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Transmission and Distribution Policy
Ofgem
9 Millbank
London
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3 July 2013

Dear Joanna,

OFGEM'S REVIEW OF XOSERVE

We are pleased to respond to Ofgem's consultation on its review of Xoserve. The GB gas settlements regime suffers from a number of serious weaknesses and the review of Xoserve will be critical to its reform. Accordingly, we welcome the broad thrust of Ofgem's proposals which we believe will go a significant way to addressing the problems that have been identified. Our main concern is that the proposals do not yet go far enough: we believe Ofgem needs to be more prescriptive as to what immediate changes are required and should set out a vision of how Xoserve should evolve in the longer term.

We perceive that Xoserve is unduly focused on the requirements of gas transporters and accordingly the service currently provided by it to shippers suffers from a lack of responsiveness, accountability and transparency. This can lead to poor service quality and value for money. We therefore support Ofgem's proposals to move to a 'full cooperative model' in which Shippers and Transporters have joint control over Xoserve through seats on the Board; to introduce a cost-reflective charging methodology in which charges are recovered direct from shippers; to require that surpluses are recycled; and to provide regulatory oversight by means of new licence obligations and 'step-in' rights. If implemented effectively, these changes have the potential to substantially address the problems identified above.

We understand that the next phase of the review will look at the detailed arrangements for implementation, including legal drafting of licence conditions and other aspects of Xoserve governance. Key considerations for this phase will be:

- **Need for culture change** – We cannot stress enough the need for a culture change in Xoserve if the current issues are to be addressed. Xoserve has historically been focused on Gas Transporters, with other market participants notably Shippers, taking lower priority. Ofgem's proposed co-operative model provides a good starting point, but it will also be vital to re-constitute the Board so that it is well placed to embed and deliver on the new culture.
- **Board structure** – Ofgem is suggesting that industry Board members would be elected via 'constituency groups' - one for Shippers and one for Gas Transporters (including NGGT and, potentially, iGTs), with each constituency voting a designated number of members on to the Board. It will be important that no particular

constituency has disproportionate influence over Xoserve and its board, and that an appropriate balance is achieved within constituencies, eg between LSP and SSP Shippers.

- **Convergence of gas and electricity** – Ofgem should provide a clear steer for the Board that the systems and services of Xoserve should evolve in a direction that can facilitate convergence of governance and process arrangements for gas and electricity. This will be necessary to deliver consumer benefits in the longer term, once smart metering has been rolled out. Ideally we believe the goal for achieving such convergence should be 2017.
- **Xoserve objectives** – Establishing a clear set of objectives for Xoserve will be critical to achieving the culture change and performance improvement that are necessary to improve service quality and deliver better value for money. Although it will be up to the new Board to define the detailed objectives, we think the next stage of Ofgem’s review should consider in detail how these objectives should be formalised (eg in the new Memorandum and Articles of Association and/or the contract for Xoserve’s services) and provide guidance on what should be included. For example, we think the objectives should require that Xoserve:
 - is an advocate for change and invests in innovation (to deliver necessary change for Nexus and for smart metering);
 - is required, and is able, to challenge Shipper behaviour and activity (to ensure no gaming is taking place and costs are recovered from the correct party);
 - provides support for a Performance Assurance regime, e.g. through reporting (to give visibility to performance and issues resulting in settlement accuracy and error);
 - ensures market assurance can be carried out (to assure the industry that settlement is accurate, robust and provides no undue commercial advantage to any party);
 - concentrates on quality assurance (to ensure clean up of data pre-Nexus and continued post-Nexus).
- **Contract management and external audit:** A new contract will need to be drawn up that places fresh requirements on Xoserve and introduces new counterparties. This contract should not simply replicate the Agency Services Agreement (ASA) but should take the opportunity to include the sort of provisions that would normally be expected in a modern commercial services contract, such as a business planning process, KPI setting, operational performance measures, and a requirement to demonstrate value added to the industry. The review by CEPA found that a number of other industry service providers are subject to periodic external Market Audit, using benchmarking and other market evidence to ensure that operating costs are not excessively high. We believe Xoserve should also be subject to such audits, to assure parties to the UNC that it is operating in the best interest of the market and delivering services in the most timely, efficient and economic manner. This would also help licensees discharge any new obligations to ensure an efficient and economic service from Xoserve.
- **Option for competition in services:** Although we support a move to a ‘full cooperative model’ as a step in the right direction, we still believe that the best long term solution is the ‘contracted services’ model in which a new entity is created whose role is to contract out service delivery to third parties. Ofgem cites TUPE and pension issues as a reason for rejecting the contracted services approach, but

