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14 December 2015

Dear Mick

CONSULTATION ON CHANGES TO STANDARD SPECIAL CONDITION A15 (AGENCY) OF THE GAS TRANSPORTERS LICENCE

Thank you for the opportunity to respond to Ofgem's informal consultation on changes to SSC A15 in the Gas Transporters ("GTs") Licence, particularly the introduction of SSC A15A: Central Data Service Provider ("the Condition"). We are responding in our prevailing capacity as the Transporter Agency and as the company that, subject to implementation of the Condition and appointment by the GTs, is expected to fulfil the role of the Central Data Services Provider ("the CDSP").

We set out below our principal observations on the Condition, grouped under a number of key themes.

Defining CDSP Services

We are concerned that the definition of CDSP Services as "CDSP services and systems as set out in the uniform network code (UNC)" (*para. 6*) has two significant shortcomings. Firstly, and in the absence of a modification to the UNC, it is a circular statement, rather than one which provides an objective definition of what constitutes CDSP Services. Secondly, it fails to recognise that certain Agency Services (which will become CDSP Services) are set out in industry Codes other than the UNC, including the Smart Energy Code and the Supply Point Administration Agreement, and in the GT Licence. We would welcome clarification from Ofgem of its intentions, namely whether CDSP Services are to be limited to only those set out in the UNC, or whether the definition is to encompass all existing Agency Services, with sufficient flexibility to accommodate future variations in scope.

Defining the CDSP

Differentiation between the company that is appointed as the CDSP and the CDSP role itself is an important matter not only for Xoserve but also for the industry's FGO Programme in carrying out the detailed design of the co-operative funding and governance model.

We welcome the statement that the CDSP shall "be a company the purpose of which is to primarily provide the CDSP services" (*para. 10(b)*), as it recognises that, following its appointment as the CDSP, Xoserve should not be constrained (by the Condition) in its provision of services other than CDSP Services.

The Condition also defines a second purpose, namely that the CDSP is "not to return a profit (whether income or capital) through its share capital and shall set out within its articles of association a prohibition on the distribution of profits and declaration of dividends" (*para. 10(b)*). We are uncertain as to whether the prohibition on distribution (presumably to the company's shareholders) is intended to apply only to those profits arising from the provision of CDSP Services or to all profits generated by the company that fulfils the CDSP role. We would welcome clarification of this matter, and suggest that the Condition should also define responsibilities for the funding of any losses arising from the provision of both CDSP Services and, if it is the intention of the Licence to include them, other Services. The arrangements need to be very carefully considered, so as to ensure that there are no unintended consequences for the incentive on the company that fulfils the CDSP role to provide other valuable services and to be efficient and innovative.

We have also noted a reference to "the CDSP provider" (*para. 12*), which we assume is meant to refer to "the CDSP".

Annual Budget and Charging Methodology

The importance of differentiation between the company that is appointed as the CDSP and the CDSP role itself is illustrated clearly by the various statements in the Condition in respect of the annual budget and charging methodology. The current drafting is open to interpretation as to whether responsibilities to "produce, in consultation with users of the CDSP services, and publish an annual budget in respect of the provision of the CDSP ("the CDSP annual budget")" (*para. 11(c)*) and to "publish and keep under review a methodology for charging for CDSP ("the CDSP charging methodology")" (*para. 11(d)*) are intended apply only to CDSP Services or to all services provided by the company that fulfils the role of the CDSP.

We would welcome clarification of this uncertainty, as its resolution will have implications for the freedom of the company that fulfils the role of the CDSP to develop plans for the provision of services other than CDSP Services. We note that resolution will also help to clarify the scope of the Authority's responsibilities as set out in paragraphs 15-19.

With regard to obligations on licensees in respect of the charging methodology as set out in paragraphs 13-14 and 20-22, we note that the Condition appears to place these responsibilities solely on the GTs, whereas we would expect the methodology to be both developed and

maintained under co-operative governance involving the CDSP and all users of CDSP Services (which would require the obligation to be placed on the GTs to establish the appropriate governance arrangements).

Contract between CDSP and users of CDSP Services

We note that the Condition anticipates the establishment of a “CDSP service agreement” (*paras. 8(a)(iii) and 11*). This appears to pre-empt the outcome of discussions that are still to take place within the Workgroup for UNC Modification Proposal 565 “Central Data Service Provider – general framework and obligations”, which is expected to include in its deliberations the form of the contract(s) between the CDSP and the users of CDSP Services.

CDSP Ownership

The Condition requires that the company that fulfils the role of the CDSP shall be “a company under the joint ownership of the licensee and of the other relevant gas transporters” (*para. 10(a)*). This approach creates a direct alignment between each licensee and the entity that holds shares in the company that fulfils the role of the CDSP. We consider that greater flexibility may be required, such that any future change in the structure of shareholding organisations does not inappropriately or unnecessarily force changes in CDSP ownership.

We are happy for you to publish this letter and the Appendix. If you would like to discuss further any aspect of our response, please contact Martin Baker, External Affairs Manager (martin.baker@xoserve.com; 0121 623 2692) in the first instance.

Yours sincerely

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