

Rupika Madhura
Head of Gas Distribution Policy
OFGEM
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7 July 2016

Dear Rupika,

Consultation on the Review of the Gas Transporter Agency (Xoserve) Costs in RIIO GD1 and T1

Thank you for the opportunity to respond to this consultation. ScottishPower agrees with Ofgem's minded-to decision to reduce the total allowed expenditure by the GTs on Xoserve costs in RIIO-GD1 and RIIO-T1, and to retain Xoserve related costs in the GTs' base revenue allowances for the remainder of RIIO-GD1 and T1.

We highlight the following points for Ofgem's consideration in relation to this proposal:

- The information that Ofgem has used to determine the split of services between parties is still subject to consideration and could change under UNC Modification 565. We would welcome assurance from Ofgem that the allocation of Xoserve costs to and between the price controls will be revised where necessary to align with the Mod 565 outcome.
- With regard to Project Nexus, we believe it is inevitable that there will be costs from 2017/18 onwards, in relation to the delivery of retrospective functionality after the initial Project Nexus implementation. Therefore we would request that Ofgem clarifies how any such costs will be regarded and specifically whether these costs would be treated as incremental to the proposed revised baseline allowances.
- We would request that Ofgem clarifies the scope of Xoserve staff costs included within the proposed GT allowances including, specifically, whether pension costs relate to defined contribution and/or defined benefit schemes including deficit liabilities. We would also welcome confirmation that staff costs including pensions, included in the GT cost allowances only relate to the GTs' share of core services.
- Finally, we would welcome further clarity from Ofgem on how the proposed GT cost allowances will be adjusted if, as proposed under the Faster Switching significant code review (SCR), change of supplier and meter point registration is migrated to from Xoserve to the Data & Communications Company (DCC).

We look forward to continuing to work with the rest of the industry and Ofgem in delivering the new Funding, Governance and Ownership arrangements.

In the meantime should you have any questions regarding this response please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a horizontal line.

Rupert Steele
Director of Regulation