we are not persuaded that these issues are insurmountable, and would urge Ofgem to investigate them more thoroughly in the next stage of this review. Even without moving to a pure 'contracted services' model, opportunities could be sought to market test aspects of Xoserve's service and introduce competitive tension. For example, we think an option should be placed in the contract arrangements, whereby if Shippers/Transporters decide that Xoserve is not meeting their requirements, they can go out to tender for some or all of the services. This would focus Xoserve on service delivery and incentivise them to meet the needs of their customers (the Shippers and Transporters). We understand the current service contract continues until May 2016 - so this might be an appropriate date for this option to be exercisable. This timetable would also align well with developments in the smart metering programme and possible convergence of gas and electricity arrangements.

Further detail on these points is provided in Annex 1, together with our responses to the consultation questions.

Please contact me if you have any questions on this response. We would welcome the opportunity to discuss these matters further with Ofgem.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line.

Rupert Steele
Director of Regulation

OFGEM'S REVIEW OF XOSERVE – SCOTTISHPOWER RESPONSE

1. Introduction

As noted in the covering letter, we welcome the broad thrust of Ofgem's proposals for Xoserve, which we believe will go a significant way to addressing the problems that have been identified.

Our main concern is that the proposals do not yet go far enough: we believe Ofgem needs to be more prescriptive as to what immediate changes are required and should set out a vision of how Xoserve should evolve in the longer term.

We answer the specific consultation questions in section 3 below, but first review what we consider are the key drivers for change.

2. Drivers for change

Xoserve quality of service and adaptability to change

As recognised in the Ofgem review, the focus of Xoserve's governance toward transporters has led to major issues with the service currently provided to shippers. These include lack of responsiveness, accountability, transparency, and adaptability to change. Although the gas market model has deficiencies, the way in which Xoserve operates exacerbates the situation. Since we submitted our initial response to Ofgem's review, some 19 months ago, we believe the service provided by Xoserve has deteriorated further.

To give one example, the industry is subject to around £160m pa of 'unidentified' gas¹ which is un-attributable to any one party (£6 pa per customer and ~2.3% of total allocation). Whereas in the past this was all attributed to the Small Supply Point (mainly domestic) sector, there is now a process for this gas to be attributed to the LSP and SSP market sectors through a process known as the Allocation of Unidentified Gas. Given its central role one might have expected Xoserve to be proactive in resolving the unidentified gas problem, but having done nothing to address it since 2006, the new process was eventually introduced following an industry modification from one of the Shippers. The role of the Expert to attribute these values was tendered and awarded to an external consultant as Xoserve had advised that they did not want to do the work. This process itself suffered from lack of transparency. When the AUGÉ failed to deliver data on time and we asked for sight of the contract to determine parties' liabilities, this was refused by Xoserve.

The industry constantly faces issues with Xoserve in the development of Modifications, where Xoserve either cannot or will not provide information to allow the industry to consider the scale of the issues or determine the benefits of introducing a change to address problems. Coupled with this, the costs that Xoserve quote for changes to systems and processes often seem very high when compared with costs in relation to similar issues in other sectors.

Project Nexus is a good example of Xoserve's inability to adapt to change. Ofgem agreed to Allowed Revenue to update Xoserve's systems which industry was often told were

¹ GL Noble Denton AUGÉ Statement December 2011 (Page ii)
<http://www.gasgovernance.co.uk/sites/default/files/AUGS%202011%20Version%204.pdf>

cumbersome to change and at risk of falling over. Project Nexus, managed by Xoserve has been running for 4 years and the system is not due to be delivered until 2015, another 2 years. It is now the position that the Price Control Review where funding was granted has ended, and Xoserve has still not introduced the new system.

Cost and efficiency of Xoserve service

According to published accounts, Xoserve's service costs almost 50% more than Elexon (£43m versus £30m) and it employs roughly three times the number of staff (315 versus 104). Although Xoserve performs certain functions in the gas market that are performed by NGET for electricity, there are other areas where Elexon delivers far more than Xoserve, for example data, process and performance assurance, as well as code governance (which for gas sits within the Joint Office of Gas Transporters). We suspect that Xoserve offers significantly poorer value for money than Elexon, in particular as the Xoserve staff numbers do not seem to account for offshore services, and consider this is an area that could usefully be benchmarked in more detail.

