

RE Xoserve – consultation on the legal and regulatory framework to establish new arrangements for the gas central service provider

General comments

British Gas supports the need to change Xoserve's current funding and governance arrangements to establish a more co-operative model, which better serves the constituencies of the gas industry. We agree this can be achieved with the Transporter ownership arrangements of Xoserve remaining in place with no change, although we believe changes to Transporter and Shipper code and licences changes are required.

British Gas believe a centralised programme management approach will better coordinate the required work streams, ensure development of the required solutions and be more resource efficient and therefore we recommend an overarching workgroup is established to debate the issues and agree the work stream solutions, ahead of any formal UNC Mod workgroups.

Response to consultation questions

1.0 Changing the Legal and regulatory framework

1. Can the UNC efficiently require parties to jointly participate in the governance and funding arrangements or is it more appropriate to include these requirements in each party's licence?

It is not clear to us what the exact shipper licence changes will be, although at a high level we assume these licence changes will obligate the relevant parties to establish or use the Central Service Provider (CSP).

Our view is that to jointly participate in the governance and funding arrangements this can be achieved through code changes only or through licence and code changes. Whilst code change only is the simplest approach, our recommendation is to require both licence and code changes.

We believe licence and code changes will permit the most transparent arrangements and enable greater regulatory oversight. This is important, as it will allow for the Regulator to take appropriate direct enforcement action against any non-compliance. This licence obligation in itself should reduce the risk of non-compliance and therefore better achieve the objective to align industry parties' obligations, risk and control with regard to Xoserve.

2. Are there any additional benefits in Xoserve becoming a party to the UNC, when compared to the service agreement approach?

Making Xoserve a party to the UNC is an interesting concept and whilst we believe there may be a temptation to consider this as an option, we strongly support the service agreement approach. Xoserve becoming a party to the UNC adds complexity to an already complex situation with no perceived benefit. Therefore we do not support Xoserve becoming a party to the UNC.

We would like to add that the service agreement approach is aligned to how relationships are normally managed between a party and an information service provider. The service level agreement approach will allow for robust contractual arrangements, liquidated damages and SLAs between shippers and Xoserve. British Gas believes this approach will better facilitate a responsive IT service provider.

2.0 The process for implementation

We agree with Ofgem's consultation that there are a number of steps required before implementation of the new arrangements can be completed. This will require GTs, IGTs and shippers to work collaboratively to ensure successful implementation.

The two options are; modifications to be raised under the UNC arrangements to facilitate workgroup discussions. Alternatively a programme management approach to establish an overarching industry workgroup to debate the issues and agree how best to resolve them is proposed.

1. Raise the necessary modifications to the UNC now. We consider that the UNC process could provide the right forum for industry debate on some of the outstanding aspects of new arrangements.
2. Establish working groups to consider the issues that still need addressed and to make a decision on what modifications are to be proposed. The output from this over-arching group would be the proposing of changes to the UNC. Our expectation would be that the UNC working groups would avoid duplicating discussions already had through the over-arching industry work group.

As per the recent Smart Metering workgroups, such as 'SWIG' and 'Working Group 4 - Consequential Changes' British Gas believes these programme management approaches worked well in developing and delivering the required smart industry change.

The format would be to establish an overarching industry workgroup ahead of any industry change or distribution workgroups, which allows broader issues to be discussed and a strategic plan to be developed. We believe this centralised approach will better coordinate the required work streams, ensure development of the required solutions and be more efficient, delivering a more co-ordinated modification approach.

Furthermore we believe that this exercise should include changes to the IGT UNC. Therefore, as this approach can include all parties at the earliest possible stage, British Gas supports the programme management approach to debate the Xoserve work stream issues.

Please do not hesitate to contact me if you require any further information.

Regards,

Andrew Margan