
UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Monday 21 March 2016
Dentons, One Fleet Place, London, EC4M 7RA

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrew Margan	(AMa)	British Gas
Andrew Meaden	(AMe)	Dentons
Andy Miller	(AMi)	Xoserve
Angela Love	(AL)	ScottishPower
Anne Jackson*	(AJ)	SSE
Azeem Khan	(AK)	RWE npower
Charles Wood	(CWo)	Dentons
Charles Ruffell	(CR)	RWE npower
Chris Warner	(CWa)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
David Tennant	(DT)	Dentons
Gavin Anderson*	(GA)	EDF Energy
Gethyn Howard	(GH)	Brookfield Utilities UK
Lorna Lewin	(LL)	DONG Energy
Nicola Cocks	(NC)	KPMG
Sean McGoldrick	(SMc)	National Grid NTS
Steve Mulinganie*	(SMu)	Gazprom
Sue Hilbourne	(SH)	Scotia Gas Networks

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/210316>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 October 2016.

1.0 Introduction and Status Review

BF passed on R Madhura's (Ofgem) apology for not being able to attend the meeting. However, she hopes to provide an update on her outstanding action at the next meeting.

1.1. Approval of Minutes

The minutes of the previous meeting were approved.

2.0 Feedback on General Terms

CWa confirmed that whilst work remains ongoing on this matter, any feedback would be welcomed.

3.0 Feedback of DSC Outline

DT provided an update on the various key aspects of the 'Modification 0565 – Action List' at the end of which CWo explained that Dentons were not underestimating the task of establishing the rules needed for setting the first year DSC budget requirements.

In welcoming the work undertaken to date, SMc suggested that the matter hinges around the decision on which is the preferred option (i.e. enhance the current Non Code contract provisions, or seek to establish a Code related solution) the Workgroup wishes to advocate. Responding, CWa advised that this information is predicated on the previous model discussed at an earlier Workgroup meeting and suggested that should anyone believe that there could be a viable alternative solution, then it needs to be discussed as a matter of urgency to allow sufficient time to assess the options before the October reporting date.

CWo acknowledged that there might be value in looking to split out how the DSC is brought into being, and what elements of that reside under Code governance, and which elements would sit outside of Code, especially how the Workgroup believes change governance would / could be expected to work in future. He pointed out that one possible option could involve utilisation of a multi party contract that sits outside of Code.

In briefly explaining how current GT Licence obligations and Code governance works, CWo advised that Dentons have some concerns around the potential DSC positioning.

When asked, AMi advised that he expects to provide more information at the next meeting.

4.0 Governance / Change Management

CWo provided an overview of the 'FGO – DSC change control' document whilst explaining the rationale behind it.

Focusing on paragraph 1.2(b), some parties questioned whether or not the proposals could actually work. AMi reminded those present that Xoserve can only work with a 'single instruction' (e.g. currently the implementation of a modification triggers the instruction from the Network Operator). Some parties felt that a constituency based approach could work, whilst CWa also advised that a similar process to the UK Link Committee is being proposed by Modification 0565.

In considering paragraph 2.4(a), CWo advised that there are no significant changes to the current provisions proposed, simply looking to set out the CDSP requirements.

Some parties believe that paragraph 2.4(b) is the challenge.

In considering paragraph 2.4(c) proposals, CWo acknowledged that this could be enhanced to include classes of parties not otherwise covered and also suggested that further (wider) consideration would be required around the various aspects of a bespoke service provision in a similar way to non Code User Pays.

When asked whether or not the 'basic principles' of paragraph 2 provisions could / would work, there were no adverse comments from those in attendance.

It was suggested that 'when' should also be added to paragraph 3.4.

Moving on to consider paragraph 4.2(a), when asked whether the current Rough Order of Magnitude (ROM) process would be carried over, CWa responded by pointing out that these proposals are a high-level initial assessment and as a consequence, would be considered in more detail in subsequent workgroup meetings.

CWo explained that paragraph 4.2(b) proposes a one-to-one interaction between parties. When challenged about Intellectual Property (IP) related impacts / concerns, CWo advised that in his opinion, this matter relates more to confidentiality considerations although he did agree further consideration is required, for example if a party requested the CDSP to provide a bespoke service and then another party requested a very similar service, the CDSP would

not be able to say they couldn't provide the service due to IP, however they may not be able to advise that they are providing a similar service to another party as this would be confidential.

AMi provided some examples of previous 'bespoke' agency services and how these had covered off the confidentiality aspects. It was noted that this is straying into the CDSP / DSC discussions that would be undertaken in due course.

CWo explained that as far as paragraph 6.3.6 is concerned, the detail around aspects such as abstentions etc is to be flushed out in due course.

When asked, CWa confirmed that Modification 0565 is written based around current UNC sub-committee model(s) and processes. BF provided a quick overview of the modification process and how some modifications impact on certain parties. Some parties voiced concern relating to the potential costs associated with changes and the role of a 'pseudo' Panel. When it was also suggested that some form of cost check mechanism might be needed to avoid parties incurring indirect costs related to services provided to another party, CWo suggested that investigating an 'all party' option might prove beneficial.

