











Stage 01: Modification		At what stage is this document in the process?
<h1>0565B:</h1> <h2>Central Data Service Provider – General framework and obligations</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>This Modification Proposal identifies the framework and principal obligations and terms under which the Central Data Service Provider (CDSP) will operate under the UNC. It also provides for the creation of a Data Services Contract (DSC) as a UNC ‘code referenced document’.</p>		
	<p>The Proposer recommends that this modification is:</p> <ul style="list-style-type: none"> assessed by a Workgroup 	
	<p>High Impact: Large and Small Transporters, Shipper Users and Transporter Agency. Indirect effect on ‘industrial & commercial’ and ‘domestic’ gas consumers.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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About this document:		 enquiries@gasgovernance.co.uk
This modification was be presented by the proposer to the panel on 28 October 2016.		 0121 288 2107
The panel considered the proposer’s recommendation and agreed this modification should be:		Proposer: Sue Hilbourne
<ul style="list-style-type: none">assessed as an alternative modification by Workgroup 0565 .		 sue.hilbourne@sgn.co.uk
The Proposer recommends the following timetable:		 07583 690632
Initial consideration by Workgroup	06 January 2016	Transporter: Scotia Gas Networks
Amended Modification	02 November 2016	Systems Provider: Xoserve
Workgroup Report presented to Panel	04 November 2016	 commercial.enquiries@xoserve.com
Draft Modification Report issued for consultation	04 November 2016	
Consultation Close-out for representations	02 December 2016	
Final Modification Report presented to Panel	06 December 2016	
UNC Modification Panel decision	15 December 2016	

1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures were not requested as this Modification is expected to materially impact existing or future gas consumers; competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and the uniform network code governance procedures or the network code modification procedures. This is because the change scope encompasses key customer facing terms and provisions within the UNC such as transfer of Supply Point ownership and Supply Point metering.

The Modification Panel agreed with the Proposer and determined that this modification was not suitable for Self-Governance.

Is this a Fast Track Self-Governance Modification?

Fast track procedures were not requested for the reasons described above.

Why Change?

At present, all Transporter Agency services pertaining to discharge of UNC obligations are the responsibility of the Gas Transporters (GTs) who contract with Xoserve via an Agency Services Agreement (ASA) for the delivery of these. Transporters receive allowed revenue through the RIIO framework to recover the forecast costs (set at the outset of the price control period) which Xoserve charge for providing those services (noting that the funding of User Pays services is outside of the allowed revenue arrangements).

The Funding, Governance and Ownership (FGO) Programme was established in May 2014 to define and deliver a blueprint for the future funding and governance of the Central Data Service Provider (CDSP) and Central Data Services (CDS), in line with Ofgem's FGO Review conclusions in October 2013. The implementation of these conclusions requires amendment to relevant regulatory and UNC arrangements and the development of a fully cooperative model for the CDSP, which retains the integrated CDS systems and services, which Xoserve presently delivers in its role as the Transporter Agency.

Implementation of the FGO programme requires a UNC modification to develop and implement a framework appropriate to the efficient implementation of the FGO arrangements thereby giving effect to the proposed new GT Licence conditions. To the extent that obligations are changed or reassigned at a licence and/or UNC level, revisions to and/or replacement of Xoserve's existing service contracts will also need to be developed albeit this will occur outside of UNC governance. It is necessary for the cohesion of the overall framework that this occurs in parallel with this Modification.

There is also a need to develop the DSC in parallel with the UNC solution to ensure that the DSC and UNC complement each other, to ensure development of the DSC is subject to an appropriate level of governance and when approved, to adopt the DSC into the UNC as a code referenced document.

Implementation of Project Nexus is unlikely to be achieved until 1st April 2017 at the earliest which is presently the target implementation date for the 'phase 2' FGO arrangements under this Modification and the associated Gas Transporters Licence amendments.

To enable the FGO arrangements to be incorporated in UNC prior to Nexus and therefore ensure timely implementation of the FGO programme, it is necessary to identify and implement relevant 'transitional' or interim terms within the UNC, these being based on the current version of the UNC Transportation Principal Document (TPD).

It is not possible for Independent Gas Transporters (iGTs) to be subjected to the FGO regime prior to the Project Nexus Implementation Date (PNID) as they will not have acceded to the UNC and become UNC parties until then. Therefore proposed changes to the General Terms (GT) will include further transitional terms to dis-apply certain elements of the proposed FGO arrangements (principally associated with iGTs).

