



Rachel Clark, Switching Programme
Ofgem
9 Millbank
London
SW1P 3GE

25 September 2017

Dear Rachel,

Re: UK Link and the Proposed Central Switching Service

Thank you for the opportunity to provide respond to this consultation. Northern Gas Networks (NGN) has been actively involved in the changes to Xoserve funding and governance, Ofgem's Faster Switching and the UK Link Programme, in addition to being a shareholder in Xoserve Limited. We have set out our responses the specific question in the consultation in the attached appendix.

NGN can see that for parties significantly impacted by the new switching arrangements (i.e shippers and suppliers) there could be efficiencies driven from using a current data transfer mechanism and known platform as this would bring incremental changes rather than wholesale reform. We believe it is these parties that should drive any decisions in relation to the participation of Xoserve in the bidding process and provide the necessary funding and resources to allow this to happen. We see this as important test of the ability of the supply side of the market to take up the opportunities of the new governance arrangements.

The new co-operative management arrangements for the gas Central Data Service Provider (CDSP) brings both more inclusive arrangements to consider evolution and extension of the services provided as well as more complex governance arrangements to navigate in order to deliver non-standard industry change. As a gas transporter we would not seek to inhibit the desire of the supply market participants for Xoserve to participate and would work positively to allow this to happen whilst ensuring the provision of the core CDSP service is maintained. We do not believe this complexity should act as a barrier provided parties are prepared to appropriately fund and manage areas that deliver particular benefits to them.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

By email

Joanna Ferguson
Regulation and Industry Codes Manager



Appendix 1

Consultation Questions

Chapter Three

Question 1: Do you agree with the benefits outlined in 3.7 a-c below? If so, how significant do you consider these benefits could be for the purposes of implementing more reliable, faster switching?

The known nature of the architecture and data transfer mechanisms of the UK Link systems would bring advantages to impacted parties. Many gas shippers who were required to make system changes as a result of Project Nexus also operate as suppliers and this alignment may bring advantages when making system change.

The investment costs of the current UK Link systems were funded entirely by Gas Transporters, and while we acknowledge that these systems may be expanded for alternative use, the funding and development of such additional purpose must ensure that the primary functions and activities are not adversely impacted and are funded only by parties that benefit from the change.

Question 2: Are there other benefits that Ofgem have not identified?

None that we have identified.

Question 3: Do you see any particular risks or disadvantages?

NGN is keen to ensure that the core activity service levels are not put at risk and that any new programme of non-core activity does not prevent change or development of the existing activities undertaken by Xoserve. While we understand that the replacement of systems necessarily resulted in deferral of some customer driven changes or activities during the run up to Project Nexus go-live, this would not be acceptable for delivery of a non-core additional services.

Chapter Four

Question 4: Under the current Xoserve CDSP governance do you believe there are any substantive obstacles to Xoserve's ability to participate in a competition? If so, how could these obstacles be overcome?

As noted in the consultation, gas transporters are likely to have minimal direct impact from the new arrangements, and therefore it is essential that their role as shareholders is not subjected to additional risk that has no corresponding reward or benefit. Funding through the Data Service Contract model for Xoserve to participate in the tendering process, and for delivery of the changes should they be successful, should be directed only at materially impacted parties who will benefit from any efficiencies resulting from expanded use of the UK Link systems.

We believe the parties most impacted by these changes should be the key decision makers in this matter, and subject to suitable assurances and protection of shareholders and transporter services delivered through the DSC, we would not wish to prevent Xoserve and industry from exploring the best way to overcome any obstacles.