Joint Office of Gas Transporters

UNC Modification	At what stage is this document in the process?

UNC 0673 (Urgent):

Amendment of UNC and DSC arrangements to enable Xoserve to bid for and provide CSS Services

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

Purpose of Modification:

This modification creates the arrangements within the Uniform Network Code (UNC) and Data Services Contract (DSC) by which Xoserve can provide Data Communication Company (DCC) Services i.e. operate as the central switching system service provider.

	The Proposer recommends that this modification should be: • treated as Urgent and should proceed as such under a timetable agreed with the Authority
	High Impact: None
	Medium Impact: Shipper Users and CDSP
	Low Impact: Gas Transporters

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Contents

Timetable

The Proposer recommends the following timetable:

~~Panel Recommendation on Urgency~~	~~TBC~~
Ofgem decision on Urgency	24 October 2018
Workgroup meeting	26 October 2018
Consultation commences	31 October 2018
Consultation Close-out for representations	19 November 2018
Final Modification Report available for Panel	20 November 2018
Modification Panel recommendation	22 November 2018
Ofgem decision	30 November 2018

Any questions?

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1   Summary

What

The Central Data Services Provider (CDSP) arrangements set out in the UNC General Terms D and the DSC require amendment to enable:

-    Xoserve (CDSP) to enter into the next phase of the DCC procurement and (if successful) be appointed as the central switching system service provider (by creating a specific class of service – CSS Services)

-    The financial aspects of this activity is to be ring-fenced to Shipper Users.

Why

UNC General Terms D and the DSC do not provide the commercial arrangements to permit Xoserve to enter into the next stage of the DCC procurement process for CSS Services and, if required, enter into a contract with the DCC. Without this change Xoserve will not be able to progress to the next stage of the procurement.

How

Amendments are expected to be required to:

-    UNC General Terms D

-    CDSP Service Documents:

    o   CDSP Service Description

    o   Budget and Charging Methodology and Cost Allocation Methodology

    o   Transitional Arrangement Document.

These changes are to expand the definition of CDSP Services, and create the arrangements such that Xoserve can enter the next phase of the DCC procurement process and (if successful) be appointed as the central switching system service provider by creating a specific class of service (CSS Services). CSS Services will be structured under the DSC such that control, funding, liabilities and any revenue will be ring-fenced to Shipper Users.

2   Governance

Justification for Urgency

Urgent status is requested on the grounds that without this modification, the CDSP is unable to progress in the bid process. There are significant commercial impacts on Xoserve, Shippers and other parties e.g. the DCC, that cannot be overcome without this modification.

Xoserve submitted a tender response for the CSS Services in late September. In order to progress further in the procurement process to the Best and Final Offer Stage (BAFO) in December 2018, Xoserve is required to be in a position whereby it can confirm it is able to enter into the contract with the DCC at the time of the BAFO submissions in early December. This modification is required to be implemented by the 30 November 2018 for Xoserve to prepare the final documents for submission in accordance with the DCC procurement timescales.

The Authority granted urgent procedures for this modification on 24 October 2018.

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Requested Next Steps

This modification should:

- Is to be treated as urgent and ~~should~~ is proceeding ~~as such~~ under a timetable agreed with the Authority

The requirement for this modification has been discussed at DSC Contract and Change Management Committees.

3   Why Change?

Xoserve is bidding to provide DCC Service being tendered by the DCC. If successful, the CSS Services will be provided as a commercial service to the DCC. The control, funding, liabilities and any revenues of CSS Services are to be ring-fenced to Shipper Users only.

The UNC (General Terms D and respective CDSP Service Documents) does not support the arrangements required for Xoserve to enter into the next stage of the procurement process in December or to enter in to a contract to provide CSS Services to the DCC.

Amendments are expected to be required to:

- UNC General Terms D
- CDSP Service Documents:
    - CDSP Service Description
    - Budget and Charging Methodology and Cost Allocation Methodology
    - Transitional Arrangements Document.

4   Code Specific Matters

Reference Documents

The proposer welcomes Ofgem's comments with regard to addressing governance constraints that might make it difficult for Xoserve to bid.

https://www.ofgem.gov.uk/publications-and-updates/switching-programme-outline-business-case-and-blueprint-phase-decision

Outline Business Case Page 13 para 1.20

"Consequently we have concluded that it is important that the procurement process should allow existing systems to be considered fairly alongside any new build options. We will work with DCC to ensure that the procurement process and the evaluation criteria do not unfairly benefit or penalise existing systems or discourage new entrants or existing providers from bidding. At the same time we will work with Xoserve to ensure that any governance constraints that might make it difficult for it to bid for, or operate, the CSS are addressed effectively."

