

Gas transporters, independent
gas transporters, gas shippers,
gas suppliers, Xoserve and other
interested parties

Date: 31 October 2016

Dear colleague

Statutory consultation under section 23 of the Gas Act 1986 on proposed new Standard Special Condition (SSC) A15A (Central Data Service Provider), proposed modification of SSC A15 (Agency) and other proposed consequential modifications to the Gas Transporter (GT) licence

This letter seeks views on proposed modifications to the GT licence in accordance with our decision of 28 April 2016¹ on the legal and regulatory framework modifications needed to establish new arrangements for the gas central service provider Xoserve. We are proposing to modify SSC A15 (Agency) of the GT licence and to introduce a new SSC A15A (Central Data Service Provider). These proposed modifications would result in consequential changes being required to other parts of the GT licence and we are also consulting on these proposed changes.²

In our decision in April 2016, we concluded that:

- Out of the four options on which we consulted, as being options for making changes to the legal and regulatory framework to implement funding and governance changes to Xoserve, option one should be taken forward.
- Appropriate Uniform Network Code (UNC) modifications should be proposed and progressed, to require parties to jointly participate in Xoserve's governance and funding.
- There are no additional benefits at this time from Xoserve becoming a party to the UNC in order to implement the funding and governance changes to Xoserve.
- A licence change should be proposed that will require GTs to deliver the new arrangements in full by 31 March 2017.

We are proposing the new licence drafting as part of this consultation. To ensure that industry was sighted on the progress of the drafting of the proposed new SSC A15A and to seek early views on the proposed drafting, we published a consultation in December 2015³ on the proposed licence condition. We subsequently issued a further consultation in April 2016⁴, taking into account the views received from the industry to the December 2015 consultation.

¹ [Xoserve - decision on legal and regulatory framework to establish new governance and funding arrangements for the gas central service provider](#)

² We will consider whether any changes are required to Standard Licence Condition 11 (Agency) in the Independent Gas Transporters licence after Project Nexus has been implemented.

³ [December 2015 Informal consultation on changes to Standard Special Condition A15 \(Agency\) of the Gas Transporters Licence.](#)

⁴ [April 2016 Informal consultation on changes to Standard Special Condition A15 \(Agency\) of the Gas Transporters Licence](#)

In general respondents to our April 2016 consultation on the proposed licence modifications supported the need to take licence amendments forward, to ensure that progress continues to be made towards establishing the new co-operative governance model for Xoserve by 1 April 2017.

We have decided to proceed with a statutory consultation on the following proposals: (1) to modify SSC A15 of the GT licence and (2) to introduce a new SSC A15A (Central Data Service Provider), as well as (3) to make a number of consequential licence changes to the GT licence. A statutory notice in relation to the proposed licence modifications is published alongside this letter.

Representations to the proposed modifications should be made on or before 28 November 2016.

Annexes

Annex A – statutory notice in relation to the proposed licence modifications.

Annex B – proposed drafting of SSC A15A, proposed amendments to SSC A15.

Annex C – proposed consequential changes to SSC A12, A14, A31, A48; Special Conditions 1A and 4C in the gas distribution licences; and Special Conditions 1A and 11C in the gas transmission licence.

Annex D – a summary of the changes made to the draft SSC A15A since the April 2016 consultation.

Annex E – A summary of responses received to the consultation in April 2016. We received ten responses from GTs, shippers, Xoserve and other parties. The responses are published on our website.⁵

Unless clearly marked as confidential, all responses will be published on our website (www.ofgem.gov.uk). Respondents may request that their response, or part of their response, be kept confidential. Those who wish to do so should clearly mark their documents to that effect and include reasons for confidentiality. Ofgem shall respect this request, subject to disclosure requirements, for example, under the Freedom of Information Act 2000 or under the Environmental Information Regulations 2004.

We prefer to receive responses in an electronic form so they can be placed easily on our website. Please send your responses to Rebecca Pickett, Senior Policy Analyst at Rebecca.Pickett@ofgem.gov.uk.

