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ICoSS response to Ofgem consultation on the legal and regulatory framework to establish new arrangements for the gas central service provider

The Industrial and Commercial Shippers and Suppliers (ICoSS) group represents 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 customers¹.

ICoSS is writing in response to the Ofgem consultation published on 17 February 2014, concentrating on the questions of engagement and Xoserve membership of the UNC. We agree broadly with Ofgem's evaluation that placing the core obligation in the transporters' licence would mean that those best placed to progress the changes to Xoserve's structure, namely the owners, will be responsible for undertaking this work. It is difficult to see how licence obligations on shippers would achieve the same goal, considering the lack of formal control shippers have over Xoserve.

In terms of the requirement for Xoserve to accede to the UNC, or whether it should continue to discharge its activities through service agreement, it is difficult to know the best answer as we do not know exactly how Xoserve's performance against any service agreements will be measured and ensured. It should be noted we are still of the view that the costs of Xoserve are best recovered through transportation charges and so advocate minimising significant change at this time, unless it provides clear benefits otherwise. Whilst maintaining the current Agency Service Agreement does minimise change, it will require a dedicated resource (such as an independent contract manager reporting to the board) to effectively manage such a process.

If it is expected that the industry as a whole manages this contract, then the logical place to do so would be through the UNC with the Xoserve as a signatory and bound by its provisions. A less satisfactory solution would be the creation of a new industry group, with separate governance

¹ *Current Membership: Co-Operative Energy (associate), Corona Energy, ENI, First Utility (associate), Hudson Energy (associate), Gazprom Energy, GDF Suez Energy UK, Statoil UK, Total Gas & Power, Wingas UK.*



provisions, to manage the service agreement as this would result in duplication of current arrangements.

Moving to the question of engagement, as has been evident in previous discussions regarding Xoserve's future, there is a strong natural incentive on shippers to engage with their monopoly service provider both now and in the future and so it seems unnecessary to have obligations in the UNC or licence to require such engagement.

Yours sincerely

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

Gareth Evans
Chair ICoSS