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Joanna Campbell
Ofgem
9 Millbank
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20 June 2013

Dear Ms Campbell

Consultation on implementing new funding, governance and ownership arrangements for Xoserve, the Gas Transporter central agent

We welcome this opportunity to contribute to the shaping of the future model for the provision of gas industry Agency Services.

Since its creation in 2005, Xoserve has consistently delivered efficient, reliable, high quality services, has successfully implemented complex industry reforms, and has earned the respect of the industry as a trusted advisor. It has also experienced a steady demand for services outside of the Agency Services framework.

We are pleased that Ofgem's preliminary recommendations recognise the industry benefits of retaining the inherent value of the Xoserve business. Moreover, the proposed retention of the single common service provider model and of the Networks' ownership of Xoserve will provide considerable assurance of continuity to the company's customers, vendors and employees.

Going forward, our directors must bring to the business the skills and experience necessary to exercise sound corporate governance, to contribute to the realisation of the company's vision and to ensure that Xoserve continues to add value to the industry. Their responsibilities must include Board approval of the Business Plan and budget following a period of stakeholder engagement.

Against a backdrop of increasing regulatory and industry demand for systems investment, it is vital both for Xoserve and its customers that the future model provides surety of funding for all of our Agency Services. Arrangements need to be both resilient and sustainable, but also flexible in response to future change, and designed to promote the use of our assets and resources beyond our Agency function for the benefit of the wider industry.

There is no doubt that implementation of the model represents a significant challenge for the industry, particularly when set alongside the demands of other industry initiatives. We will play our full part in giving effect to new arrangements, and we look to Ofgem to give the necessary direction and clarity to the industry on project accountabilities and deliverables.

Our full response to the consultation contains our in depth consideration of Ofgem's preliminary recommendations, and highlights a number of features that will require further industry discussion during the implementation project. We also expect that Xoserve's Network shareholders will provide their own individual responses to the consultation. We are happy for you to publish both this letter and our full response.

We would welcome the opportunity for further discussion of our response with Ofgem. If you would like to talk through any aspect of our response, please contact Nick Salter, Head of Industry Engagement, on 0121 623 2305 or e-mail nicholas.j.salter@xoserve.com.

Yours sincerely

A handwritten signature in dark ink, reading "Nick J Durlacher". The signature is written in a cursive style with a large initial 'N' and 'D'.

Nick J Durlacher CBE
Chairman