If you have any questions regarding this document please contact Rupika Madhura, Head of Gas Distribution Policy at Rupika.Madhura@ofgem.gov.uk.



Kersti Berge
Partner, Networks

Signed on behalf of the Authority and authorised for that purpose

⁵ [Responses to our April 2016 Informal consultation on changes to Standard Special Condition A15 \(Agency\) of the Gas Transporters Licence](#)

Annex A

To:

National Grid Gas plc (NTS)
National Grid Gas Distribution Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited

Gas Act 1986 Section 23(2)

Notice of statutory consultation on a proposal to modify the Standard Special Condition of the Gas Transporter ('GT') licence held by the licensees listed above

1. The Gas and Electricity Markets Authority ('the Authority')⁶ proposes to modify the standard special conditions of the GT licence held by the licensees above, granted or treated as granted under section 7 of the Gas Act 1986 by:

- introducing a new Standard Special Condition (SSC) A15A (Central Data Service Provider) and amending:
- SSC A15 (Agency)
- SSC A12 (Joint Office Governance Arrangements)
- SSC A14 (Availability of Data Formats)
- SSC A31 (Supply Point Information Service)
- SSC A48 (Last Resort Supply: Payment Claims)
- Special conditions applicable to the licensee (DN): Part E; Special Condition 1A (Definitions) and Special Condition 4C (Services treated as Excluded Services)
- Special conditions to National Grid Gas plc's (NTS) Gas Transporter licence; Special Condition 1A (Definitions) and Special Condition 11C (Services treated as Excluded Services).

2. We are proposing these modifications to establish new funding and governance arrangements for the gas central service provider from 1 April 2017 (or such later date as the Authority may direct).

3. The proposed modifications to the GT licence are in accordance with our decision of 28 April 2016⁷ on the legal and regulatory framework modifications needed to establish new arrangements for the gas central service provider Xoserve. The effect of these proposed modifications is to:

- Require gas transporters to raise and progress modifications to the Uniform Network Code to include joint obligations on the users of Xoserve's services to govern and fund it.
- Require gas transporters to modify Xoserve's company documents to allow for

⁶ The terms "the Authority", "we" and "us" are used interchangeably in this document.

⁷ [Xoserve - decision on legal and regulatory framework to establish new governance and funding arrangements for the gas central service provider](#)

joint governance and restrict the distribution of profits (except where the Authority consents otherwise in writing).

- Provide for the Authority to amend Xoserve's budget if an appeal by a relevant user of central data service provider services is upheld.

5. We published an informal consultation in December 2015⁸ on the proposed new licence condition and proposed amendments to the existing Standard Special Condition A15. We subsequently issued a further consultation in April 2016⁹, taking into account the views received from the industry to the December 2015 consultation.

6. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from our Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003).

7. Any representations with respect to the proposed licence modifications must be made on or before 28 November 2016 to: Rebecca Pickett, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to Rebecca.Pickett@ofgem.gov.uk.

8. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.

9. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.



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**Kersti Berge, Partner
Networks**

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

31 October 2016

⁸ [December 2015 Informal consultation on changes to Standard Special Condition A15 \(Agency\) of the Gas Transporters Licence.](#)

⁹ [April 2016 Informal consultation on changes to Standard Special Condition A15 \(Agency\) of the Gas Transporters Licence](#)

Annex B

New Standard Special Condition:

Standard Special Condition A15A: (Central Data Service Provider)

Introduction

1. The purpose of this condition is to provide for the appointment of a "central data service provider ("CDSP") and to set out the obligations with which the licensee must comply with respect to the establishment and the ongoing operation of the CDSP.
2. This condition sets out:
 - (a) the minimum obligations of the licensee with respect to the appointment of the CDSP (Part A);
 - (b) the minimum obligations of the licensee with respect to the CDSP being in place by 1 April 2017 (or such later date as the Authority may direct) (Part B); and
 - (c) the minimum obligations of the licensee with respect to the appointment and the ongoing operation of the CDSP (Part C). Part C of this condition comes into effect on 1 April 2017 (or such later date as the Authority may direct).
3. The licensee shall, together with other gas transporters ("Relevant Gas Transporters"), ensure that the CDSP is appointed in accordance with Part A below. The licensee shall, together with Relevant Gas Transporters, also ensure that the CDSP is established and is operated in accordance with Part B of this condition by 1 April 2017 (or such later date as the Authority may direct). On that date, Standard Special Condition A15 (Agency) will cease to have effect in accordance with paragraph 1A of that condition.