It is intended that the relevant post-Nexus terms will be contained within a further UNC Modification Proposal to be raised by National Grid Gas Distribution (NGGD) in due course.

Solution

Modification of the UNC is required to identify the requirement for the CDSP and CDSP services within the UNC and to make corresponding changes in relevant obligations to reflect this. The creation of the DSC will also be required alongside the necessary UNC changes with the resulting DSC becoming a code referenced document once approved.

Relevant Objectives

The measures identified within this Modification Proposal facilitate relevant objectives 'c' and 'd'.

Implementation

Whilst no implementation date is proposed it is anticipated that this modification will be implemented with effect from 1st April 2017. It will be noted that there will be a dependency on development of appropriate CDSP funding arrangements and UNC transitional terms prior to implementation.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification is essential to the implementation of the FGO programme.

2 Why Change?

The Transporter Agency, Xoserve is appointed by the Transporters to be responsible for discharging the Transporter's Licence and UNC obligations in respect of certain transportation services. These include energy balancing, allocation and settlement, NTS and LDZ capacity, invoicing, 'change of shipper user' systems/processes and provisions concerning the UK-Link system.

In the period 2012-13 Ofgem undertook a review of Xoserve's funding, governance and ownership arrangements. The objectives of the FGO Review were:

1. To promote increased Agency pro-activeness for the benefit of the broader industry;
2. To support the transparency and efficiency of Agency costs;
3. To position funding, risk and control of Xoserve and the central services it provides in the most appropriate way to support these objectives;
4. To implement governance arrangements that recognise the importance of Xoserve services to a broad range of stakeholders and are consistent with new regulatory arrangements for Transporters for Agency Services; and
5. To vary Ofgem's role in the setting of business plans and budgets for Agency Services.

Ofgem published its FGO Review conclusions in October 2013, in which it confirmed its preliminary recommendation that it would require changes to be made to the prevailing funding and governance

arrangements so as to establish a co-operative model. This model requires Transporters and Shipper Users to participate jointly in the governance of Xoserve and in the funding of its central services. Ofgem's decision also confirmed that the Transporters will continue to own Xoserve, although the governance arrangements will ensure that they cannot have an undue influence over how Xoserve is run.

At present, all UNC obligations for central services are the responsibility of the Transporters who contract with Xoserve via the ASA.

This modification seeks to make the necessary changes for FGO, ensuring that the UNC is compliant with the proposed changes to the Standard Conditions of the Transporter Licence. It also provides for the creation of the DSC and for the resulting DSC to be adopted into the UNC as a code referenced document once approved.

The purpose of the modification is to require all parties to establish and sign a relevant services contract with the CDSP (the DSC) and reallocate relevant UNC obligations to the CDSP in relation to CDS that are presently the responsibility of Transporters.

Of note it is intended that the proposed DSC between Xoserve and users of its services (replacing the ASA) will be as consistent as possible across all users (being Gas Distribution Networks (GDNs), National Grid Transmission (NTS), Shipper Users and Independent Gas Transporters (iGTs).

It is expected that service schedules in the DSC will vary according to the services each party takes. The use of relevant contract schedules will progressively increase as additional services are taken on by users. iGTs will be required to become signatories to the DSC following Project Nexus implementation.

UNC development work involves extensive changes to the UNC GT, TPD and Transition Document (TD). However, it should be noted that as FGO implementation was anticipated to be following Project Nexus implementation, all legal text pertinent to the TPD is predicated on the version of the UNC to be implemented within the remit of 'Project Nexus' UNC Modifications 0432, 0434 and 0440. Consequently, given that it is now likely that Project Nexus will not be implemented prior to 1st April 2017, to enable the FGO 'phase 2' arrangements to be implemented on the due date of 1st April 2017, it is clear that measures are necessary to amend to text produced under this Modification to cater for the likely delay to Project Nexus implementation. This requires changes to the UNC pre-Project Nexus TPD to reflect the CDSP function.

Significantly, the principal effect of this is that iGTs would not be subject to the FGO arrangements until Project Nexus implementation given that they will not be acceded to the UNC until then and the 'single service' related provisions will not be effective. Therefore it will be necessary to dis-apply or 'set aside' proposed terms reflecting iGT requirements. Notwithstanding this, the legal text developed under this Modification will be relevant and effective in a pre and post Nexus contractual environment.

Relevant transitional terms associated with the pre-Nexus UNC contained within this Modification Proposal will lapse at the Project Nexus Implementation Date (PNID). A further 'complementary' UNC Modification Proposal will be raised in due course, which will contain additional UNC provisions relevant to the post-Nexus environment.

