

xoserve overview to DISG

Kim Salmon

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Background to xoserve

- In support of DN sales NGT proposed establishing the 'Agency' to minimise Shipper impact of DN sales
- Ofgem undertook an RIA in respect of NGT proposals
- Under the proposal UK Transmission, Transco Networks and Independent Networks would jointly own and take services from the 'Agency'
- In support of the proposed arrangements NGT has created xoserve to deliver the 'Agency' services

Rationale for xoserve

- As a provider of services on behalf of the Gas Transporters, xoserve will:
 - Preserve the continuity of central SPA services
 - Minimise changes to Shippers' systems and processes
 - Deliver consistent processes across all Networks, optimising efficiency for the industry
 - Maintain uniformity of service, avoiding preference discriminations across Networks
 - Provision of a national service to Shippers in a non discriminatory manner
 - Optimising efficiency and economies of scale for the industry

New Business – Mature Operation

- xoserve is drawn from the former NGT directorate 'Shipper Services'
- The department has successfully delivered and operated Supply Competition since 1996
- Strong track record in developing win-win arrangements in delivering improved performance and costs savings across stakeholders
- Winner of Utility Industry Customer Awards
- Demonstrable track record in managing high volume / high quality transactional services
- Played a significant part in the development and operation of the Supply Point Administration arrangements

What changes?

- RIA chose option 'C' which is new to xoserve operation
- Preservation of UK link systems in one place for management and change control via UK link committee
- Introduction of a non exec on the board
- User group for direct input to xoserve on requirements and engagement with wider gas community

Delivery Of Option C

- The conclusion of the FIA on Agency proposed that the following responsibilities were included in the scope of Agency;
 - Demand Estimation
 - Settlement & Capacity Systems (RGTA / AT-Link)
 - UK Transmission Shipper Set-up
- With the Gemini system replacing the AT-Link & RGTA systems for provision of the physical and commercial balance of the NTS, NGT proposed that;
 - Gemini remains in NGT ownership consistent with current Formula allowance
 - Gemini (at implementation) becomes the operational responsibility of xoserve
 - AT-link would be operated by xoserve until Gemini phase 2 implementation, at which point NGT would decommission the system.
- Demand Estimation responsibility would transfer to xoserve, however, this service would initially be sub contracted to NGT Transmission.

Delivery of Option C

- Demand Estimation
 - All services added to the xoserve Service definition document
 - Shipper facing activities transferred from Transmission to xoserve.
 - Core data processing, analysis and computation activities sub contracted to NGT UK Transmission until next PCR
- Demand estimation service has begun migration to xoserve and will be completed by Hive down
- Shipper Set-up
 - All shipper life cycle activities (New User, Merger / acquisition, Termination), including provision of UK-link services, operated by xoserve from 1st of March. All on target
 - Services will be included in the next release of the xoserve Services definition document available in March

