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12th November 2018
Your Reference: UNC Modification Proposal 0673

UNC Urgent Modification Proposal 0673 - Amendment of UNC and DSC arrangements to enable
Xoserve to bid for and provide CSS Services

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which Cadent would like to offer qualified support.

Do you support or oppose implementation?

Qualified Support

Relevant Objective:

We note that the Proposer has identified that this Modification facilitates GT Licence relevant objective f) Promotion of efficiency in the implementation and administration of the Code.

Cadent's view is that, while we agree f) is to a limited extent facilitated, we believe relevant objective d) Securing of effective competition between relevant shippers is of greater significant to this Modification. This is because in our opinion the measures identified enable a customer switching service to be developed by the CDSP under the UNC at less cost to the industry and therefore customers than might otherwise be the case should the CDSP not be appointed to operate the CSS service.

Reason for support/opposition:

The measures identified within this Modification Proposal enable the CDSP, Xoserve to enter the next phase of the DCC procurement process and if successful to be appointed as the Central Switching System Service Provider. This is achieved by the creation of a specific class of CDSP service within the UNC.

Implementation

We concur with the proposed implementation timescales.

Impacts and Costs

No impacts or costs have been identified.

Legal Text

We are satisfied that the Legal Text meets the intent of the solution.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

We have not identified any errors or omissions.

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

In our representation to the previous UNC Urgent Modification (0666) on this topic, we expressed our support for Xoserve's CSS bid as we viewed this as an opportunity for the efficiency of the proposed CSS/OSP arrangements to be maximised. We have not changed our opinion in this respect.

We also noted the short term nature and restricted scope of Modification 0666 and given this position did not oppose Urgent Procedures being applied. However, we also observed that further, more significant and related Modification Proposals were likely to be forthcoming dependant on progress on the bid. We therefore cautioned that Modification 0666 should not be viewed as setting a template for further DSC related contractual arrangements pertaining to the CSS.

Noting the above it is somewhat unfortunate that Modification 0673 was raised with limited industry engagement or notice as to the precise nature of its content albeit we understand why rapid progression of the Proposal was necessary. In this respect the scope of the Modification is significantly wider than that of Modification 0666 in that it expands the definition of CDSP services by creating a new service class, CSS Services.

The Modification requires changes to UNC General Terms (GT) D and the CDSP Service Documents being the CDSP Service Description, Budget and Charging Methodology and Cost Allocation Methodology and Transitional Arrangement Document. The nature of these changes would ordinarily necessitate industry scrutiny to ensure consistency with Xoserve 'Funding, Governance and Ownership (FGO)' principles and to ensure there are no unforeseen consequences or undesirable precedents set.

Therefore, in normal circumstances we would not expect UNC Modifications of this complexity or significance to be conducted through industry governance under urgent procedures given that industry involvement in assessing its merits or otherwise and to discuss the extent to which the GT Licence relevant objectives are facilitated would have been desirable.

Notwithstanding the above, on this occasion we are prepared to offer support as we see little benefit in opposition at this late stage in the overall process given the timing imperatives. Other than our governance related concerns we believe the Modification to be complete and robust to the extent that we understand its objectives. However the lack of full industry scrutiny and testing against FGO principles is the basis for our qualification.

We have one other observation: Within Section 7, the Modification states "this modification seeks to create specific arrangements that apply just to Shipper Users under the DSC". We would challenge the accuracy of this statement. The new provisions establish enduring terms within UNC GTD and represent a significant change to CDSP services which could ultimately be applied to any party.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 07778 150668 (chris.warner@cadentgas.com) should you require any further information.

Yours sincerely,

Chris Warner
Industry Codes Manager, Regulation & External Affairs