It should be noted that the proposed DSC will need to reflect a pre-Nexus approach. Therefore, the CDSP Service Description document will be drafted on the basis of the current service lines provided by Xoserve, i.e. pre-Project Nexus service lines. The DSC Transitional Arrangements document will also contain rules which make the necessary variations to the charging models, so for instance to substitute the 'Charge Base Apportionment Table' and to ignore all references to iGTs.

During development of this Modification Proposal the constitution of the proposed DSC Sub-Committees has been considered at length and this has culminated in the raising of UNC Modification Proposal 0565A and a subsequent amendment to the original UNC Modification Proposal 0565. Both Modifications identify alternative voting arrangements in both Shipper and Transporter categories. The solution identified within Modification Proposal 0565A for the Shipper category has been adopted within this Modification Proposal 0565B. However, a variation on the proposed arrangements for Transporter voting in Modification Proposal 0565 and 0565A is identified within this Modification Proposal.

The proposed 4-1-1 arrangements (see solution below) has been determined so as to reflect the level of interest in the activities of the CDSP each category of Transporter has under the proposed FGO arrangements. This will ensure Transporter parties have an appropriate level of accountability for the decisions of the CDSP.

3 Solution

To aid understanding of this Solution it is recognised that the changes to the UNC will be extensive, requiring input and consideration from all affected parties. Consequently it would be inappropriate for a Transporter to fully develop all of the obligations at this early stage. For this reason, the Solution identifies the broad requirements and it is expected that a dedicated UNC Workgroup will be required to develop them further.

Modification of the UNC is required to facilitate the incorporation of the following requirements:

- Introduce a definition of Central Systems Services Provider (CDSP) and CDSP Services.
- Introduce a definition of CDSP Agreement being the Data Services Contract (DSC). This will constitute a code referenced document..
- Introduce an obligation for all UNC Parties (Large and Small Transporters and Shipper Users to be party to and comply with the DSC.
 - Note; it will be necessary to include relevant terms in the DSC (i.e. those which create functions for the CDSP) to render the UNC provisions binding between the CDSP and UNC parties.
 - The signing of the DSC will be a pre-requisite for accession to the UNC for new parties.
- Introduce an obligation for UNC parties to jointly control and govern the CDSP.
- Introduce an obligation for UNC parties to use or procure the use of CDS Services from the CDSP.
- Introduce an obligation for UNC parties to pay for CDS Services used in accordance with the charging statement prepared by the CDSP.
- Identify and where appropriate reallocate the present obligation on Large Transporters to provide CDS services to Shipper Users (while noting that the CDSP will continue to provide services that discharge residual GT obligations).
- Replace where relevant references to the Transporter with CDSP.
- Identify, categorise and allocate as required (from UNC parties being GDN, NTS & iGTs and Shipper Users) activities relevant to the UNC which are the functions of the CDSP and that the CDSP is contracted under the DSC by UNC parties to undertake such.
- Ensure consistency between the UNC and DSC such that there are no gaps or overlaps
- Introduce all new obligations, rules, governance and guidelines required for the successful operation of the DSC from implementation.
- Introduce transition terms to reflect contractual requirements pending implementation of UNC Modifications 0432, 0434 and 0440.
- Any provisions relevant to iGTs (Small Transporters) are to be dis-applied pending implementation of Project Nexus.

Legal drafting approach

- Uniform Network Code (UNC)

The new GT Section D – CDSP and UK Link will be drafted on the basis of the post-Project Nexus legal text. The DSC Transitional Arrangements document will contain rules which override or vary those parts of GT Section D where required, so for instance to modify GT Section D so all references to IGTs are ignored.

- The changes to TPD Section G – Supply Points, Section H – Demand Estimation and Demand Forecasting and Section M – Supply Point Metering will be made against the current version of each of these sections, i.e. against the pre-Project Nexus text.
 - Other GT and TPD Sections will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify the enduring terms where needed.
 - Changes will be made to the IGT Arrangements Document (IGTAD) to reflect FGO arrangements, such that when the Project Nexus changes become effective and the IGTAD becomes part of the UNC it will properly reflect the requirements of FGO.
- Data Services Contract (DSC)
 - The DSC Agreement will provide for signature by the iGTs. The DSC Transitional Arrangements Document will then dis-apply all DSC rules, which are relevant to the iGTs.
 - The DSC Terms and Conditions will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify any rules where needed before the Project Nexus text becomes effective.
 - The CDSP Service Description document will be drafted on the basis of the current service lines provided by Xoserve, i.e. pre-Project Nexus service lines.
 - The DSC Budget and Charging Methodology document will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which make the necessary variations, so for instance to substitute the 'Charge Base Apportionment Table' and to ignore all references to the iGTs.
 - The other CDSP Service Documents (including the DSC Contract Management and Reporting Arrangements document) will be drafted on the basis of the post-Project Nexus text. The DSC Transitional Arrangements document will contain rules which modify any rules where needed before the Project Nexus text becomes effective.
 - Amendments to the UK Link Manual will be necessary.

