

8 April 2015

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Dear Angelita

Response to next day switching: Target Operating Model consultation

ENA members welcome the opportunity to respond to Ofgem's consultation on the Target Operating Model for next day switching. Many of our members will be responding as individual companies on the specific detail of the Target Operating Model. This response is from our Gas Distribution members and is focussed solely on the link between the proposals for the Target Operating Model and the ongoing reform of Xoserve.

As you will be aware, Ofgem is requiring Gas Distribution Network Operators (GDNs) to implement changes to the funding, governance and ownership (FGO) arrangements for Xoserve¹. Ofgem's key conclusions of its FGO review was that Xoserve's current role as Transporter Agency will remain but be rebranded under the Central Data Services Provider (CDSP). GDNs are aiming to deliver these reforms by 1 April 2016.

We note the proposals for the Target Operating Model include the Data Communications Company (DCC) having its licence obligations modified to incorporate responsibility for providing the central registration service (CRS). We would highlight that the rationale for the initial review of Xoserve governance and funding was to lead to a more efficient and transparent service in the context of future industry changes, such as the roll-out of smart metering². The proposals in the Target Operating Model seem to indicate that the DCC will take on the role of providing 'registration services' post smart meter roll-out. Consequently, we are unsure if the original drivers of the Xoserve reforms remain valid.

We are not clear what the impact of the proposed Target Operating Model is on the functions which Xoserve will need to provide. For instance, will Xoserve continue to collect and maintain supply point data?

¹ <https://www.ofgem.gov.uk/ofgem-publications/86614/xoservedecisionoct13.pdf>

² <https://www.ofgem.gov.uk/ofgem-publications/48237/120116xoservedecisionletter.pdf>

If so it would seem to duplicate the systems which the DCC will need to put in place. Our concern is that without such clarity, some of the Xoserve reforms will either need to be amended in order to deliver the Target Operating Model, or will be rendered obsolete. It's important to stress that our members are not against the DCC taking on the role of the CRS. We can see benefits in having a single registration service. However, we do think that there needs to be careful consideration of what the proposals means for the Xoserve reforms, in order to ensure that these important industry changes deliver value to customers.

On a wider point, the issues above highlight the considerable volume of industry change in which is either currently underway or planned in the gas sector - Xoserve, Project Nexus, Target Operating Model. While we acknowledge the specific scope of work for the Target Operating Model, we do think that industry would greatly benefit from a high level route map which explains the timing of different reforms being driven by Ofgem, including how they fit together and accompany each other. This would also help prioritise resources within industry.

We're conscious that many of the people involved in the FGO reform of Xoserve will need to be involved in the work to establish the Target Operating Model and the ongoing work within project Nexus.

We would be very happy to discuss this specific issue further with yourselves and colleagues in your Smarter Grid and Governance directorate. If you would like to do so, please contact my colleague mark.askew@energynetworks.org.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Smith". The signature is written in a cursive, slightly slanted style.

David Smith
Chief Executive