Part A: Obligations of the licensee in appointing the CDSP

4. The licensee shall, together with Relevant Gas Transporters, appoint the CDSP to provide CDSP services and systems (together referred to as "CDSP Services") in compliance with the minimum requirements set out in Part A of this condition. This appointment shall be made and the CDSP shall be operational from 1 April 2017 (or such later date as the Authority may direct).
5. By 1 April 2017 (or such later date as the Authority may direct), the licensee shall, together with Relevant Gas Transporters, ensure that:
 - (a) the CDSP's constitution includes a provision for the appointment of directors nominated by Relevant Users of CDSP Services other than Relevant Gas Transporters (such users being "Non-RGT Users");
 - (b) Non-RGT Users' representatives are given the opportunity to participate in the contract management and change management process related to the CDSP Services and are given the opportunity to participate in the decision making process in respect of matters that will have an effect on the appointment and ongoing operation of the CDSP from 1 April 2017 (or such later date as the Authority may direct);
 - (c) the CDSP consults with, and takes due regard of responses by Non-RGT Users in respect of the business plan and budget for CDSP Services in respect of the financial year commencing 1 April 2017 and subsequent years thereafter.
6. The licensee shall, together with Relevant Gas Transporters, raise and progress modifications to the UNC so that the UNC sets out from 1 April 2017 (or such later date as the Authority may direct):

- (a) a requirement that the licensee, each Relevant Gas Transporter and (as a condition of being a party to the UNC) each other user of CDSP Services as such users may be defined in the UNC (to the extent such other users of the CDSP Services are bound by the UNC) be party to a service agreement with the CDSP ("the CDSP Service Agreement");
- (b) a classification of CDSP Services, including those which are required to be used by Relevant Gas Transporters, gas shippers and other parties to the UNC;
- (c) obligations on the licensee and other users of CDSP Services, to the extent such other users of the CDSP Services are required to be party to the CDSP Service Agreement (the licensee and such other users collectively being "Relevant Users of CDSP Services") to:
 - (i) jointly control and govern the CDSP on an economic and efficient basis;
 - (ii) use or procure the use of CDSP Services, as set out in the UNC from the CDSP;
 - (iii) keep the CDSP Service Agreement under review to ensure it continues to comply with the relevant sections of the UNC; and
 - (iv) pay for CDSP Services in accordance with the charging statement prepared by the CDSP ("the CDSP Charging Statement"); and
- (d) a process enabling a Relevant User of CDSP Services to appeal the CDSP Annual Budget (as defined in paragraph 8(c)) by issuing a notice to the Authority in writing. The circumstances under which such notice can be issued are to be limited to where that party considers the CDSP Annual Budget to not be fit for purpose for the CDSP to be able to fulfil its obligation specified in paragraph 7(b) of this condition.

Part B: Minimum obligations relating to the CDSP

7. The licensee shall, together with Relevant Gas Transporters, ensure that by 1 April 2017 (or such later date as the Authority may direct) the CDSP shall:
- (a) be a company under the joint ownership of the licensee and of Relevant Gas Transporters;
 - (b) be a company the purpose of which (except where the Authority consents otherwise in writing) is to provide CDSP Services and which shall not return a profit (except where the Authority consents otherwise in writing) (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 (save for dividends in respect of profits relating to periods prior to 1 April 2017 or such later date as the Authority may direct); and
 - (c) be a company jointly controlled and governed by the licensee and by Relevant Users of CDSP Services. This must be reflected in the CDSP's articles of association, which at a minimum shall require:
 - (i) a provision for the appointment and removal of directors of the CDSP by the licensee and by other Relevant Users of CDSP Services on a transparent and equitable basis;
 - (ii) a provision for the licensee, together with Relevant Gas Transporters, to require the CDSP to make changes to the CDSP Annual Budget where the Authority requires such changes to be made pursuant to the powers given to the Authority in paragraph 13 of this condition.