Central to the assessment of this Modification Proposal will be the need for detailed business rules predicated on the above principles and relevant legal text/commentary.

Additional requirements – DSC sub-committee voting arrangements

Shipper Representatives

The Shipper User Representatives will be appointed as follows:

- 2 by Shipper Users in Class A (large domestic shippers);
- 2 by Shipper Users in Class B (industrial/commercial shippers); and
- 2 by Shipper Users in Class C; (those not in Class A or B).

If there are 2 nominations for a Class then the 2 nominees are appointed; where there are 3 or more nominations for a Class, Shipper Users in the Class get to vote, and the 2 nominees with the highest number of votes are appointed.

In the event there are insufficient nominations for a Class the approach is as follows:

- (a) where there is only one nomination, the nominee will be appointed and hold 2 votes
- (b) where there are no nominations:
 - (i) in the event there are 3 or more nominations for any other Class, the nominee with the 3rd highest number of votes will be appointed;
 - (ii) where there are less than 3 nominations for any other Class, then:
 - if 2 shipper representatives have been appointed, one representative will hold 2 votes (to be determined at random);
 - if 1 shipper representative has been appointed, the representative will hold 3 votes, i.e. an additional vote to the 2 votes held under (a) above.

Transporter Representatives

The Transporter Representatives will be appointed as follows:

- 1 will be appointed by National Grid NTS;
- 4 will be appointed by the DN Operators, with 1 representative appointed by each DN Operator; and
- 1 will be appointed by the IGTs. In the event there is no nominations from iGTs, then NTS will hold an additional vote.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	This Modification is not subject to User Pays arrangements. The funding mechanism for the relevant changes is to be determined.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) 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.	None

This modification is required to establish clear rules pertinent to Large and Small Transporters and Shipper Users with respect to the FGO programme and in particular the function of the CDSP. Such measures can be expected to facilitate relevant objective d) Securing of effective competition between Shipper Users. This is achieved by maximising the opportunity for parties to have influence in the efficient operation of the CDSP and ensuring clarity and transparency of UNC obligations discharged by the CDSP. The modification also facilitates implementation of the proposed Licence conditions underpinning FGO. This can be expected to facilitate relevant objective c) Efficient discharge of the licensee's obligations.

5 Implementation

No implementation timescales are proposed. However, it is anticipated that this modification is implemented so that it would be effective from 1st April 2017. It will be noted that there will be dependency on development of appropriate CDSP funding arrangements.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification is required to facilitate implementation of the FGO programme. However it is not required to facilitate implementation of Xoserve's UK-Link programme including Project Nexus.

Pre Project Nexus Implementation

As above

Project Nexus Implementation

Future requirements (for information only, not part of this Modification Proposal and would not impact Project Nexus Implementation):

Once a revised Project Nexus Implementation Date is identified a further UNC Modification Proposal will be required so that:

- the rules in the DSC Transitional Arrangements document which modify the changes to the UNC and the rules in the DSC which were introduced when Modification 0565 become effective are 'switched off';
- Each of TPD Section G – Supply Points, Section H – Demand Estimation and Demand Forecasting and Section M – Supply Point Metering will be deleted and replaced with new versions which reflect the post-Project Nexus text; and
- The CDSP Services Description will be substituted with a new version which reflects the changes introduced through Project Nexus, i.e. the post-Project Nexus service lines.

There may be a need to review IGT UNC Modification 'iGT039 - Use of a Single Gas Transporter Agency for the common services and systems and processes required by the iGT UNC' to ensure consistency with the FGO and Project Nexus arrangements.

Post Project Nexus Implementation

As above

7 Legal Text

Text Commentary

Text commentary will be provided

Text

Legal text will be provided

8 Recommendation

The Proposer invites the Workgroup to:

- Assess this modification.