We would also note that Xoserve is the only business of its type within the energy market that operates on a "for profit" basis. There is a lack of transparency around the treatment of these profits, and it is not clear to us how these profits are treated under the price control.

We would also question whether the pension arrangements offered to Xoserve staff may be more generous than necessary. Xoserve was created when National Grid Gas divested four of its eight gas distribution networks in 2006. While we can understand why National Grid Gas staff who transitioned to Xoserve may continue to benefit from the National Grid scheme, we do not see why new employees should also benefit from what looks like a rather expensive scheme (32% employer and 3% employees contribution). In contrast, Elexon has operated its own scheme since 2006 independent of National Grid Electricity Transmission.

On a related point, it has been suggested that one of the barriers to contracting out Xoserve services would be the cost of 'crystallising' pension liabilities. While organisational change may lead to some timing issues on pension liabilities, we are unpersuaded that this would be a good reason to pursue a suboptimal outcome.

Convergence of gas and electricity

We believe that deployment of smart metering presents a once in a generation opportunity to deliver benefits to consumers through convergence of electricity and gas processes and governance. As well as delivering substantial synergy savings, this could also promote innovation in service development. If the situation with Xoserve is not addressed this may hinder that prospect – and that is why we believe that this should be a key driver for the Ofgem review. We believe that there should be a goal of having efficient and proportionate governance for the smart arena by 2017.

3. Answers to consultation questions

Question 1: *Do you agree that there are benefits in retaining the central service provider as one delivery body for all systems and services, including Gemini systems? Do you consider there to be an alternative structure with greater benefits? Please provide evidence of the additional benefits?*

In the short term, we agree that there are benefits in retaining the central service provider. CEPA's assessment found that the current architecture of the systems is complex and

highly integrated. While it may be possible to physically re-engineer systems to provide clear lines of separation between ownership of system processing responsibilities and service functionality, this is likely to be a time consuming and costly exercise. However, it will be important to make the most of opportunities from future IT development and enhancement programmes to build in this separation from the outset.

For example, regulatory changes are under way in the EU which could potentially have a major impact on the Gemini system, the functionality of which is integral to the operations of National Grid's Transmission System. In addition, major IT changes and enhancements are being undertaken as a result of UK Link re-platforming and development under Project Nexus. Further development may also be required to facilitate improvements to the change of supplier process under Smart Metering developments. It is our view that opportunities will be available, and therefore should be maximised, to reduce complexity, improve efficiency and deliver operational and financial benefits from gas IT systems going forward, with increased scope for separation of functionality across specific operations and business owners. This has the potential to allow particular aspects of service delivery to be open to competitive tender and therefore bring about much needed improvements in service quality and efficiency, cost savings and diversity of service offering.

When current Xoserve service lines and deliverables were considered in detail by CEPA and the workgroup, in order to distinguish which party or group of parties were the key beneficiaries of service delivery, it was found that, in many cases, more than one party benefitted. This makes it difficult to assign costs on the basis of service beneficiary or grouping of beneficiaries, potentially resulting in cross-subsidy of costs between UNC parties. Going forward, it will be important to improve the level of transparency over service beneficiaries order to effectively assign service lines and service delivery costs to the parties who benefit from or use the services.

Question 2: *Do you agree with our preliminary recommendation for how future budgeting, charge setting and invoicing arrangements should work? Do you consider there to be greater benefit in establishing other arrangements? Please state your reasons why.*

Under the proposed arrangements, Shipper representatives will be given seats on the Board. This should bring commercial (non-regulated) experience to the Board and ensure that the interests and considerations of both Shippers and Transporters are taken into account in the process of setting budgets and charges. In addition we hope that it will introduce, if it is not there already, robust operational governance, for example KPI reporting and management performance. At present, Transporters are solely responsible for these functions with Shippers having no direct say or visibility of the running of Xoserve affairs. This has resulted in a lack of transparency on how business plans and budgets are set and subsequently agreed, where resources are being targeted and how priorities are determined and agreed. In particular, with regard to the funding arrangements for Project Nexus, Shippers have experienced frustration when seeking clarity on what has and has not been included within Gas Transporter expenditure allowances under the Price Control. This lack of assurance has led the industry to question the role of Xoserve and whether an efficient and effective service is being delivered.