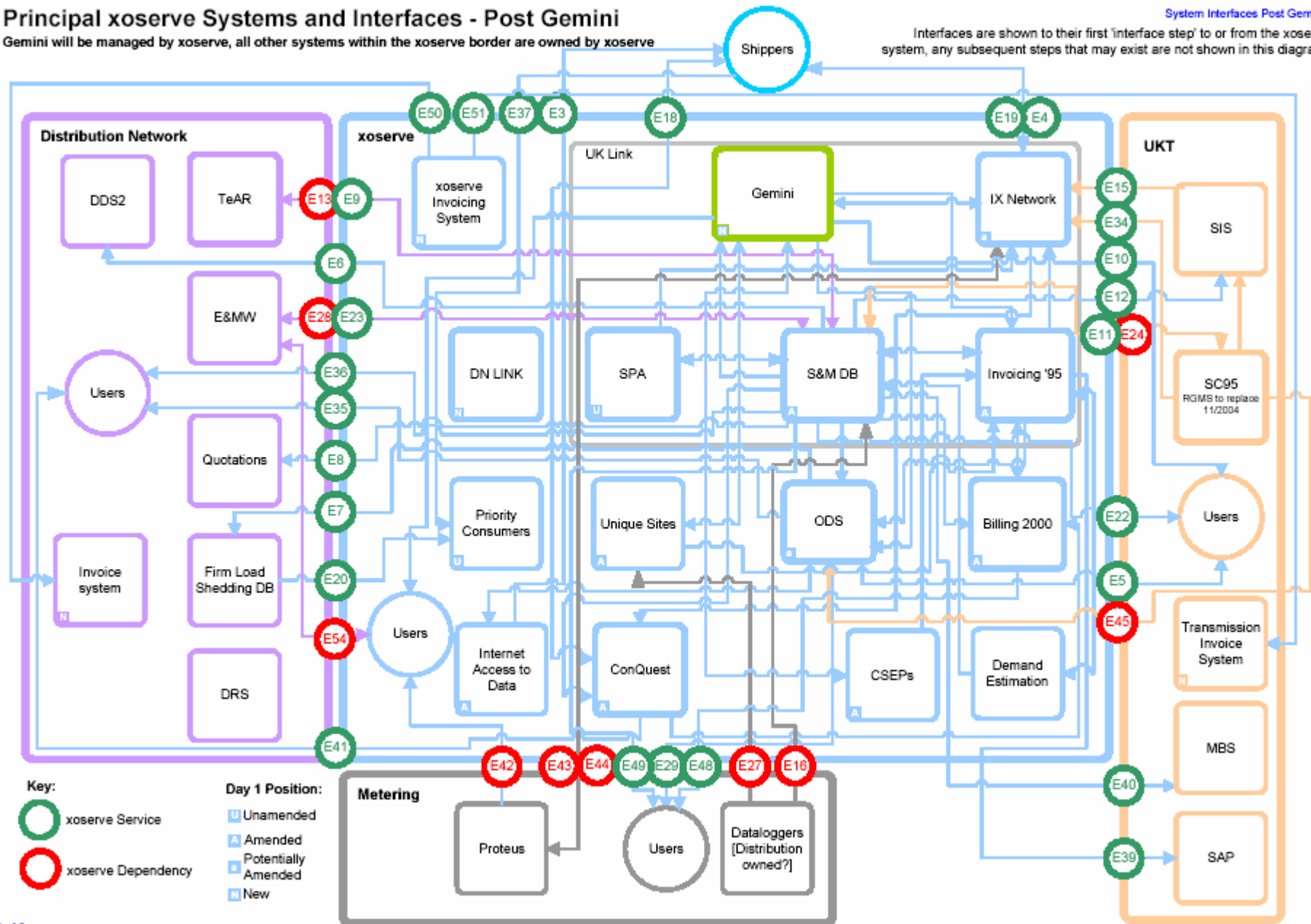
Delivery of Option C

- Settlement & Capacity Systems
 - xoserve will have operational responsibility for UK-link services from 1st of May (Hive Down)
 - Includes Network Code Section U and UK-link Manual obligations on behalf of Network operators.
 - AT-link system operated by xoserve from 1st of May
 - Operating Gemini Phase 1 (RGTA) remains with Transco until Gemini Phase 2 implementation, however Shipper interface is through xoserve from 1st of May.
 - Gemini Phase 2 as agreed with industry (Successor to AT-link & RGTA) will be operated by xoserve from implementation.
- xoserve contract updated to include
 - Provision of UK-Link services for **all** UK-link systems
 - Specific reference to the operation of Gemini (whilst remaining in Transco ownership)
 - All change management activities arising from Uniform Network Code modification or UK-Link change requests will be provided by xoserve.
 - Shipper IS help desk and escalation through IS service manager provided by xoserve.

Principal xoserve Systems and Interfaces - Post Gemini

Gemini will be managed by xoserve, all other systems within the xoserve border are owned by xoserve

Interfaces are shown to their first 'interface step' to or from the xoserve system, any subsequent steps that may exist are not shown in this diagram.