Some parties wondered whether an MRA style approach might work, whilst others suggested a non Code approach – in the end it was agreed that consideration of a hybrid approach option would be beneficial. CWo advised that the assumption is that any 'all party' voting would take place at actual meetings rather than in writing. Whilst AMi drew attention to the benefits of the non Code (User Pays) party voting which seeks to balance large and small Shipper voting, some questioned whether this is a viable alternative.

In recognising that an 'all party' management group route could work, it was suggested that some form of appeals mechanism to Ofgem would be needed to support this.

When asked, CWa indicated that he was open to the idea of a 'hybrid' solution around voting arrangements, especially involving materiality related aspects of change.

AMi provided an explanation of the current four stage change order process whereby the first two decision points are relatively low cost and the third (go/no go) decision point is where the real costs are incurred.

BF believes that the concerns voiced around picking up indirect costs, are more of a modification process related issue, rather than a specific Modification 0565 (sub committee) related issue. However, he recognises that a better 'up front' solution based approach around changes would be beneficial to support this process including the use of a work order.

Some parties felt that the 'how' is a function of the 'what' and questioned the value of a voting sub-committee approach. When it was suggested that adoption of the Exelon (electricity) model might be prudent, CWo acknowledged that this could work for non Code services.

When BF outline a possible UNC Panel driven model for managing change orders, some in attendance felt that prioritisation of changes would be crucial as they see neither a Panel or sub-committee based solution delivering this.

CWo pointed out that should the workgroup advocate adoption of a sub-committee based model, then only one single committee (i.e. DSC sub-committee), with appropriate voting rights and reporting to the UNCC, would be required – he asked participants to note that the Xoserve board sets its direction.

Summarising, CWo suggested that prioritisation of changes would be crucial and that some form of appeals process is required. Furthermore, he believes that the fundamental questions remain – do we want the DSC created under Code?, and if so, what governance arrangements would be suitable?. Alternatively, what does the Non Code contract based model look like?

New Action 0303: National Grid Distribution (CWA) to investigate possible UNC Modification related route into a change order process.

New Action 0304: National Grid Distribution (CWA) to look to provide some suitable options for the proposed (Code / Non Code sub-committee) solution model(s).

New Action 0305: In relation to action 0304, National Grid NTS (SMc) to look to provide an outline of his preferred option for the proposed (Code / Non Code) management group.

5.0 FGO / KMPG Considerations

Introducing this item, CWA provided a brief overview of the wider industry approach to the Xoserve FGO programme and indicated that he is very keen that the 'industry' clearly knows what areas Workgroup 0565 is concentrating on, what FGO is focusing on, and visa versa.

NC then provided an overview of the 'Xoserve FGO' presentation, with the most notable discussion points captured as follows.¹

Summary of progress

It was recognised that although it is early days, charging and cost allocation could eventually be managed under the auspices of Workgroup 0565 should POB agree.

As far as obligations and contracts are concerned it was suggested that care would be needed to identify what does, or does not get covered by Workgroup 0565 deliberations. CWA suggested that perhaps undertaking a parachute view from a contracts perspective might prove helpful. Currently Dentons were considering where this matter truly resides and how it is expected to transpose into legal text. CWO provided a brief overview of the Agency and Transporter obligations and how the proposed direct services provisions might work going forward along with what potential role the CDSP could take. NC pointed out that Ofgem retains some concerns around the CDSP set up which it would like to discuss in due course.

In recognising that a great deal more work is needed around obligations and the UNC approach, SMc doubted whether Modification 0565 in its current form satisfies all requirements. Furthermore, he believes there is an alternative option in expanding the current Xoserve contract management process to include Shippers.

NC pointed out that the POB is not a decision making board and that before any formal handover has occurred, matters have been discussed in other KPMG FGO workgroups and further development could / would be required in key areas.

Obligations

SMc questioned the value of including the allocation table (300+ service lines) for Workgroup 0565 considerations as it could well involve long and detailed discussions, possibly necessitating the raising of multiple modifications in future to make simple changes to the DSC arrangements. He suggested that it might be preferable to manage this via the utilisation of contracts that reside outside of Code.

Contracts

When asked, NC confirmed that previous industry discussions have looked at every ASA clause and condition.

Whilst some concerns were voiced around the appropriateness of some of the proposals relating to the expansion of current ASA / Joint Governance mechanisms, it was noted that

¹ Post meeting note: various supporting business documentation has been added to the Joint Office web site at: <http://www.gasgovernance.co.uk/0565/sbd>

the issue of ancillary documentation had been covered in previous workgroup discussions. It was suggested that the 'constituency' based approach could be seen as being weak from a Shipper's perspective.

Corporate Governance

It was noted that further work around 'articles' is needed.

In considering how learning from the operation of the board in 2016/17 would work in practice, NC explained how the Shipper Nominated Director appointment process is expected to work and explained that Xoserve is currently looking at options such as the provision of an 'abridged' set of Director meeting minutes. Some parties suggested that there might be some confusion over the role of Shipper Directors pointing out that in previous POB discussions it was suggested that they are not there to represent the wider Shipper community interests, but to focus on the needs of the board and Xoserve.