8. The licensee shall, together with Relevant Gas Transporters, ensure that by 1 April 2017 (or such later date as the Authority may direct) the CDSP Service Agreement includes obligations on the CDSP to:
- (a) provide or otherwise procure CDSP Services which shall include services required in the UNC for Relevant Gas Transporters, gas shippers and other Relevant Users of CDSP Services;
 - (b) provide or otherwise procure CDSP Services effectively to help facilitate the efficient and integrated operation of the gas industry;
 - (c) produce, in consultation with Relevant Users of CDSP Services, and publish an annual budget in respect of the delivery of CDSP Services ("the CDSP Annual Budget");
 - (d) publish and keep under review a charging methodology, as required by the UNC, and publish and keep under review the CDSP Charging Statement, setting out the scope of CDSP Services and user pays services and its charges calculated in accordance with the charging methodology, both of which:
 - (i) shall aim to recover the CDSP Annual Budget (as amended pursuant to any direction from the Authority)
 - (ii) shall facilitate the objective of economic, efficient and transparent charging for the provision of the CDSP Services and will achieve the "Charging Methodology Objectives";
 - (e) The "Charging Methodology Objectives" means the following objectives –
 - (i) that compliance with the charging methodology results in charges which reflect the costs incurred by the CDSP for the provision of the CDSP Services;
 - (ii) that, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the provision of CDSP Services;
 - (iii) that, so far as is consistent, compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers;
 - (iv) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
 - (f) notify the Authority in writing if it increases its charges during a financial year; and
 - (g) amend the CDSP Annual Budget when directed to do so by the licensee, together with Relevant Gas Transporters, where the Authority requires such changes to be made pursuant to the powers given to it in Part C of this condition.
9. Any modification of the charging methodology shall comply with the requirements of the network code modification procedures as defined in Standard Special Condition A11 (Network Code and Uniform Network Code).

10. In this condition:

"user pays services"

means the services set out and described as such in the CDSP Charging Statement prepared in accordance with paragraph 8 of this condition.

Part C: Obligations of the licensee with respect to the ongoing operation of the CDSP

11. Where the Authority receives a notification under paragraph 6(d) of this condition it shall decide whether there are grounds for appeal.
12. While the Authority is considering whether there are grounds for appeal the CDSP Annual Budget under appeal shall continue to be in effect.
13. If having made its assessment the Authority decides that the appeal should be allowed it shall issue a direction to every licensee in whose licence this condition has effect requiring the licensee to require the CDSP to make changes to the CDSP Annual Budget as set out in its direction.
14. The direction, issued under paragraph 13, will state:
 - (a) the value of the amended CDSP Annual Budget that is to apply;
 - (b) the years in respect of which the amended CDSP Annual Budget applies; and
 - (c) any other conditions relating to the CDSP Annual Budget that the Authority deems appropriate to impose of the relevant licensees.
15. Prior to issuing a direction under paragraph 13 of this condition the Authority shall:
 - (a) give notice to all licensees, in whose licence this condition has effect, and other users of CDSP Services that it proposes to issue the direction:
 - (i) specifying the date on which it proposes that it should have effect;
 - (ii) setting out the text of the proposed direction and the Authority's reasons for proposing it; and
 - (iii) specifying the time (which must not be a period of less than 28 days from the date of the notice) within which representations or objections with respect to the proposal may be made; and
 - (b) consider any representations or objections in response to the notice that are duly received and not withdrawn.

Annex C

Proposed modifications to existing Standard Special Conditions¹⁰:

The existing conditions will apply until 31 March 2017. Changes will come into effect on 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A).

