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22<sup>nd</sup> October 2007

Dear Ayesha,

**xoserve's response to Ofgem's GDPCR Initial Licence Drafting Consultation, ref 221/07**

Thank you for the opportunity to respond to Ofgem's GDPCR Initial Licence Drafting Consultation. We have limited our response to cover only those issues raised that relate to xoserve, i.e. the framework for User Pays and Price Control Review Information. Detailed comments are provided in the attachment.

We would welcome the opportunity to discuss these issues with you and your team so that we can better understand your objectives in relation to xoserve. If you have any questions or comments about the above please do not hesitate to contact either myself or Nick Salter. We are happy for you to publish this letter and the attachment.

Yours sincerely,



Jon Carlton  
Chief Executive Officer  
xoserve Limited

**Gas Distribution Price Control Review**  
**Initial Licence Drafting**  
**xoserve Ltd Response to Consultation**

**User Pays Framework (2.30, 3.61-3.63)**

Changes are proposed to SC E12 in order to specify, by reference to the charging statement proposed in A15, charges derived from user pays services as excluded. This provides the necessary degree of flexibility to realise the benefits of user pays.

The proposed additions to A15 are consistent with the user pays framework being discussed with the industry. However, the additions are expressed as requiring the licensee to carry out various activities whereas many of the existing sections of A15 require the licensee to ensure certain activities are carried out, reflecting the nature of A15 as being largely concerned with sub-contracting activities to the Agency. We suggest that the proposed additions to A15 are rephrased to be more consistent with the rest of A15. A suggested redrafting is shown in the Annex.

The two points at the end of the proposed amendments to A15 are not required as the charges for user pays services would be defined in the Agency Charging Statement.

The paragraph reference in 10 should be 9 rather than 4.

**Price Control Review Information (3.48)**

This paragraph considers whether xoserve is captured by the phrase “affiliate or related undertaking” in relation to the provision of PCR information. Currently, it would seem that the position is not the same for all licenses. We are happy to provide information as part of the PCR process and have responded to the cost reporting consultation on how this could be achieved cost effectively. In respect of xoserve, the agency role is defined in A15 and it would probably be helpful to make it clear that “affiliate or related undertaking” includes agency.

**Annex – Redrafted A15 Additions**

7. The licensee shall, together with the other relevant gas transporters, ensure that by 1 April 2008 (unless the Authority otherwise consents in writing):
  - (a) a joint agency charging statement “the statement” is determined and prepared, approved by the Authority, detailing the methodology for deriving charges for agency user pays services, the charges associated with such services and the scope of core services and user pays services;
  - (b) the statement is published and shall give or send an electronic copy of the statement to any person that requests it; and
  - (c) complies with the methodology at that date and as modified from time to time thereafter in accordance with the provisions of this condition.
8. The licensee shall, together with the other relevant gas transporters, keep under review the statement and, subject to paragraph 9, from time to time will ensure that the statement is modified to ensure that the information in the statement is up to date and to reflect any changes in scope of user pays services.
9. Except with the consent of the Authority, before a modification is made to the charging statement the licensee shall, together with the other relevant gas transporters, ensure that a report is given to the Authority setting out:
  - the terms of the proposed modification; and
  - a timetable for implementing the modification.
10. The licensee will ensure the modification is made unless, within 28 days of receiving the report under paragraph 9, the Authority has directed the licensee to ensure the modification is not made.
11. The licensee will ensure that the charges for the user pays service lines, as far as reasonably practicable, reflect the costs in providing the service and the setting of the charges for the service lines does not unduly discriminate between or unduly prefer any person or class or classes of persons.