

xoserve: addressing Shipper questions

Presentation for DISG 22

19 October 2004

Key tenets of xoserve model

- Decision making rights should reflect exposure to costs, benefits and risks and hence ownership
- Obligations are GT obligations, enforceable against the GTs by Ofgem
- xoserve acts as a service provider to GTs
- GTs will have direct incentive and obligation to procure these services efficiently
- Proposals for governance are in line with Ofgem position
- Non-executive director would facilitate efficient and clear decision making processes
- In line with all businesses, board representation and voting shares lie with xoserve owners
- Business users group to be put in place to allow forum for direct input from Shippers

Potential Shipper concerns (1)

Concern raised by Shippers with respect to protection of their interests within the UNC modification process adequately addressed.

Scenario 1: Shipper raises a modification

Shippers propose a new IS system which will improve levels of service

Will investment be refused ?

Scenario 2: another party raises a modification

A modification is raised against the interests of the majority of Shippers

Will the proposal be pushed through?

In both scenarios the modification process prevents the interests of any party from being ignored

Issue raised as a modification and administered through the Joint Office

Xoserve, GTs and Shippers complete impact assessment

GTs and shippers respond to consultation process

Ofgem makes decision on approval, GTs and shippers can make direct representation

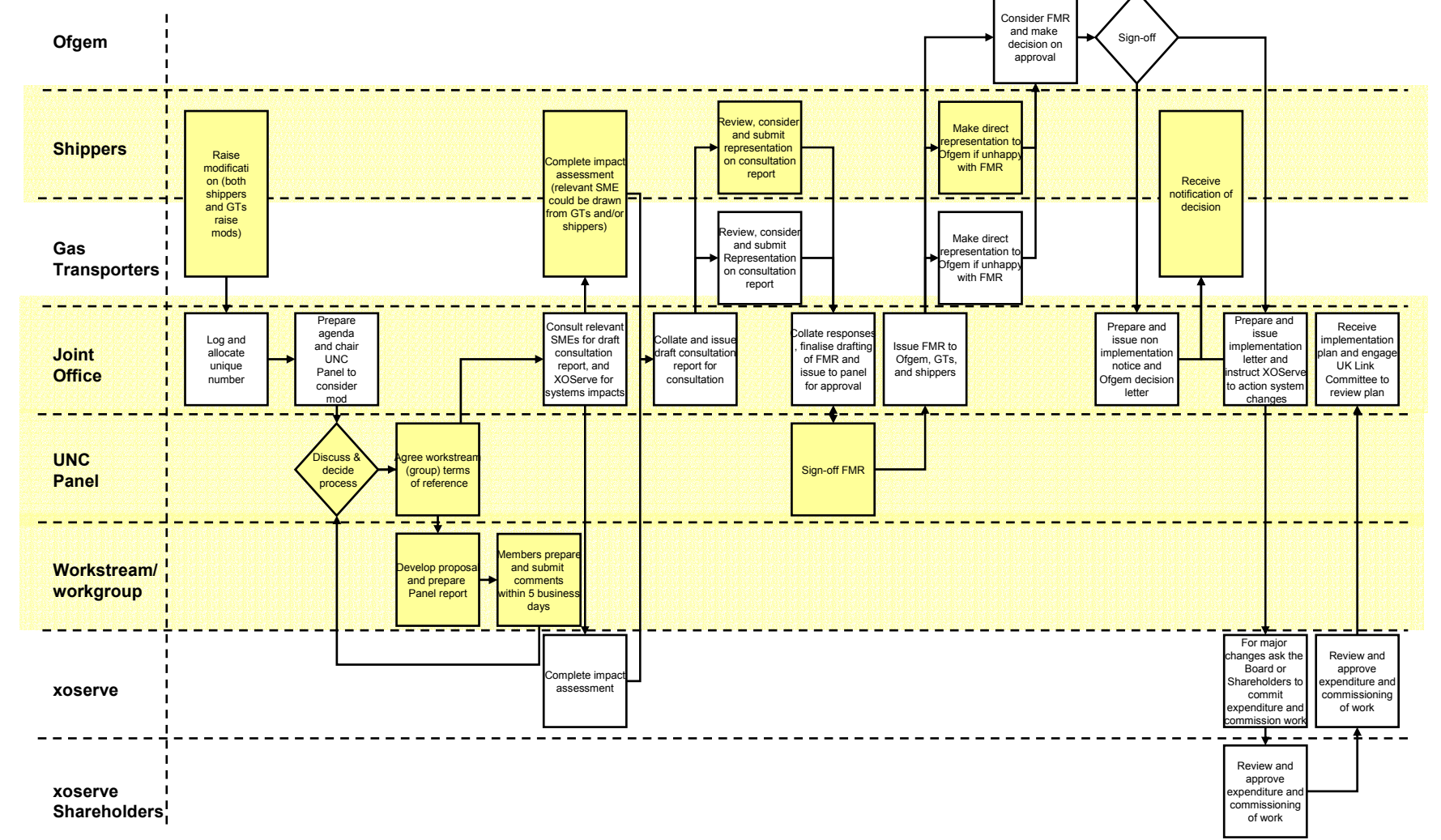
xoserve instructed to action changes

Potential Shipper concerns (2)

Particular concern raised by Shippers with respect to potential xoserve refusal to invest in new efficient systems addressed by:

- GT licence obligations
- Likely to be capable of being raised as a Network Code modification by tighter specificity of service definition
- User group

Shippers have several opportunities to input into the UNC modification process



Summary

- xoserve is a **service provider** to the GTs and does not make a decision on whether or not modifications are approved
- Both GTs and Shippers have clear opportunities to put forward their positions
- Ofgem (and not the GTs or xoserve) is the ultimate decision making authority
- All parties can make direct representation to Ofgem
- A user group will be set up to facilitate direct input from Shippers to xoserve
- xoserve Board obliged in law to act in interests of xoserve; chaired by non-GT non-executive director