Under Ofgem proposals, future IT projects will require to be secured via alternative investment and capital expenditure arrangements with these costs being recovered directly from users. We believe that this is a positive step in that increased transparency will be introduced with the added assurance that investment decisions will be based a more diverse range of opinions taking into account the current and longer term aspirations of the industry as a whole, rather than that of just the Transporters.

We support Ofgem's recommendation to establish transparent funding arrangements and the removal of cost recovery through transportation charges. However it is equally important that Xoserve demonstrate that they are delivering a value added service and are doing so in an effective, efficient and economical manner. We expect Xoserve to take on a more assertive role in ensuring that Shippers and Transporters adhere to UNC obligations, specifically in relation to the timely provision, maintenance and accuracy of data which impacts the accuracy of gas settlements and Shipper costs. In order to incentivise the correct behaviours and standards of service delivery from Xoserve, we believe that performance incentives require to be built into the contractual agreement between them and the Transporters and Shippers. The contract agreement should also be subject to periodic evaluation and review ensuring that the service expected is delivered and that the incentives are correct on all parties. We are of the opinion that this option will focus Xoserve on key service deliverables and ensure that they meet the needs of their customers (i.e. Shippers/Transporters).

We believe that, following a specified period for example 3 years from contract commencement there should be an "opt-out" clause in the contract. Under this scenario if the Shippers/Transporters decide that Xoserve is not meeting key deliverables that future services delivery is subject to competitive tender, therefore allowing Xoserve's proposals to be benchmarked externally and incentivising Xoserve to focus on service delivery up to the 3 year period and demonstrate that they are the correct party to manage the gas arrangements thereafter. This proposal would tie into the wider industry reform that is being pursued under the smart agenda and ensure that the services, ultimately paid for by consumers, are economic and efficient.

Question 3: *What are your views on the measures we have identified to ensure regulatory oversight is maintained?*

We agree that it is important that the costs associated with operating a central service provider such as Xoserve are appropriately monitored and controlled and that adequate accountabilities are put in place should budget overruns occur. We therefore support in principle the proposals put forward by Ofgem to maintain oversight, including legal obligations on parties to ensure that the service is operated in an efficient and economic manner and step in powers for Ofgem in the event that a budget cannot be agreed or is appealed.

However, a legal obligation to ensure efficient and economic operation is of limited value unless the parties are empowered to take the full range of actions that may be required to achieve this, including market testing and contracting out of Xoserve services.

The review by CEPA found that a number of other industry service providers are subject to periodic external Market Audit, using benchmarking and other market evidence to ensure that operating costs are not excessively high.² As a minimum, we believe Xoserve should also be subject to such audits, to assure parties to the UNC that it is operating in the best interest of the market and to give confidence to licensees that it is delivering services in the most timely, efficient and economic manner.

Beyond this, as noted in response to Question 2, we think it is vital that the contractual agreement in place with the central service provider should be subject to periodic review and assessment and open to competitive tendering. Although we support a move to a 'full cooperative model' as a step in the right direction, we still believe that the best long term

² 'The Future Arrangements for the Gas Transporter Central Agent, Annex A: Comparator Review', February 2013', page 11.

solution is the 'contracted services' model in which a new entity is created whose role is to contract out service delivery to third parties. This should span both electricity and gas as we do not believe that it will be efficient or effective to duplicate similar processes in a smart world. Ofgem cites TUPE and pension issues as a reason for rejecting the contracted services approach, but we are not persuaded that these issues are insurmountable, and would encourage Ofgem to investigate them more thoroughly in the next stage of this review.

Even without moving to a pure 'contracted services' model, opportunities could be sought to market test aspects of Xoserve's service and introduce competitive tension. For example, we think an option should be placed in the contract arrangements, whereby if Shippers/Transporters decide that Xoserve is not meeting their requirements, they can go out to tender for some or all of the services. Having such an option in the contract would focus Xoserve on service delivery and incentivise them to meet the needs of their customers (the Shippers and Transporters)³. It would also hopefully deliver the culture change needed in Xoserve. According to Xoserve's annual accounts, under the current Agency Services Contract (ASA) if notice is not given to Xoserve 12 months in advance of May 2013, the service continues until May 2016 - so this might be an appropriate date for the option to be exercisable. This timetable would also align well with developments in the smart metering programme and possible convergence of gas and electricity arrangements.

