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Dear Joanna

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

Thank you for providing SSE, as a gas Shipper and Supplier, with the opportunity to respond to the above consultation letter regarding the legal and regulatory framework to establish new arrangements for the gas central service provider.

SSE places great reliance upon Xoserve to ensure many industry activities are discharged on time and to a high degree of accuracy, particularly energy balancing and transportation charging activities.

Xoserve plays a crucial role within the gas industry and carries out essential services on behalf of gas Transporters, Shippers and Suppliers. SSE's view regarding the potential new arrangements for the gas central service provider (CSP) has not changed. We remain of the view that the core day-to-day activities undertaken by Xoserve, which provide a critical foundation to the operation of the gas industry, are carried out successfully. Although we do recognise that issues and concerns exist, we are still of the view that these could have been addressed via amendments to the current arrangements rather than significant reform of funding, governance or ownership arrangements. Furthermore, we believe that the more recent work being carried out by Xoserve has significantly improved a number of these issues and concerns around Xoserve.



We do have concerns regarding the potential impacts which this significant reform of funding and governance arrangements may have on other crucial developments within the gas industry, which includes, but is not limited to, the smart meter roll-out, Project Nexus, DCC and European directed change. Xoserve will be integral to the successful introduction of these industry developments and processes. Therefore, we would strongly recommend that Ofgem consider the potential impacts which the timing of this piece of work may have on these other key gas industry developments.

Our responses to the two specific questions posed by Ofgem are detailed in the attached appendix. In essence, SSE remains of the view that significant reform of funding, governance or ownership arrangements is not required at this point of time. However, out of the four options being proposed by Ofgem in Appendix 1 of their consultation letter, we would be more inclined to support Option 1. The reasons for this choice are detailed in our answers to the two specific questions posed by Ofgem in the attached appendix.

Yours sincerely

Sam Torrance
Regulation Analyst

Q1. 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?

Yes, SSE believe that the UNC can efficiently require parties to jointly participate in the governance and funding arrangements, whilst the Gas Transporter's licence conditions will reflect the difference in ownership of Xoserve. SSE would strongly oppose any new licence obligations being introduced on to gas Shippers.

We believe that the obligations must take into account ownership as well as the common responsibilities of industry parties. As the ownership of the CSP will lie solely with the GTs, we believe that these changes will bring more liabilities onto Gas Shippers with very little additional benefit. Therefore, for the reasons outlined above, we would be more inclined to support option 1 out of the four options proposed by Ofgem in Appendix 1 of their consultation letter.

If Ofgem do decide to introduce new licence requirements on Gas Shipper's then we believe that Gas Shipper's would have to be given joint ownership of the CSP, to reflect this change. For consistent obligations to be posed on both Gas Shippers and Gas Transporters then there must be consistent ownership, governance and funding arrangements.

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

SSE believes that there are no additional benefits in Xoserve becoming a party to the UNC and would support a service agreement approach instead.

Xoserve is a service provider for licence holders within the gas industry, including gas Transporters, Shippers and Suppliers. However, Xoserve itself is not a licence holder and therefore we believe that they should not become a party to the UNC. Furthermore, we do not believe that it would be appropriate for an agent to the CSP to have the power to influence industry change.

Therefore, for these reasons, we would be more inclined to support option 1 of the four options proposed by Ofgem in Appendix 1 of their consultation letter.