STANDARD SPECIAL CONDITIONS APPLICABLE TO BOTH NTS AND DN LICENSEES: PART A

Standard Special Condition A15: Agency

[Insert below paragraph 1]

1A. On 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) this condition will cease to have effect.

1B. The existing conditions will apply until 31 March 2017.

Standard Special Condition A12: Joint Office Governance Arrangements

1(a)(iii) The administration of such matters as are provided for in the uniform network code to be implemented by the relevant gas transporters on a common, joint or coordinated basis ~~consistent with the provisions of Standard Special Condition A15 (Agency).~~

Standard Special Condition A14: Availability of Data Formats

1. Where the licensee uses standard file formats for transferring data, for any purposes set out in the network code, between any persons identified in such network code as appropriate persons for the receipt of the data, it shall:-

(a) make those standard file formats and associated definitions of data items available, free of charge, to gas shippers and other gas transporters for their use in connection with their licensed activities; and

(b) comply with its obligations under the network code and the AS agreement (as defined in Standard Special Condition A15 (Agency)) until 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) and the CDSP Service Agreement (as defined in Standard Special Condition A15A (Central Data Services Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) in this regard.

Standard Special Condition A31: Supply Point Information Service

1. The licensee shall establish, or procure the establishment of, and subsequently operate and maintain, or procure the subsequent operation and maintenance of, an information service (the "supply point information service") consistent with its obligations under Standard Special Condition A15 (Agency) until 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) and Standard Special Condition A15A (Central Data Services Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A).

Standard Special Condition A48: Last Resort Supply: Payment Claims

¹⁰ We will consider whether any changes are required to Standard Licence Condition 11 (Agency) in the Independent Gas Transporters licence after Project Nexus has been implemented.

16. For the avoidance of doubt, the arrangements for administering increases to transportation charges in order to compensate any gas supplier which claims for losses that it has incurred in complying with a last resort supply direction, under the provisions of this condition, shall be administered by the agency (as defined in Standard Special Condition A15 (Agency)) until 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) and the Central Data Service Provider (as defined in Standard Special Condition A15A (Central Data Services Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A), unless the Authority otherwise consents in writing.

SPECIAL CONDITIONS APPLICABLE TO THE LICENSEE (DN): PART E

Special Condition 1A. Restriction of revenue in respect of the Distribution Network

Transportation Activity: definitions

Definitions in alphabetical order

1A.4 In Part E of the Special Conditions, unless the context otherwise requires:

CDSP Costs means costs incurred, or expected to be incurred by the Licensee for the purposes of meeting its obligations under Standard Special Condition A15A (Central Data Services Provider)

Special Condition 4C. Services treated as Excluded Services

4C.10 Subject to Part D of this condition, Excluded Services will include, but not be limited to, the following services:

(e) ES5. User pays agency services: this category consists of the provision of "user pays" services or systems as set out in the Network Code, by the agency referred to in Standard Special Condition A15 (Agency) of the licence until 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) and the Central Data Service Provider referred to in Standard Special Condition A15A (Central Data Services Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A);

SPECIAL CONDITIONS TO NATIONAL GRID GAS PLC'S (NTS) GAS TRANSPORTER LICENCE

Special Condition 1A. Definitions

Definitions in alphabetical order

1A.4 In the Special Conditions, unless the context otherwise requires:

CDSP Costs means costs incurred, or expected to be incurred by the Licensee for the purposes of meeting its obligations under Standard Special Condition A15A (Central Data Services Provider)

Special Condition 11C. Services treated as Excluded Services

11C.10 Subject to Part D of this condition, Excluded Services will include, but not be limited to, the following services:

ES6. User pays agency services: This category consists of the provision of 'user pays' services or systems as set out in the Network Code, by the Agency referred to in Standard Special Condition A15 (Agency) until 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A) and the Central Data Service Provider referred to in Standard Special Condition A15A (Central Data Services

Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A);

Annex D – Main Changes Made To SSC 15 and 15A by Ofgem Following April 2016 Consultation and Why

