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Agency for the Cooperation of Energy Regulators
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Slovenia

16 June 2014

Dear Sirs

European Energy Regulation: A Bridge to 2025 - Public Consultation Paper PC_2014_O_01

Thank you for the opportunity to respond to the public consultation on energy sector challenges and possible policy and regulatory responses for the period 2014-2025.

We welcome this wide-ranging consultation as a useful and accessible vehicle for understanding ACER's regulatory reform priorities for the next ten years, and for providing signals that can inform our own business and IT systems investment planning. We do not have any specific observations on the relative priority of the various topics, nor are we aware of additional actions or areas to be highlighted.

We set out below some background information on our role, and highlight a number of ACER's identified issues and proposed regulatory actions where Xserve is expected to have a key role to play in bringing proposals to fruition.

Our role

Xserve is appointed by the principal Gas Transporters ("the GTs") in Great Britain ("GB") as the Transporter Agency, with responsibility for discharging the GTs' Licence and Uniform Network Code obligations in respect of transportation transactional services. We are already working closely with National Grid Gas Transmission ("NGGT") and Gas Shippers and Traders to develop and implement changes to central services and systems that are required to give effect to the European Network Codes for Balancing and Capacity Allocation Management, and to support the discharge of REMIT reporting obligations. We appreciate the confirmation that full implementation of the EU Third Energy Package continues to be ACER's priority, and will take this into account in the planning of our IT systems investment programme, which requires us to balance a range of EU reform, GB market and internal business drivers.

Regulatory oversight

We have noted with particular interest ACER's observations on regulatory oversight of market facilitators, as outlined in Section 4.12 of the consultation, including a proposition that all such bodies should be subject to a set of standard supervisory rules, potentially including regulatory oversight of costs. It is not clear whether the functions performed by Xoserve, particularly Supply Point switching, energy balancing and settlement, would cause the business to be regarded as a market facilitator, and we would welcome clarification of this position in due course.

In its role as National Regulatory Authority ("NRA") for the GB energy market, Ofgem is reviewing the funding model and governance framework for Xoserve, and we expect that the review will include consideration of the form, nature and extent of NRA oversight of the Xoserve business and its costs. We would be concerned to ensure that ACER's proposals do not materially challenge the outcome of Ofgem's review so as to avoid the risk of subsequent changes to Xoserve governance and potential disruption to the business.

Switching timescales

Our range of regulated services includes the provision and maintenance of a GT Supply Point register, and in particular the updating of the registered Shipper at a Supply Point when a customer switches Supplier. In late 2013, we implemented changes to central systems to help the GB gas market achieve compliance with "three week switching" rules, and we will be delivering further changes in late 2014 to reduce this timescale by a further five days. We are also a key participant in Ofgem's Change of Supplier Programme which is considering longer term policy reforms, and we expect to have an important role to play as Ofgem consults in the near future on proposals for the introduction of next day switching services. In this context, we have noted ACER's target for the supplier switching period to be within 24 hours by 2025, and acknowledge that ACER and Ofgem policies in this matter demonstrate a reasonable degree of consistency.

Other matters

Other topics in the consultation that are of interest to Xoserve include:

- a) Proposals to make it easier for Suppliers to enter the retail market of other EU Member States, where Xoserve currently provides a Customer Lifecycle service to facilitate the entry and exit of Shippers and Traders to and from the Uniform Network Code and associated central systems; and
- b) ACER's intention to review the role of Distribution System Operators ("DSOs"), and their relationship with Transmission System Operators ("TSOs"), noting that Xoserve provides services to and on behalf of both NGGT (as TSO) and the Gas Distribution Networks (as DSOs).

Next Steps

We trust that the outcome of the consultation will help to bring much greater clarity to ACER's regulatory reform priorities for the next ten years. We recognise that this is likely to be the start of a lengthy process of policy development and stakeholder engagement, and that many of the topics

identified by the consultation require significant work before firm conclusions can be reached and are able to be implemented into EU Member States' energy markets. We are committed to giving our full support to future development and implementation activities in so far as these are relevant to the Xoserve business.

We are happy for you to publish this letter. If you would like to discuss further any aspect of our response, please contact Martin Baker, External Affairs Manager, on (44)121 623 2692 or e-mail martin.baker@xoserve.com.

Yours faithfully

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