Some believe that as long as some level of care is applied, 'Shareholder Agreements' style approach might work better. CWO felt that viewing Xoserve as a mutual style organisation (i.e. NOT for profit) might help in understanding roles and expectations going forward. In future, the Xoserve board will look at what is the best for the delivery of CDSP.

NC provided a brief overview of the rationale behind the Xoserve (enduring) board proposals and how any transitional arrangements are expected to work. Additionally, it is anticipated that the CDS governance arrangements will contain a great deal of detail on how transparent processes will be established for the board – no one is saying that this is a 100% perfect solution.

Shipper nominations process

NC advised that Shippers have already been asked to provide feedback on a subtly revised process (inc. objection process changes) and she would provide more detail at a future meeting.

A brief discussion took place focusing on the appointments / re-appointments process timeline (i.e. 2 year process) in order to minimise the potential impact on the Xoserve board membership. It was recognised that further consideration by the workgroup would be needed.

CDS Governance

It was recognised that further consideration on aspects such as quoracy and escalation mechanisms especially during the transition year is needed, and that whilst various discussions around the options for constituencies have taken place, no clear view has been forthcoming so far. It was noted that Transporters and Xoserve had recently issued an open invitation to Shippers for them to attend contract interface meetings.

Business Planning and Budget Setting

It was noted that business plans had been provided prior to the meeting.

Charging and Cost Allocation

CWO welcomed feedback / views from parties on the process for how cost will be allocated to charging areas (i.e. cost allocation and service lines etc.). Additionally, CWO felt that architecture and service provisions would require very careful consideration in due course.

NC pointed out that Ofgem are currently considering GT funding arrangements with an expected decision circa September 2016. She also advised that the 05 April POB meeting will be looking at charging principles and the possible enduring approach amongst other matters.

Questions were asked around whether or not Workgroup 0565 has sufficient flexibility to undertake consideration of this matter. One possible option would be for the charging forums

(NTSCMF / DNCMF) to take on some of this workload. BF pointed out that Workgroup 0565 would be the umbrella meeting regardless of where the discussion took place.

Ongoing communication

Some parties believe that it needs to be made clear that there are some FGO proposals provided by KPMG workgroups and POB that are yet to be endorsed by Workgroup 0565.

6.0 Review of outstanding actions

Action 0102: Timeline/Workplan to be developed.

Update: CWa explained that an updated indicative work plan had been published ahead of the meeting and more detail would be provided in due course. **Carried Forward**

Action 0201: Ofgem to consider the concept of a multi service provider CDSP.

Update: Work remains ongoing with an update due at the next meeting. **Carried Forward**

Action 0301: National Grid to undertake a review of all the elements Workgroup 0565 need to pick-up from the FGO programme and POB; produce a gap analysis; and ensure the Workgroup and Dentons are aware of all elements to be considered.

Update: Please refer to consideration of item 5.0 below. **Closed**

Action 0302: All parties to consider the content of the General Terms and the content outline for the DSC.

Update: In explaining that no feedback had been forthcoming at this time, CWa suggested that this would become a 'standing' agenda item for the foreseeable future. Please refer to item 2.0 for more details. **Closed**

7.0 Next Steps

It was agreed that the next meeting should look to assess the possible UNC Modification related route into a change process along with suitable options for the proposed (Code / Non Code sub-committee) solution model(s).

8.0 Any Other Business

None.

9.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Wednesday 06 April 2016	31 Homer Road, Solihull, B91 3LT	Timeline / Workplan DSC Contract Risk / Issues Log Consider possible UNC Modification related route into a change process Consider suitable options for the proposed (Code / Non Code sub- committee) solution model(s).
10:30 Monday 18 April 2016	Elxon, London – to be confirmed	TBC
10:30 Wednesday	Solihull	TBC

04 May 2016		
10:30 Wednesday 18 May 2016	Elxon, London – to be confirmed	TBC

Action Table (21 March 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0102	06/01/16	3.0	Timeline/Workplan to be developed	National Grid (CWA)	Carried Forward
0201	03/02/16	4.0	Ofgem to consider the concept of a multi service provider CDSP.	Ofgem	Carried Forward
0301	02/03/16	4.0	National Grid to undertake a review of all the elements Workgroup 0565 need to pick-up from the FGO programme and POB; produce a gap analysis; and ensure the Workgroup and Dentons are aware of all elements to be considered.	National Grid (CWA)	Update provided Closed
0302	02/03/16	4.0	All parties to consider the content of the General Terms and the content outline for the DSC.	All	Update provided Closed
0303	21/03/16	4.0	To investigate possible UNC Modification related route into a change order process.	National Grid Distribution (CWA)	Pending
0304	21/03/16	4.0	To look to provide some suitable options for the proposed (Code / Non Code sub-committee) solution model(s).	National Grid Distribution (CWA)	Pending
0305	21/03/16	4.0	In relation to action 0304, to look to provide an outline of his preferred option for the proposed (Code / Non Code) management group.	National Grid NTS (SMc)	Pending