Question 4: *Do you consider there to be further barriers to adopting a new cost reflective charging methodology which we have not considered? What would be the cost to you of establishing a new cost reflective charging methodology?*

We have not identified any further barriers to adopting a new cost reflective charging methodology. However, we would expect this change in cost recovery arrangements to be supported by a corresponding reduction in transportation charges and for the Transporters to be able to demonstrate it.

Prior to the transfer to the revised governance and funding arrangements, we would need Transporters to produce a financial statement clearly outlining what level of funding relating to major IT projects such as Nexus has already been allowed under the price control allowances and recovered via transportation charges, together with an estimate of that which is still to be funded. A similar statement will be required in relation to annual operating costs.

It is important that the Board responsible for setting future budgets has this level of transparency to enable them to more accurately forecast future expenditure, including capital expenditure and the value of charges which will require to be recovered from parties which will benefit from services.

Question 5: *Do you consider there to be further barriers of the central service provider directly invoicing users? What would be the cost to you of the central service provider directly invoicing users?*

We believe that transparency of price control allowances received by Transporters/Transmission in relation to major IT projects such as Project Nexus and Gemini re-platforming is required. Currently the Industry has no visibility of exactly what level of funding has been made available specifically in relation to Project Nexus and to date what has been outlaid and recovered via transportation charges. When Project Nexus

³ A similar arrangement was put in place for Gemserv, when they spilt from MRASCo.

was launched it was communicated by Ofgem that a Price Control allowance for like for like replacement of UK Link IT systems had been funded. It was initially expected that Project Nexus would be delivered within the period of the Price Control in which the funding was secured, and that enhancements to the core system would require to be funded directly from Shippers. However, the pace of change has been extremely slow and frustrating with Nexus now being scheduled for delivery in Oct 2015.

Transporters have now moved into a new Price Control period and a new control regime i.e. RIIO GD1 and it is not transparent what level of funding has been allowed for Nexus within this regime. It has also been communicated that Transporters have only partially recovered the value of the previous allowance secured.

ScottishPower made a request within the workgroups held to review the role of Xoserve, for information to be made available outlining Price Control allowances received, expenditure and the level of cost recovery to date via transportation charges. It is widely expected that the Project Nexus specification enhancements will be recovered via User Pays, however there is still a lack of transparency and clarity on what the estimated costs of these enhancement will be. This situation adds instability and unpredictability to Shipper costs.

Shippers require adequate notice to ensure that future cost expenditure is included within their budgets. We also require a detailed breakdown of charges in respect of which aspects of the project have been funded to date, and what remains to be funded. In addition, current Xoserve operating costs run at approximately £30m per annum. Shippers' face the prospect of large invoices with regard to the revised charging arrangements and as such early notification of expected charging levels would be beneficial.

Question 6: *Do you agree with our preliminary recommendation to apply the full co-operative model with retained GT ownership? Do you consider there to be greater benefits in establishing alternative arrangements? Please state your reasons why.*

Yes, we agree with the recommendation to apply a full co-operative model with retained GT ownership. We believe that in the circumstances adopting this approach will allow a more timely and less costly reform of the current governance arrangements.

However, we also believe that if a fully cost effective, efficient and economic service offering is to be achieved, serious consideration needs to be given to contracting out aspects of Xoserve services. Although we support a move to a 'full cooperative model' as a pragmatic step in the right direction, we still believe that the best long term solution is the 'contracted services' model in which a new entity is created whose role is to contract out service delivery to third parties. This should span both electricity and gas as we do not believe that it will be efficient or effective to duplicate similar processes in a smart world. Ofgem cites TUPE and pension issues as a reason for rejecting the contracted services approach, but we are not persuaded that these issues are insurmountable, and would encourage Ofgem to investigate them more thoroughly in the next stage of this review.

Issues related to the transfer of undertakings (protection of employment) and the crystallisation of pension liabilities require to be fully understood. Until they are understood, it will be impossible for the Board to properly evaluate the potential cost savings that could be achieved by contracting out parts of the services to third parties.