<u>Section</u>	<u>Comment</u>
All	References to CDSP rather than Agent or Provider have now been used throughout because there are various 'providers' in the industry, while CDSP is widely recognised. This is also consistent with supporting documents such as the UNC.
2(b)	Minimum obligations 'of the licensee'.
4	Deleted 'as' in the fourth line.
5	Added 'By 1 April 2017 (or such later date as the Authority may direct)' to the start of this section.
5(b) line 2	Have reinstated 'CDSP' services.
6(a)	<p>Inserted 'as such users may be defined in the UNC' to provide clarity that Trader Users will not be required to be party to the CDSP Services Agreement.</p> <p>Changed 'Data Services Contract' to 'CDSP Services Agreement' to ensure consistency with section 8.</p>
6(c)	<p>The wording has been changed from 'to the extent such other users of the CDSP services are bound by the UNC' to 'to the extent such other users are required to be party to the CDSP Service Agreement (the licensee and such other users collectively being "Relevant Users of CDSP Services").'</p> <p>This change is to make clear that Trader Users will not be subject to the obligations in 6(c) as under the proposed code changes being developed, they will not be required by the UNC to be a party to the CDSP Service Agreement.</p>
6(c)(iv)	Delete 'used'.
<u>6(d)</u>	Reference to 7(c) changed to 7(b) as the CDSP is required to provide CDSP services and not to return a profit by that provision.
7	A number of respondents commented on section 7(b), asking in particular whether the Authority's consent should be required where the CDSP wished to carry out non-CDSP services. Our view is that the focus of the CDSP will be on core CDSP activities. We are willing to consider whether, for example, a de-Minimis or materiality provision might be introduced in future.
8(d) and 10	<p>In certain circumstances, user pays services are still required to be considered as Excluded Services under A15A, for example for Must Reads which are carried out by the transporter and then recharged to shippers at a rate defined in the UNC.</p> <p>To reflect this we have inserted 'setting out the scope of CDSP Services and user pays services' in 8(d) so that any user pays services must be set out in the CDSP Charging Statement.</p>

	Paragraph 10 has been inserted to define 'user pays services'.
8(e)	In the Charging work group meetings concerns have been raised that the "charging methodology objective" included in the draft licence modification was interpreted too narrowly. The objective "...ensure that the charging methodology and the charging statement will facilitate the objective of economic, efficient and transparent charging for the provision of the CDSP services (the "charging methodology objective")." was taken to mean that the process of setting CDSP charges should be economic and efficient rather than that CDSP charges should facilitate the economic and efficient provision of CDSP services and be cost-reflective. In order to provide clarity we have inserted paragraphs (e)(i)-(iv).
8(g) line 2	Delete 'other'.
11 (formerly 9 in the 28 April 2016 consultation)	Reference changed to 6(d).
Consequential changes to A14, A31, A48, 1A, 4C and 11C	References changed to SSC A15A (Central Services Data Provider) from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A).
Consequential changes to A12	In the 28 April 2016 consultation we replaced 'A15' with 'A15A' in this condition in error. The Joint Office Governance arrangements should stay as they currently are. As such we have deleted 'consistent with the provisions of Standard Special Condition A15 (Agency)' as SSC A15 will become redundant from 1 April 2017 (or such later date as the Authority may direct pursuant to paragraph 3 of Standard Special Condition A15A).
Consequential changes to Special Condition 3F in the Gas Distribution Licence	National Grid's response ¹¹ said that Special Condition 3F contained numerous references to 'Agency costs' and SSC A15 which would need to be updated. We did not update these references as they relate to the uncertainty mechanism which allowed us to determine the relevant adjustments to the level of allowed expenditure for the relevant Gas Transporters in relation to Xoserve's costs for the implementation of FGO conclusions.

¹¹ National Grid sent a joint consultation response from both National Grid Gas Distribution (NGGD) and National Grid Gas Transmission (NGGT).

