

Representation - Draft Modification Report 0565 0565A 0565B

Central Data Service Provider: General framework and obligations

Responses invited by: **5pm 08 December 2016**

To: enquiries@gasgovernance.co.uk

Representative:	Shanna Key
Organisation:	Northern Gas Networks
Date of Representation:	08/12/2016
Support or oppose implementation?	0565 - Qualified Support 0565A - Oppose 0565B - Support
Alternate preference:	<i>If either 0565, 0565A or 0565B were to be implemented, which would be your preference?</i> 0565B
Relevant Objective:	c) Positive d) Positive f) Positive

Please note that due to the number of documents required the 'Supporting Business Documentation' page has been linked to the main modification page, which includes the legal drafting as follows:

CDSP/DSC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/DSC> (CDSP and DSC documents)

UNC Draft for Consultation: <http://www.gasgovernance.co.uk/0565/UNCdrafting> (UNC Legal Text)

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s) for each modification

NGN agrees with the overall Supporting Business Documentation and legal drafting for all three modifications where they are, in principle, the same. The industry as a whole has done considerable work to ensure that the transition to new funding and governance arrangements are clear and transparent and should be a step change looking forward.

We feel the only difference between these modifications is the constitutions for the Data Service Contract (DSC) committees, particularly the Transporter User votes, so this is the point we shall address in this response.

While the ownership of Xoserve, in their capacity as both the Transporter Agency and as the Central Data Service Provider (CDSP) remains the same the revised funding arrangements demonstrate a significant change in interest from non-owner organisations. During the transition year while shippers and iGTs have been invited to attend contract and change meetings we have welcomed the additional views and perspectives that this has brought. On most issues we believe that there will continue to be a largely consensus based agreement on most contract and change matters, however we are concerned that while the Gas Transporters remain in a price control position relating to costs it is important that these can be effectively controlled through the contract and change committees.

It is for this reason we do not believe that the imbalanced arrangements in either 0565 or 0565A allow appropriate balance of risk and control. In 0565A the position where National Grid Transmission, as a single organisation and largely individual services is provided with 2 votes is not consistent with either the current ownership model, or a reasonable balance of risk and control. For 0565, while the National Grid Transmission element has been addressed, we feel that the additional weighting onto iGTs from Gas Distribution Networks (GDN) continues to create disproportionate voting, who have only £0.3m annual funding compared to the £16.3m for National Grid Transmission or £33.7m for GDNs (based on current 2017/18 proposed funding). We therefore find that only the current large transporter model of one vote per organisation with a single vote to acknowledge the iGT status will meet the requirements of providing appropriate balance of risk and control for GDN services.

We acknowledge that the new arrangement will take some time to bed in, and are keen to ensure that the industry as a whole continues to work together in this regard. We therefore offer qualified support to 0565 and would seek to introduce a check point to consider the committee arrangements after a suitable period of time to ensure that they are not creating any additional risk.

In summary, NGN takes the following position on these modifications:

Modification	Position
0565 (National Grid Distribution)	Qualified support
0565A (Eon)	Oppose
0565B (SGN)	Qualified support

Self-Governance Statement: *Please provide your views on the self-governance statement.*

We do not believe these modifications are subject to Self-Governance due to the material impact they may have on UNC party relationships.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We agree that these modifications are able to be implemented on 1 April 2017 subject to Ofgem approval and additional contractual documentation being completed.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

We do not envisage any extra costs or impacts.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes, we feel that the legal text meets the solution.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Please provide below any additional analysis or information to support your representation