Question 7: *Do you agree or disagree with the principles of the Board structure we outline? Do you consider that these principles can be achieved through the arrangements outlined?*

We broadly agree with the principles outlined by Ofgem with respect to the Board structure, in particular the suggestion that industry Board members would be elected via 'constituency groups' - one for Shippers and one for Gas Transporters (including NGGT and, potentially, iGTs), with each constituency voting a designated number of members on to the Board.

It will be important that that no particular constituency has disproportionate influence over Xoserve and its Board, and that an appropriate balance is achieved within constituencies, eg between LSP and SSP Shippers. Industry Board members will be acting as Directors of the company firstly, but will also be employees of one of the Shippers/Transporters and representing the views of the constituency that elected them. As well as specifying the Board composition, Ofgem should also be involved in establishing Board governance arrangements (voting rules, election processes etc). We would encourage Ofgem to consider rotational arrangements each year to ensure that where Shippers/Transporters do not believe an individual is discharging their duties appropriately, they will not get re-elected.

We cannot stress enough the need for a real culture change in Xoserve if the current issues are to be addressed; Ofgem's proposals provide a good starting point, but it will also be vital to appoint a strong and visionary Board, committed to the new approach, so that governance arrangements for the company and associated industry codes do not impede reform.

Question 8: *Do you agree or disagree with our initial view that the details of the establishment and ongoing affairs of the Board are best left for the Industry to develop? If you disagree please state what areas you consider that we should require through licence obligations.*

We agree that in general the details of the establishment and ongoing affairs of the Board are best left for the industry to develop. If Xoserve is to be assured of a long-term future acting in the role of central service provider, they need to evolve their capabilities and diversify in the range of services that they offer. We would expect an effective Board to manage the company to ensure a high quality service with the scope to extend service offerings as requested.

However, there are areas where we think it may be helpful for Ofgem to be more prescriptive so that the Board can move ahead swiftly with the necessary reforms. Establishing a clear set of objectives for Xoserve will be critical to achieving the culture change and performance improvement we are seeking. Although it will be up to the new Board to define the detailed objectives, we think the next stage of Ofgem's review should consider how these objectives should be formalised (eg in the new Memorandum and Articles of Association and/or the contract for Xoserve's services) and provide guidance on what should be included. Suitable objectives might require that Xoserve:

- is an advocate for change and invests in innovation (to deliver necessary change for Nexus and for smart metering);
- is required, and is able, to challenge Shipper behaviour and activity (to ensure no gaming is taking place and costs are recovered from the correct party⁴);

⁴ At present the Allocation of Unidentified Gas Expert (AUGE) is correcting for the misallocation, but not resolving the root cause issues, of approximately £160m of gas - see GL Noble Denton AUGE Statement,

- provides support for a Performance Assurance regime, e.g. through reporting (to give visibility to performance and issues resulting in settlement accuracy and error);
- ensures market assurance can be carried out (to assure the industry that settlement is accurate, robust and provides no undue commercial advantage to any party);
- concentrates on quality assurance (to ensure clean up of data pre-Nexus and continued post-Nexus).

A new contract will need to be drawn up that places fresh requirements on Xoserve and introduces new counterparties, and it may also be helpful for Ofgem to provide guidance on the nature of this contract. In our view, the contract should not simply replicate the ASA but should take the opportunity to include the sort of provisions that would normally be expected in a modern commercial services contract, such as:

- a business planning process;
- KPI setting;
- operational performance measures;
- a requirement to demonstrate value added to the industry.

Question 9: *Do you consider that a licence requirement should be placed on one or more parties to ensure that implementation is progressed? If so, what do you consider a reasonable timescale in which full implementation can be completed?*

We believe a licence requirement should be placed on both Shippers and Transporters to use all reasonable efforts to ensure that implementation is progressed in a reasonable timescale and to avoid any further delays. This would help ensure that all parties deploy sufficient resources to deliver reform in a timely manner.

We are not currently in a position to say what a reasonable timescale would be, but we would note that time will be of the essence and it will be highly desirable for implementation to be completed well ahead of Project Nexus delivery.

Question 10: *Do you have any views on CEPA's estimated cost of implementation? Please provide evidence of any additional costs you consider should be accounted for.*

We do not have any views on CEPA's estimated cost of implementation, other than to note that the benefits of implementing Ofgem's proposals are likely to be substantially greater than the estimated costs.

ScottishPower
July 2013