Knowledge/Skills

None

5 Solution

The purpose of this modification is to amend the UNC and DSC documents such that Xoserve can submit its bid for CSS Services and, if successful, be appointed as the CSS service provider. The amendment includes ring-fencing the financial aspects to DSC Shipper Users only. This is to be achieved by amending:

General Terms – Section D

Defining CSS Services as services provided to the DCC under the DCC Contract and including CSS Services within the existing definition of CDSP Services;

CDSP Service Description

Create CSS Services as a fifth class of service, and exclude from existing definition of Third Party Services;

Budget and Charging Methodology

To ring fence charges relating to the DCC Contract by:

- Identifying Costs (including all liabilities flowing under the DCC Contract) which relate to the provision of CSS Services, as **DCC Service Costs**, or which relate to investment in the DCC Contract by way of infrastructure or change management processes regarding the development of CSS Services, as **DCC Investment Costs**;

- Identifying charges payable by the DCC to the CDSP – **DCC Service Charges** for the provision of CSS Services and **DCC Investment Charges** for undertaking DCC Investment;

- Identifying amounts payable by or to Shipper Users only, the net costs or revenues for providing CSS Services, **DCC Shipper Services Charges**, and the net costs or revenues for undertaking DCC Investment, **DCC Shipper Investment Charges**

- Establishing two new annual charging bases for calculating an annual DCC Service Charges base and an annual DCC Investment Charge base to be apportioned amongst Shipper Users only;

- allowing for differences in forecasting and the outturn for earlier years to be carried forward, for bespoke margins to apply and for bad debt to be rolled forward (i.e. amounts written off as bad debts in respect of DCC Shipper Service Charges and DCC Shipper Investment Charges) when calculating the base and therefore determining the monthly amounts payable by or to Shipper Users;

- for such amounts to be payable by or to Sipper Users on the basis of the existing Shipper Monthly Charging Share calculation;

- for separate invoicing of DCC Shipper Service Charges and DCC Shipper Investment Charges.

Transitional Arrangements Document

Extend functions of CSS Bid Group to approve material terms of final CDSP bid for CSS Procurement process;

Create rules regarding establishment of CDSP Budget depending on timing of budget process in context of CDSP entering into DCC Contract;

Create rule to reverse all changes in event CDSP final bid is not successful.

- General Terms D - expanding the definition of CDSP Services and Direct Services to include CSS Services, DCC and DCC Contract

- CDSP Service Description – to create CSS Services as a new category of Service and to be clear that CSS Services do not fall under Third Party Services, and to create arrangements to detail CSS Services are services provided to the DCC under the DCC Contract

- Budget and Charging Methodology to ring fence charges to Shipper Users by:
  - Creating new Cost and Charges categories in relation to the DCC Contract to show structure of charges
  - Showing Service Charges now include DCC Service Charges and DCC Shipper Service Charges and Charges for Investment Costs now include DCC Investment Charges and DCC Shipper Investment Charges.
  - Making it clear DCC Charges are payable by/to Shipper Users.
  - Setting out arrangements for margins
  - Set out charge basis and charging

- Transitional Arrangements Document to:
  - Utilise the CSS Bid Group setting out its functions and powers e.g. for approvals to proceed at various stages of the bid process
  - Create the arrangements with regards to governance of budget arrangements where Xoserve is to enter into the DCC Contract.

6   Impacts & Other Considerations

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

No

Consumer Impacts

None. This modification does not amend any services that impact consumers. The modification creates arrangements between the CDSP and Shipper User only.

Cross Code Impacts

None. There is no equivalent modification required to the IGTUNC as the IGTUNC points across to the arrangements in the UNC.

EU Code Impacts

None

Central Systems Impacts

None. There are no impacts on central systems as a result of this modification. This modification creates the arrangements for Xoserve to operate as a CSS service provider to the DCC under the UNC and DSC.

7   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.	None

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.
	None

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.	Positive
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 seeks to create specific arrangements that apply just to Shipper Users under the DSC. The use of a UNC modification to create these arrangements meets relevant objective (f) in that this modification is the most efficient way of making UNC and DSC changes to meet the required arrangements. The alternative would be a modification to undo much of the arrangements implemented in 2017 as a result of the Ofgem Funding Governance and Ownership review of Xoserve.

8   Implementation

There are no implementation costs associated with this modification.

9   Legal Text

Text Commentary

This has been provided published alongside this as a separate document.

Text

This Final lLegal Ttext has been provided published alongside this as a separate document.

10 Recommendations

Proposer's Recommendation to Ofgem

The Authority is asked to:

- Agreed that this modification should be treated as urgent and should proceed under a timetable approved by the Authoritythem.