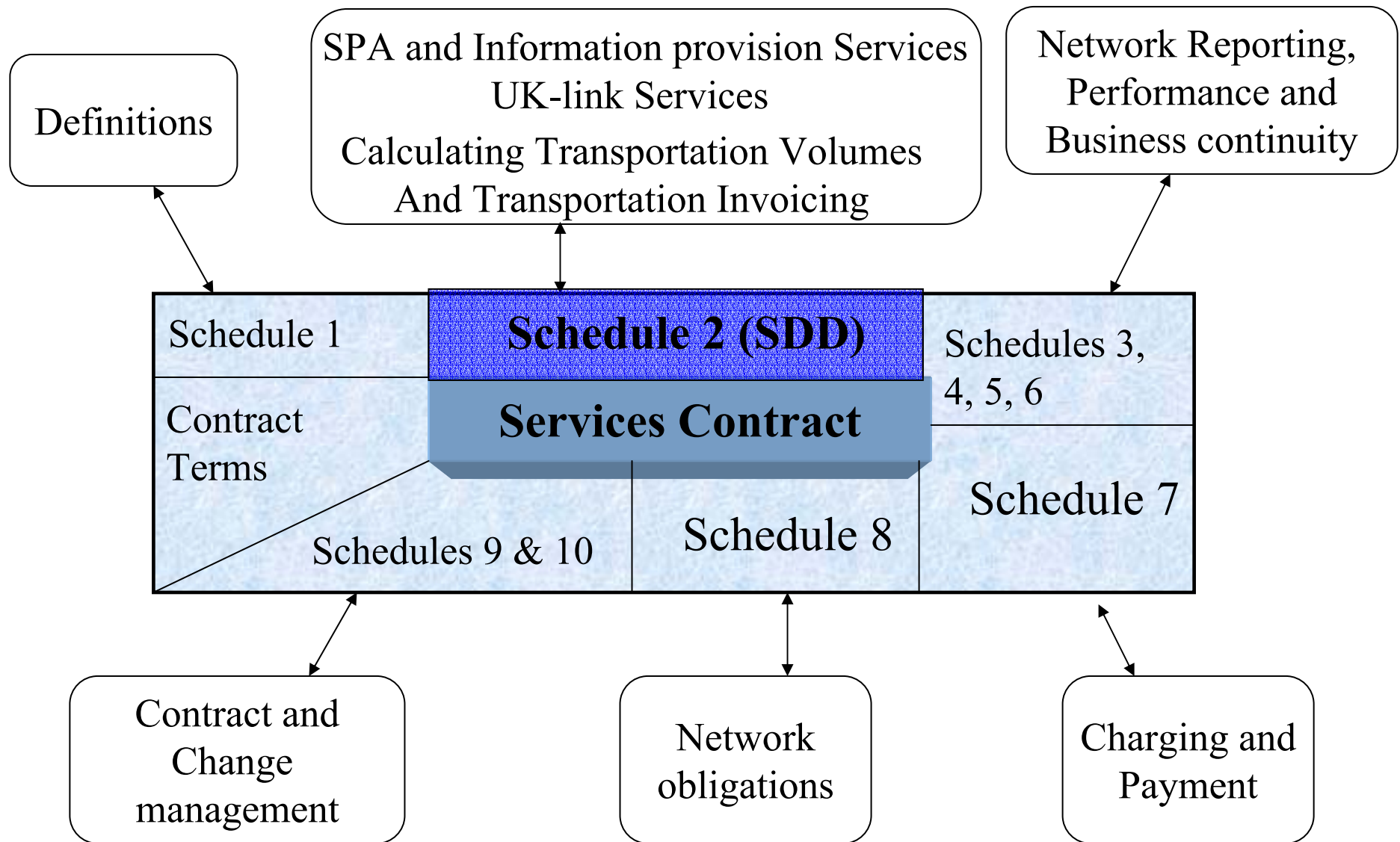


**Our commitments on Option C
are all on target for delivery**

Services Contract - Background

- Industry model requires a formal contract for services between Networks and xoserve
- We have called this the xoserve Services Contract
- The contract defines the services xoserve will provide on Network Operators behalf in accordance with their Licence and Uniform Network Code provisions
- **THE NETWORKS RETAIN BOTH CODE AND LICENCE OBLIGATIONS TO SHIPPERS AND COMMUNITY**
- The Contract is an agreement between the Service Provider (“xoserve”) and the Networks all of whom sign a standard agreement
- Whilst no direct contractual relationship with Shippers and industry participants, xoserve recognise the Key ‘user’ interface it provides on behalf of Networks
- xoserve has provided details to the industry of the services it will provide through publication of the Services Definition Document (SDD). This will be kept as a live document and published

