVERVIEW BOARD

TOPIC: Xoserve Board

1) Ofgem's Conclusions

Ofgem has concluded previously that:

- a) There will be a separation of ownership and control, such that the Gas Transporters ("the GTs") as the owners of Xoserve are protected from risks that they are unable to control, whilst also protecting other stakeholders from the risk of inappropriate use of ownership rights by the GTs;
- b) Board arrangements will be more inclusive, comprising members elected using a constituency voting approach, and accountable to the recipients of Central Data Services;
- c) All recipients of Central Data Services ("CDS") will have obligations placed upon them to take a share in the control of the Central Data Services Provider ("the CDSP"), to be accountable for the CDSP's performance risk, and to operate the CDSP economically and efficiently;
- d) Board arrangements should reflect best practice as set down in the UK Corporate Governance Code and consider the recommendations from the independent review of the governance of Elexon;
- e) With regard to Board members:
 - (1) The Board should comprise an independent Chair, non-executive members and one or more executive members, including the Chief Executive Officer;
 - (2) There will be robust and transparent processes for the election and dismissal of Board members;
 - (3) They will be required to perform duties as set out in the Companies Act 2006;
 - (4) They should have the relevant skills and expertise required for being members of the Board of an IT systems service provider;
 - (5) Their effectiveness should be monitored through a performance evaluation framework; and
 - (6) They should receive appropriate remuneration;
- f) The early establishment of transitional Board arrangements is desirable; and

- g) Consideration should be given to the process for future modification of Board arrangements, for example to accommodate new stakeholders.

2) Topic Deliverables

The FGO Programme Overview Board (“the FGO POB”) considers that the deliverables associated with this topic comprise:

- a) The role specification for Board members;
- b) The Board constitution and composition;
- c) Board voting arrangements; and
- d) Board member appointment and removal processes.

3) Giving Effect to Conclusions

Must Do	<ul style="list-style-type: none"> • The establishment of corporate and contractual governance arrangements appropriate to the CDS funding model and to the continued provision by Xoserve of additional services that are not Central Data Services is fundamental to the implementation of the Conclusions.
Options	<ul style="list-style-type: none"> • There is a range of options for the functional scope and purpose of the Xoserve Board, for its composition, and for the method of appointment of members. The functional scope and purpose of the Xoserve Board must take into account the constitution and responsibilities of any governance body that is concerned with the provision of Central Data Services and the planning and budgeting of associated resources and costs
Matters for Resolution	<ul style="list-style-type: none"> • There is a requirement to determine a corporate and contractual governance framework for Xoserve and its provision of Central Data Services that gives absolute clarity of the rights and responsibilities of both Xoserve’s shareholders and the recipients of Central Data Services, particularly with regard to the provision of those Services and the planning and budgeting of associated resources and costs • There is a requirement to ensure clarity of accountabilities for both Xoserve Board members and for the parties that are recipients of Central Data Services