

Stage 01: Modification Proposal

iGT086: Central Data Service Provider – Implementing iGT UNC changes to support FGO.

At what stage is this document in the process?

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



A modification to align the iGT UNC with the outputs of the Funding Governance and Ownership review of Xoserve.



The Proposer recommends that this modification should proceed to Review.



High Impact:
This is expected to be of high impact on Pipeline Operators and Users.

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Any questions?

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6th June 2016

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10. Recommendation **Error! Bookmark not defined.**

About this document:

This Modification will be presented by the proposer to the Panel on 15th June 2016.

The panel will consider the proposer’s recommendation, and agree whether this modification should be subject to Self-governance; and whether it should be issued for consultation or be referred to a workgroup for assessment.

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 telephone
Workgroup Chair: Steve Ladle

1. Plain English Summary

Is this a Self-Governance Modification?

It is anticipated that this modification should not be subject to self-governance

If so, will this be progressed as a Fast Track Modification?

N/A.

Rationale for Change

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 will require amendment to relevant regulatory and iGT UNC arrangements and the development of a fully cooperative model for the CDSP, which retains the integrated CDS systems and services that Xoserve will deliver under Project NEXUS.

Solution

Modification of the iGT UNC is required to identify the requirement for the CDSP and CDSP services within the iGT UNC and to make corresponding changes in relevant obligations to reflect this. The creation of the DSC is being developed under UNC0565 and is not therefore within the scope of this modification.

Relevant Objectives

The proposer is of the view that this Modification better facilitates objectives:

(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;*

as the FGO arrangements will allow all parties to jointly control and govern the CDSP and have greater input to and visibility of costs; and

(f) *Promotion of efficiency in the implementation and administration of the Code,*

as the drafting developed under iGT039 (whereby parts of the UNC are 'pointed to') will be aligned with the FGO arrangements under the UNC.

Implementation.

It is not anticipated that this Modification will have any implementation costs.

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2. Rationale for Change

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 (both GDNs and IGTs) 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 GDNs will continue to own Xoserve, although the governance arrangements will ensure that they cannot have an undue influence over how Xoserve is run.

Under SLC11, Xoserve will be appointed by the iGTs as the iGT Agent to provide Single Service Provision ("SSP") services at the point SSP is implemented under Project NEXUS. The present regulatory structure for SSP under iGT039 will see all IGT UNC obligations for central services being the responsibility of the iGTs who contract with Xoserve via the iGT Agency Services Agreement. With the reassignment of obligations between parties, the Agency services approach developed under iGT039 will need to be changed.

This modification therefore seeks to make the necessary changes for FGO, ensuring that the iGT UNC is compatible with the wider industry arrangements being developed. The requirement for parties to sign up to the CDS Data Services Contract ("DSC") is a requirement under the UNC through UNC0565 which captures iGTs as a UNC signatory at SSP go live. The provisions of and requirement to sign the DSC are therefore not required as part of this modification.

3. Solution

This modification seeks to make changes to the iGT039 Agency services text to:

- 1) Amend Part N "Pipeline Operator Agency" to support FGO arrangements; and
- 2) Reassign obligations where appropriate to mirror the reassignment of obligations under FGO:
 - a. By Identifying and where appropriate reallocating the present obligations on IGTs to provide CDS services to Shipper Users (while noting that the CDSP will continue to provide services that discharge residual IGT obligations);
 - b. Replace where relevant references to the Pipeline Operator with CDSP.

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The development of legal text to support this modification under the iGT UNC is however dependent on:

- 1) An up to date NEXUS go live set of UNC drafting (built on UNC0440 taking account of all subsequent UNC modifications); and
- 2) A complete set of UNC0565 drafting (which should be built on top of the base drafting referenced above).

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.	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.	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.	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

The proposer is of the view that this Modification better facilitates objectives:

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(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;*

As the FGO arrangements will allow all parties to jointly control and govern the CDSP and have greater input to and visibility of costs; and

(f) *Promotion of efficiency in the implementation and administration of the Code,*

As the drafting developed under iGT039 whereby parts of the UNC are 'pointed to' will be aligned with the FGO arrangements under the UNC.

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5. Impacts and Costs

No costs are expected as a result of this Modification.

6. Likely Impact on Consumers

None expected.

7. Likely Impact on Environment

None expected

8. Implementation

FGO arrangements are currently scheduled to be implemented on April 1st 2017. The key input to the application of FGO arrangements for iGTs is the implementation of Project NEXUS under which Agency services are to be implemented. This Modification will therefore need to be implemented on the later of:

- 1) FGO Implementation Date as directed by Ofgem (currently April 1st 2017); or
- 2) The implementation of Single Service Provision should this be implemented **after** the FGO Implementation Date.

9. Legal Text

To be provided.