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Dear Rupika

Consultation on proposed modification to Standard Special Condition (SSC) A15 (Agency) of the Gas Transporters (GT) licence and proposed new SSC A15A (Central Data Service Provider)

Thank you for the opportunity to respond to your informal consultation concerning the proposed modifications to SSC A15 and the inclusion of a new SSC A15A licence condition as part of our gas transporters licence.

In summary, we consider the latest draft of the proposed licence conditions are an improvement on previous iterations but that further work and refinement is required to ensure the successful delivery of Ofgem's overriding policy objectives in this area.

We expand on the points that are of particular interest to SGN below, and we would be happy to discuss these with you in more detail if this will be of benefit in formalising your statutory consultation.

Ability of GDNs to Deliver Proposed Licence Obligations

As Ofgem is aware, it has to date proven extremely difficult to achieve the regular attendance of many shippers, suppliers and independent gas transporters (iGTs) at the industry working group meetings. Not only is this disappointing, but we believe this will remain an issue moving forward and which significantly inhibits our ability to deliver the services required of us as a licensed gas transporter.

As we have previously noted with Ofgem on numerous occasions, we consider this is primarily driven by the fact that shippers, suppliers and/or iGTs have no formal licence obligations to be jointly responsible for the delivery of agency funding, governance and ownership arrangements (including CDSP services). While this situation remains, we consider it likely that future industry working group meetings will be poorly attended by shippers, suppliers and iGTs. This will negatively impact the ability of gas transporters to deliver their formal licence obligations that, in some instances, may be beyond our direct ability to control.

For these reasons, we consider the minimum obligations specified in Part B of the new SSC A15A should be further refined to more accurately reflect the ability of gas transporters to deliver outcomes where we are reliant on other parties. For instance, gas transporters will not be able to 'ensure' the delivery of services where this is beyond our direct control. We will be able to ensure that we apply our best endeavours to deliver our licence obligations, but ultimately the timely delivery of these may be reliant on other parties who do not have a formal licence obligation and hence will be beyond our direct control.

We would welcome further clarification from Ofgem as to how the current wording in the proposed licence condition will be interpreted in the event that parties, other than gas transporters, are responsible for preventing the delivery of the services required. We will do all that we can to discharge our obligations, but we would suggest our licence obligations should also recognise that this should be on a best endeavours basis for all instances that are beyond a gas transporters direct control.

Ofgem will also need to ensure that any future costs incurred in the future delivery of services that are not under the direct control of gas transporters must be treated as pass through costs in accordance with the established RIIO-GD1 regulatory framework, principles and guidance.

Xoserve Provision of Non-CDSP Services

We understand the proposed licence conditions would require Xoserve to obtain written consent from the Authority to provide any non-CDSP services and the distribution of profits that may arise from those activities. We do not consider this to either workable or fair, and suggest that paragraph 7(b) is redrafted so as to clearly set-out the rights of the CDSP, of its shareholders and of its customers.

We note that Xoserve has responded to Ofgem separately on this subject, and we fully support the important points and suggestions raised by Xoserve to address this issue.

We would also welcome further clarity from Ofgem on how profits from bespoke CDSP services will be managed? We note that SSC A15A as drafted does not sufficiently address how non-CDSP services will be treated or delivered. These will need to be consistent with any relevant Articles of Association to ensure there is no conflict in the respective roles and responsibilities of Xoserve and other parties.

Should you have any further questions or require any further information with regards this response then please do not hesitate to contact me at paul.mitchell@sgn.co.uk or on 07584 011046.

Yours sincerely,

Paul Mitchell
Regulation Manager