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## **Regarding new funding, governance and ownership arrangements for Xoserve**

The Industrial and Commercial Shippers and Suppliers (ICoSS) group represents all the major non-domestic industrial and commercial (I&C) suppliers in the GB energy market, supplying 70% of the gas needs of the non-domestic sector; a number of our members also supply electricity to their customers<sup>1</sup>.

I am writing with regard to the proposals to change the funding, governance and ownership arrangements for Xoserve.

We are still of the opinion that incremental, rather than fundamental change is preferable with regard to Xoserve, in line with the changes determined by UNC review group 0334. To that end the light co-operative model results in the minimum level of disruption and cost to the industry, whilst achieving the desired improvements in transparency and accountability. We are also mindful of the fact that the responsibilities for Xoserve are likely to change in the near future due to the Smart Metering Implementation programme and that any change now will need to be revisited in several years. In light of this incremental change should be progressed first, prior to undertaking more radical change to Xoserve's structure if required once the scope DCC has been finalised.

Our comments above notwithstanding, if a new board framework is implemented, it is vital that Xoserve has a strong and experienced board composed of capable individuals. This will ensure that the company has the leadership necessary to handle the transition to the new arrangements. To ensure this, it is crucial that some form of compensation is made to the companies who have provided representatives voted onto the board. In addition to ensuring that effective and capable individual are nominated, it also makes it far more likely that small shippers and transporters will be prepared to put forward their own staff.

We understand the difficulty in ascertaining a suitable level of compensation, as the time and effort required by the board will vary significantly, in particular during the transition phase and at peak periods (such as setting of budgets). It would seem appropriate therefore that some form of fixed rate is paid to for the board's time rather than a fixed fee.

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<sup>1</sup> Current Membership: Corona Energy, ENI, First Utility (associate), Gazprom Energy, GDF Suez Energy UK, Statoil UK, Total Gas & Power, Wingas UK.



In terms of the board election process, we welcome the proposal to allow shippers and transporters to vote on board representatives. The current Panel election process seems to provide an appropriate mechanism and we would support a similar constituency process where each licence holder (or group of licence holders) has a single vote.

In terms of the proposed funding arrangements, we disagree with the proposal to separate out Xoserve's funding requirements from the rest of the transporter's price control revenue. Unlike usual commercial arrangements, shippers are unable to negotiate or withhold payments due to poor or inefficient services. The additional transparency of costs that a separate line item achieves can also be provided via the annual Xoserve budget, rather than a whole new funding stream that will only add cost and complexity to the industry. The costs for Xoserve should therefore be recovered as they current are, i.e. through transportation charges.

Please feel free to contact me if you wish to discuss this in any further detail. Please note that this response should be treated as responses from each ICoSS member, rather than taken as a single response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Evans'.

Gareth Evans  
Chair ICoSS