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Dear Jonathan

RIIO-2 Framework Consultation

Thank you for the opportunity to respond to Ofgem's RIIO-2 Framework Consultation. We attended the recent stakeholder event in London, and were encouraged by the focus and attention given to effective stakeholder engagement, to the need for customer centric business plans, and to justifying investment and promoting innovation. As an organisation that is wholly funded and governed by its customer community, and which wants to see the energy consumer get maximum value from the industry's assets, we welcome Ofgem's emphasis on these key themes.

In our capacity as the gas industry's Central Data Service Provider ("CDSP"), we are collaborating with National Grid Gas Transmission and the Gas Distribution Networks in the preparation of their business plans for central service requirements, and will engage with gas Shippers to ensure that their requirements are fully considered within the plan development process.

For the RIIO-1 period, the Gas Transporters have received allowed revenues for funding their share of CDSP costs. Consideration was given to pass through during the development of the CDSP model, and Ofgem has indicated previously that it would review the position for RIIO-2 based on the performance of the industry in creating an effective co-operative governance model¹.

To inform Ofgem's review, we think that there could be value in Xoserve engaging with its Gas Transporter and Shipper customers to seek their views on the effectiveness of the CDSP model and on options for its potential evolution. We would ensure complete transparency throughout the engagement process, making it our priority to reflect the full range of customer views, and would hope to be able to share the output with Ofgem by late 2018. In the event that there is a regulatory decision to amend the model, and dependent on the extent of the change, it is likely that there would be a requirement for an industry delivery programme to implement changes with effect from the start of the RIIO-2 period.

¹ See https://www.ofgem.gov.uk/system/files/docs/2016/09/xoserve_funding_decision_final.pdf

We look forward to working with Ofgem to deliver a RIIO-2 outcome that delivers value for the energy consumer. In the meantime, if you wish to discuss further any aspect of our response, please do not hesitate to contact me. We are happy for you to publish this response in full.

Yours sincerely

Martin Baker

Head of Strategy

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