Annex E – Summary of Responses to Informal Consultation Issued On 28 April and Closed On 26 May 2016

<u>Respondent</u>	<u>Main points</u>
<u>Xoserve</u>	<p>Proposals broadly consistent with Ofgem’s review. Specific comments on certain aspects.</p> <p>Propose new wording for section 7 which states that the Providers ‘primary purpose’ shall be the CDSP services and they will <u>not</u> make a profit from those – but that they may provide additional non-CDSP services and make a profit from those.</p> <p>Xoserve already provide a number of non-CDSP services and the drafting should as a minimum not require them to seek our consent for existing services. They also want the text to set out what happens in the event of any losses arising from the non-CDSP services.</p> <p>Section 6(a) – Authority should not require DSC to be the service agreement.</p> <p>Welcome removal of the requirement to submit the charging statement to the Authority for approval. Propose word ‘used’ be removed from 6(c)(iv)</p> <p>Believe focus of 8(c) should be a budget ‘for the delivery of CDSP services’. Want Authority to consider where the bar for an appeal should be set. Any budgetary amendments should be prospective only.</p>
<u>National Grid</u> ¹²	<p>Proposed drafting is significant improvement. Main comments relate to paragraph 7(b).</p> <p>Believe wording should be amended so that ‘primary’ is reinserted, and remove the need for Authority agreement to the Provider carrying out non-CDSP activities.</p>
<u>Association of Independent Gas Transporters (AIGT)</u>	<p>Very difficult to comment on changes, without knowing the extent to which independent gas transporters will be able to recover CDSP costs. This will establish the level of funding risk that IGT’s are exposed to, and the level that they need to be represented in Xoserve’s governance.</p> <p>There has been a lack of progress in determining costs and cost drivers. IGT’s do not know what their cost exposure will be. They have little say in CDSP arrangements and will not be able to control costs imposed on them. IGT’s should therefore be allowed to pass through CDSP costs or these should be levied directly to shippers.</p> <p>They are supportive of the proposed changes but believe there needs to be a balance between ensuring the framework is properly developed and against rushing through a solution agreed by a subset of parties.</p>
<u>British Gas</u>	<p>Appropriateness of provisions cannot be assessed while detailed arrangements are still being developed. Believe that Ofgem needs to set out its position on a number of points including the scope of the CDSP; users’ responsibilities; the treatment of risks and responsibilities; details of</p>

¹² National Grid sent a joint consultation response from both National Grid Gas Distribution (NGGD) and National Grid Gas Transmission (NGGT).

	<p>the appeals process; and confirmation that charging will be cost-reflective. Concerned that the April 2017 delivery date will be challenging.</p> <p>Also suggested a number of drafting changes.</p>
<u>Scottish Power</u>	<p>Authority should be able to send back budget to be revised within the governance of the Data Services Contract.</p> <p>Authority should consider potential interactions with CMA review of licensing of code administrators.</p>
<u>Wales and West Utilities</u>	<p>Section 6c – suggest removing word ‘used’ as this implies payments will be made as and when transactions occur.</p> <p>Section 7b – believe primary purpose of the Provider should be to provide CDSP (core) services and Authority consent should only be needed where non-CDSP activities would make a profit.</p> <p>A15 –an amendment to the A12 link is needed.</p>
<u>Northern Gas Networks</u>	<p>Believe that the Authority’s consent should not be required where the Provider wishes to carry out small scale non-CDSP services.</p>
<u>Eon</u>	<p>Raise a number of questions about references to the Provider and the CDSP Services Agreement.</p> <p>Asked whether the industry can appeal if the budget is excessive; what happens to the profits made from non-CDSP activities; and whether CDSP users are protected from any risks arising from these activities?</p>
<u>National Power</u>	<p>Supportive of the proposed amendments.</p>
<u>SGN</u>	<p>Reservations about conditions obliging gas transporters to ‘ensure’ outcomes delivered, and want these changed instead to ‘best endeavours’.</p> <p>Question about pass-through of costs incurred outside direct control of gas transporters. They support Xoserve’s comments on consent requirements for non-core activities, and ask how profits from non-CDSP services will be treated.</p>