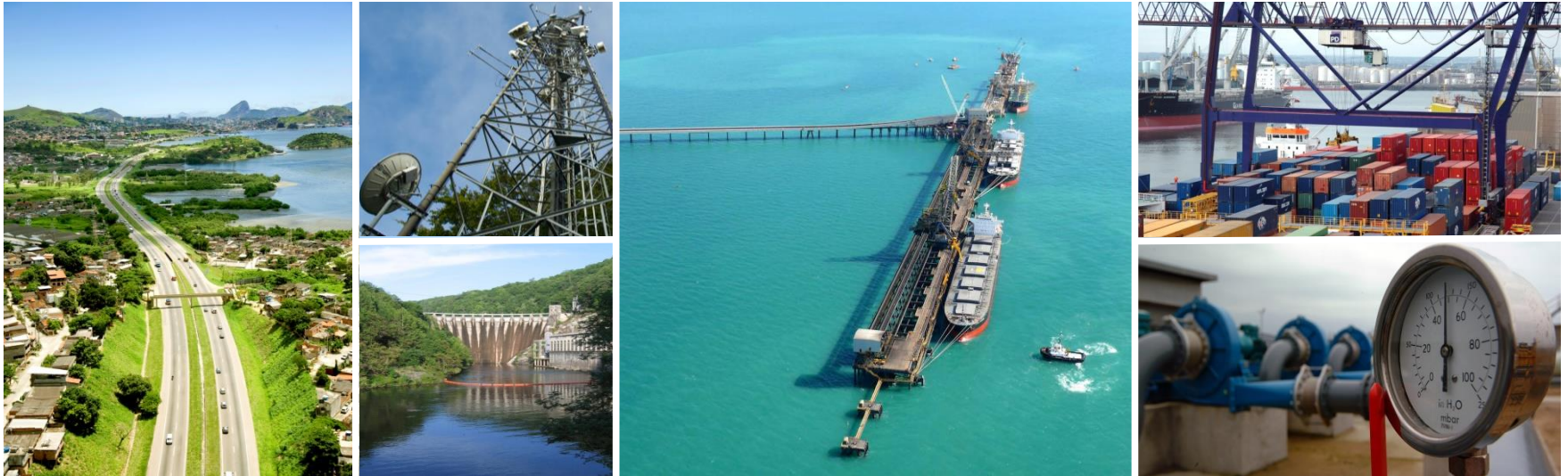


Brookfield

FGO Implications for the IGT UNC



Presentation to IGT UNC Work Stream - 1st March 2016

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- During 2012-13 Ofgem undertook a review of Xoserve's funding, governance and ownership arrangements with Ofgem publishing their conclusions in April 2013. The key conclusions being:
 - **Delivery of services**
 - the integrated systems and services that the CSP provides for both GTs and shippers should be retained.
 - **Budget setting, cost allocation and charging**
 - all users will collectively fund the CSP which will require changes to the funding approach and that the CDSP will be a not for profit business.
 - A new cost allocation methodology will need to be established and the GTs' price controlled revenue allowance for Xoserve's expected operating cost will be removed.
 - There will also be an annual budget setting process and an invoicing approach which ensures users have sight of the costs they are exposed to.
 - **Corporate governance and ownership**
 - Governance arrangements will be in line with the full co-operative model resulting in all users taking a share in the control of the CSP and being accountable for the CSP's performance risk.
 - There will be more inclusive board arrangements though GTs will remain the owners as is the simplest approach to take. However, their rights and liabilities as owners will be restricted.
- An industry group was set up in June 2014, managed by an independent project manager to deliver Ofgem's conclusions consisting of various work streams which report into the Project Overview Board (POB).
- The work streams are very closely linked and a major area of discussion has centred around obligations and funding.
 - These are intrinsically linked as there is a balancing of risk and control of obligations as a party that takes a service will have greater control of how such obligation is delivered but will also take on some risk in terms of paying for the cost of the service.

So how does this impact the UNC and IGT UNC.....

- UNC0565 was raised by National Grid on December 1st under the UNC to develop and implement the findings of the FGO project.
- 0565 is to address the process, governance and charging arrangements associated with the CDSP.
- The UNC is to be amended to include the CDSP as a party (but not a signatory to the UNC) and to reflect CDS services.
- Delivery of services to Transporters and Users to be amended:
 - References to Transporter (or Transporters) in UNC will need to be changed to “CDSP” to reflect that it will be Xoserve as the directly contacted service provider who will operate the systems and handle data flows.
 - This will be reflected within the DSC contract Shippers and Transporters will have with the CDSP.
 - UNC TPD V6.5 and relevant UNC sections will need to be amended.
- Not appropriate to refer to ‘Shippers’ rather than CDSP.
 - Shippers will not be operating the systems and giving and receiving communications.
 - Need to avoid prejudicing coherence of provisions dealing with UK-Link services.
 - Examples:
 - (a) G1.6.2 - "... CDSP [Shippers?] will determined the Provisional Annual Quantity ...";*
 - (b) G1.6.3 – "... CDSP [Shippers?] shall ... notify to the Registered User the Provisional Annual Quantity";*
- The UNC work stream is currently discussing and developing the drafting principles to form the basis of the legal text based on the above.
- Code parties (GTs, iGTs and Shipper Users) required to enter into a Data Services Contract (DSC) with CDSP to deliver relevant services to them.
 - DSC is to be developed alongside and as part of UNC0565.
 - UNC would contain obligation for parties to sign onto and comply with the DSC (would also form additional User accession requirement).

- It is relatively early days in the life of UNC0565 but the UNC modification has tight timeframes if it is to be completed for October 2016.
- Changes will be required to the IGT UNC but at this stage the exact changes cannot be identified.
- It is likely however that:
 - The “pointing to” approach under IGT039 should capture the CDSP drafting changes within the UNC.
 - Where the IGT039 drafting carves out provisions, these will need to be reviewed to determine whether the current drafting remains correct
 - i.e. CI 3.1 *“the references to “Transporter” in paragraphs 1.5.5(a) and 1.5.6(c) shall be interpreted as a references to the “Large Transporter”*
- UNC0565 will not “go live” until April 2017 (FGO Phase 2). Though it has been suggested under UNC0565 that an IGT modification should proceed in line with an October 2016 completion date. This may not be possible or required for this time:
 - On the basis NEXUS and IGT039 go live before April 2017, the text for this modification will need to be based on the “updated” UNC0440 legal text which NG have just commended work on. It is therefore likely that the updated IGT 039 text will only just be ready for implementation for October 2016 which is required before IGT UNC FGO legal can be produced.
- ***The above is not to say that no work can start under the IGT UNC.....***

- Monitor and participate in the UNC0565 discussions as this is where the design and approach of the UNC drafting is taking place (which will ultimately shape the IGT UNC approach).
- Submit slide pack to March IGT UNC Panel and request review group to be established to discuss and progress FGO impacts on IGT UNC and develop a modification.
- Following completion of the UNC 0565 development work and IGT UNC development work, raise IGT UNC modification to consult on implementing FGO arrangements.