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Dear Mark,

Code Governance Review: Role of Code Administrators and Small Participant / Consumer Initiatives

Thank you for the opportunity to respond to Ofgem's consultation on the role of code administrators and small participant / consumer initiatives. We are responding in our capacity as the Gas Transporters' agent with responsibility for the provision of change analysis and delivery services and systems management services that support the Gas Transporters in the delivery of a range of their UNC and licence obligations.

Our response is limited to the discussion of potential changes to code administrators' responsibilities as set out in Section 3 of the consultation. We have outlined below the nature of xoserve's engagement with the UNC governance process, and have explained how this is limited to only certain aspects of modification analysis. We have also commented on the potential merger of code administration and systems management responsibilities that currently reside in the Joint Office of Gas Transporters ("the Joint Office") and xoserve respectively, and the observations made in respect of the quality of modification analysis.

UNC governance process – xoserve's role

The nature of xoserve's engagement with the UNC governance process is as a provider of information and analysis that is used by code signatories to support and inform their consideration of UNC Modification Proposals ("Proposals"). We always endeavour to provide high quality information and analysis in a timely and professional manner, although the quality of responses will inevitably be affected by the level of clarity and definition in the requests that we receive. In addition to providing these responses, we seek to add value by providing advice at UNC Workstream, Development Group and Review Group meetings, and by holding informal discussions with code signatories that help to guide and inform their thinking on Proposals.

We would make the observation that full modification analysis requires contributions from a range of industry participants, and that our engagement with the UNC governance process is limited in its scope to only certain aspects of modification analysis. Our contribution relates principally to those obligations that fall within the scope of Agency Services as defined in UNC Section V, and the

scope of our analysis supports only some of the six relevant objectives that modifications are expected to better facilitate.

Merger of code administration and systems management responsibilities

We have noted the observations made in the consultation about occasional shortfalls in the UNC Modification analysis process perceived to be due to the non-availability of change impact information to the required level of quality at the relevant stages in the Modification development lifecycle. We have also noted the option outlined in the consultation that these shortfalls might be overcome through the merger of code administration and systems management responsibilities that currently reside in the Joint Office and xoserve, and the suggestion that the merger might realise information and transparency benefits. Code administration and systems management are distinct functions, so we would question whether such a merger would be likely in its own right to result in an improvement in either the quality or availability of information and analysis.

If the provision of timely and robust analysis is considered to be a problem that merits change, we consider that it may be appropriate to review the rules and processes associated with the provision of information to support modification analysis, independent of any change in relationship between the Joint Office and xoserve. A possible reference point for such a review might be the information provision arrangements that are contained within the Business Rules and associated Guidance Document for Modification Proposal 213V “Introduction of User Pays Governance Arrangements into the UNC”.

We note that the consultation suggests a relationship between the merger of code administration and systems management and the funding of systems management. We consider that funding arrangements could be changed independent of a merger, and that a merger could happen without changing funding principles.

Quality of modification analysis

The consultation references UNC Modification Proposal 88 “Extension of DM service to enable Consumer Demand Side Management” and UNC Modification Proposal 115 “Correct Apportionment of NDM Error” as examples of occasions when there has been a difficulty in determining likely systems impact costs. We would acknowledge that the production of analyses for these Proposals was not straightforward, but we consider that the root cause was the difficulty in establishing a firm view of the industry’s requirements. Subsequent systems impact cost analyses in respect of later Proposals on these topics have not encountered the same difficulties, and we attribute this to a clearer understanding of requirements amongst industry participants and a more effective dialogue with xoserve.

If you would like to discuss further any aspect of our response, please contact Martin Baker on 0121 623 2692 or e-mail martin.baker@xoserve.com.

Yours sincerely

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xoserve