

Kieran Donoghue
Head of Financial Issues – Gas Distribution
Ofgem
9 Millbank
London
SW1P 3GE

Jon Carlton
e: Jon.carlton@xoserve.com
t: +44 (0) 121 623 2300
f: +44 (0) 121 623 2792

20th September 2007

Dear Kieran,

xoserve's response to Ofgem's GDPCR Cost Reporting Consultation, ref 185/07

Thank you for the opportunity to respond to Ofgem's GDPCR Cost Reporting Consultation. We believe that it would be most effective for xoserve to provide data and information directly to Ofgem. We see no merit in each GDN collating and providing detailed data when it is only useful in its aggregated form. We do have concerns over the value gained from the very detailed information provided in the GDPCR BPQ and would seek reassurance that the information requested is adding value to all parties.

The background to the consultation document identifies three objectives for cost reporting: measuring performance against the price control; greater understanding of the businesses' cost base and benchmarking. The relevance of these objectives to xoserve is considered below.

Measuring Performance Against the Price Control

As a non-licensed entity, this objective is not directly relevant to xoserve. Transporters will already have the necessary information on xoserve charges for Ofgem to measure performance against their price control without further involvement from xoserve.

Greater Understanding of the Businesses' Cost Base

As part of GDPCR we provided a BPQ to Ofgem containing very detailed cost information on our activities. It is not clear to what extent this volume of detailed information was utilised in the PCR process and we believe a review of its usefulness would be appropriate. Some information on our cost base is already publicly available in our annual report. We would welcome the opportunity to work with Ofgem to identify the most appropriate level at which to collect additional information so that the reporting process delivers maximum value to all parties.

Benchmarking

We utilise benchmarking to identify areas for improvement in our own activities and we are very happy in principle to participate in a benchmarking exercise initiated by Ofgem as part of the PCR process. However, the current GDPGR process has demonstrated the inappropriateness of benchmarking our activities against those of transporters. For a benchmarking exercise to be successful it's important that the comparators are appropriate and based on a strong body of evidence. We would be happy to discuss benchmarking metrics and comparators that are likely to add value.

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.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Carlton', is centered within a light blue rectangular box.

Jon Carlton
Chief Executive Officer
xoserve Limited