Services Contract - Structure



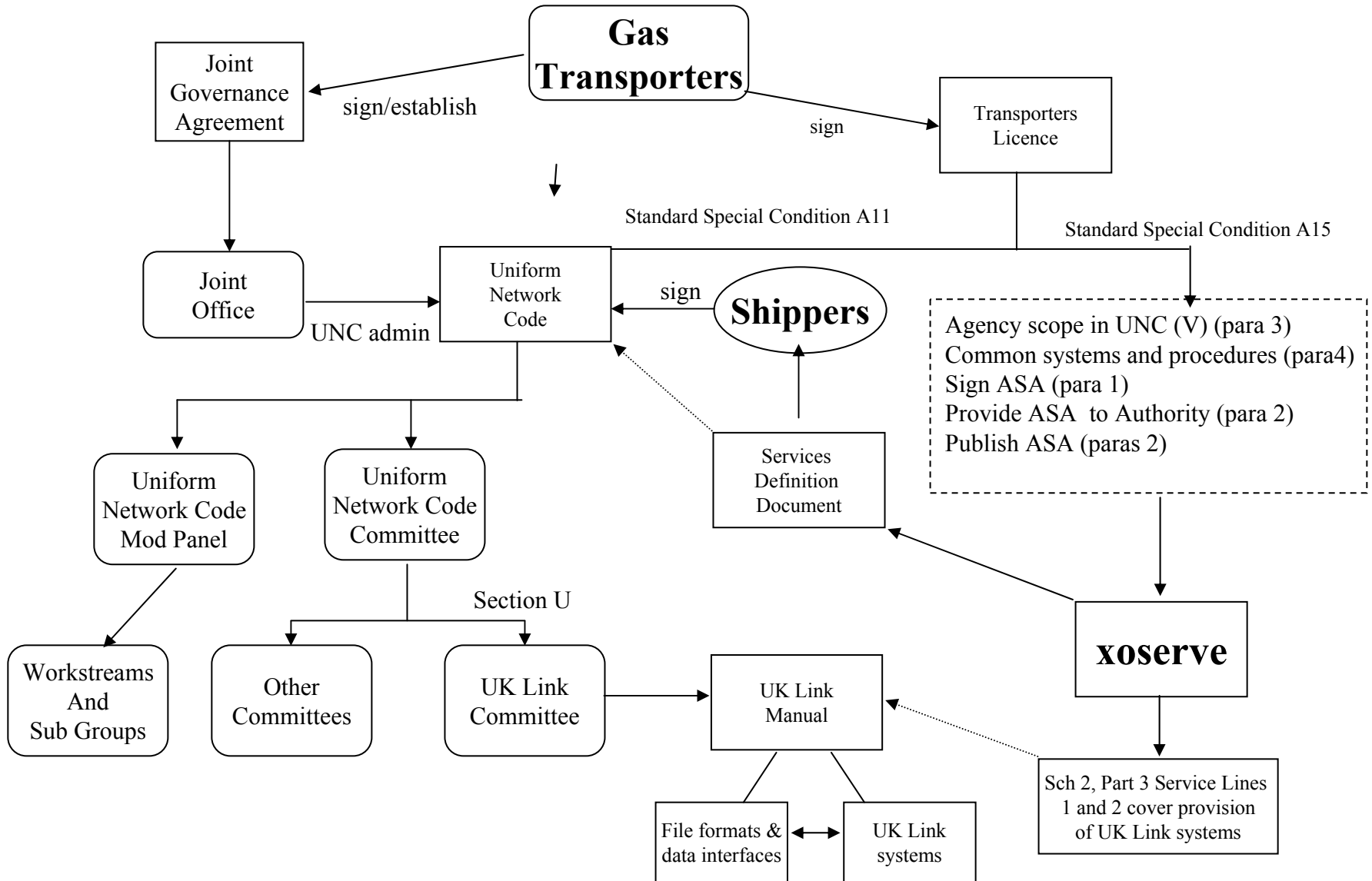
Services Contract

- Schedule 2 (Services Definition Document)
- Provides detailed listing of services provided in support of GT Licence, Network Code and operational interfaces to enable the competitive gas supply business, including;
 - Record and Calculate transportation volumes
 - Transportation Billing
 - Energy balancing Invoicing and Cash collection
 - Demand estimation
 - Information Services
 - Supply Point Administration
 - UK-Link Services (provision of Systems)
 - Provision of expertise to industry forums and change groups
 - Assessment and provision of solution options for industry change
 - Provision of reporting and analytical services

Services Contract

- Sets out the terms between the parties (legal boiler plating)
- Provides the definitions, many of which draw their meaning from the GT Network Code
- Payment for Services, transactional basis across all services and utilising Supply point share as a key charge driver
- Change and Contract management setting out how the service provider is instructed, the requirements for providing change evaluation, solution options and delivery in support of Network Code modifications and in accordance with UK-Link manual
- Provision of performance and reporting information required to support the GT's business
- Obligations on Network Operator(s) to enable the service provider to fulfil its service provision
- Business continuity arrangements, quality and information management practices, access to information to support GT compliance activities including financial information and Audit

Governance & Control



Transition to 'New World'

- xoserve operating a buyer programme to ensure operability for hive down and sale completion
 - Executive programme of induction for Shareholder and Director
 - Buyer Integration Programme to support day 1 readiness
- Aim of the programme
 - Scope of the services delivered by xoserve
 - Network owners role - contractual and shareholder
 - Support existing network staff and Buyer teams awareness and knowledge of the role xoserve plays
 - Ensure delivery of changes for hive down
 - Enable shadow operating ahead of Hive down
 - Build working relationships in readiness for sale completion

Transition to 'New World'

- Shipper readiness and Awareness
 - User Group proposals on target to provide for a one to one relationship between 'Users' and xoserve
 - Utilising existing operational forums to track readiness for Sale completion
 - Progress through UK-Link the changes required for DN sales
 - Utilise Shipper meetings to maintain awareness and understanding

- Industry awareness
 - Provide presentations to industry groups, regulator and energy watch
 - Work with NGT Consumer relations to ensure understanding of the Agency model within consumer groups.

Key points Summary

- xoserve created to minimise impact arising from Network Sales
- No change in charges to shippers
- Day one readiness programme underway and on track
- Will continue to provide knowledge & expertise to industry forums in support of the continued development of the competitive Gas supply business
- Option 'C' components incorporated into model and contract
- **WE ARE DELIVERING ON THE COMMITMENTS WE HAVE MADE AND WILL MAKE THE TRANSITION AS SMOOTH AS POSSIBLE.....WITH YOUR SUPPORT.**