

UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Wednesday 7 September 2016
Consort House, 6 Homer Road, Solihull, B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Andy Miller	(AM)	Xoserve
Angela Love	(AL)	Scottish Power
Azeem Khan*	(AK)	RWE npower
Charles Wood	(CWo)	Dentons
Chris Warner	(Cwa)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
David Mitchell	(DM)	Scotia Gas Networks
David Tennant	(DT)	Dentons
Gethyn Howard	(GH)	Brookfield Utilities
Mike Leonard*	(ML)	Ofgem
Sarah Gull	(SG)	Xoserve
Sean McGoldrick	(SMc)	National Grid NTS
Steve Mulinganie	(SMu)	Gazprom
Sue Hilbourne*	(SHi)	Scotia Gas Networks

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/070916>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 November 2016.

1.0 Introduction and Status Review**1.1. Approval of Minutes (23 August 2016)**

The minutes of the previous meetings were approved.

2.0 DSC – Contract Management Arrangements

CWo explained the current situation with the UK Link manual and that there would not be a fully developed replacement UK Link manual ready for November. However, to manage this it is proposed that the UK Link manual will incorporate a set of extra documents to align the manual with the CDSP services at a time prior to implementation. An additional document will provide a set of interpretation rules, rather than changing the words throughout the UK Link manual. This deeming document will provide guidance on how to read the UK Link manual, with the implementation of the CDSP and DSC contract.

CWo presented the latest draft of the DSC Contract Management Document for the Workgroup to review and consider the marked up changes.

The Workgroup considered the business continuity plans and the availability of these to provide Shippers with the correct reassurance that contingencies are to be put in place should there be an incident. SMu expressed concern with section 2.4.5 and the limitations on services. SMu understood a business continuity plan would be available to ensure there is sufficient robustness, however he wanted visibility of this to ensure the plan was robust. SG explained that there would be a plan available as a baseline for all Shippers by the implementation date, however this would be in sufficient detail to remove concerns but not the

full detail of the actual plans. AMi also confirmed that there would be some further refinements to the wording from current versions to that required for the CDSP. AMi explained that no obligations or priority to deliver services would be changed/removed to that currently provided.

AL suggested that Xoserve consider BCM contingencies and publications provide by other similar industry systems providers e.g. Elexon.

AMi suggested that it may be possible to publish the existing plan, however all the contract documentation may not be available in time for the modification to proceed to consultation. Xoserve agreed to take an action to consider and provide a draft or example Business Continuity Plan to support the DSC Document.

Action 0901: Xoserve to review and consider providing a draft or sample Business Continuity Plan as a DSC supporting document.

The Workgroup considered the monthly reporting of unresolved failures to comply with obligations under the DSC. An example of this maybe a security breach with the IX, it wouldn't for example, be a failure to provide reads as that would be a UNC obligation. The Workgroup considered the appropriate management level for managing disputes.

The Workgroup considered performance and adherence in terms of the DSC contract. The workgroup considered that settlement performance would be a Performance Assurance Committee matter.

SMu asked about the compliance of certain additional standards not already listed, such as the ISO 27001 IT Standard. AMi suggested some compliance requirements for audits might need to sit within the UK Link manual. SG confirmed that the scope and reference to the assessment audit needs to be established and may need to be agreed annually. Initially the first audit needs to have the scope defined to provide the correct level of assurance audit for DSC customers. CB suggested there should be an opportunity to understand what steps have been taken and have a level of traceability. SHi suggested that the monthly management reporting should provide assurance that processes and procedures are being followed and the focus should be on the key service lines with the ability to add additional items of concern where a failure may have occurred. SHi suggested where audit requirements are set out in advance of the implementation; these should be reviewed and tested for their suitability as the DSC is established.

SMu suggested there should be an opportunity for a specific customer audit, which is separate to the generic annual audit. SG suggested this is not too dissimilar to what is available now in the ASA. It was not clear if this would be the provision of a support service rather than an audit and therefore chargeable to the requester.

The Workgroup considered process failures and the plans to remedy. CB suggested that the trigger that caused the failure should be reviewed, remedied and a report provided. It was acknowledged that human error couldn't be eliminated, however procedures can be put in place to mitigate the risk and reduce the probability.

SMu highlighted that section 4.5 Committee Guidance (4.5.1 and 4.5.2) the committee can provide guidance to the CDSP and the CDSP may or may not act upon the guidance. The workgroup believed this was appropriate, although there should be reasons provided as to why the recommendation was or was not acted upon.

GH asked about the general contract management committee and the varied use of the term committee. SG explained this is covered in the clarification document.

3.0 DSC – Transitional Arrangements Document

CWo provided the DSC non-financial Transitional Arrangements Document.

The Workgroup considered the appointment of Xoserve as the CDSP by the Transporters and how this needs to be recorded/enacted. CWo confirmed the wording in the modification and legal text might need to change to reflect this action.

The Workgroup considered the implementation of FGO ahead of Project Nexus and that the reference to iGTs may not need to be specifically referenced in section 1.5.2 as they won't be a party to UNC until Modification 0440 is implemented with Project Nexus.

CWo confirmed that the Ofgem decision date would be the date where the obligation to have a CDSP and to execute the DSC contract is created. The effective date will be the date of operational implementation. CWo further explained the accession rules and that preparation could commence early and prior to an Ofgem decision.

ML enquired about failures to sign up to the DSC and the requirement to deem the customer as a defaulting user under UNC unless otherwise directed by the Authority. CWo explained that the Transporters would need to notify the Authority and each UNC party of any failures to execute the DSC agreement. It is anticipated that the delay to sign would be escalated to address the reasons behind the non-signatory.

The Workgroup considered the timescales and sanctions. SG explained that Xoserve would have the right to terminate the customer on the go live date where customers have not signed, unless otherwise directed by Ofgem. It will be Ofgem who arbitrate with the customer. CB expressed concern about the effect on consumers if a Shipper is terminated. SMu suggested that termination could occur after the event and following a reasonable period of time to issue a warning. However, SG explained that by not signing in there will be no contract with the customer and this may impact the ability of the CDSP to following the instructions of the customer or bill them for services. SMu suggested that the failure of a customer to sign might be more to do with the timing of implementation and the ability of a customer to sign by a certain date and less to do with them being unwilling to sign. The Workgroup considered the use of a back-stop date for this process to be instigated and the required Authority actions. ML confirmed that Ofgem would be considering the required Authority actions and an update would be provided. SG explained that there would be risks associated with allowing a Shipper to operate within the market without an appropriately signed contract. SMu explained he would be comfortable with the Authority controlling any termination to ensure consumer interests were taken into account and protected.

CWo suggested if customers are not ready to sign the contract it would bring into question industry readiness. If the industry is not ready then there maybe a need to question the timing of implementation. The Workgroup considered the time allowed to review the proposed agreements and to take these through their own governance processes. It was also considered that not every lawyer would have the same view on whether they like and agree to the specific contract wording. CWa believed it would be difficult to write a contract that satisfies every lawyer's preferred wording and the consideration should be focused on suitability and principles rather than likeability, with a view to fix forward if needed.

SMu expressed concern that that has been very limited time for Shippers to consider the proposed changes to the current regime and for lawyers to consider the contract wording.

GH enquired about the effect of termination of iGTs. AMi explained the effects and sanctions for iGTs if a Shipper is terminated. In this instance all Transporters would be terminating a Shipper, which would result in the Shipper not being able to arrange gas for its supply points contained within a CSEPs.

SMu enquired about remedies available to Shippers for post FGO implementation and a Shipper's right to take legal action for a pre FGO issue? . It was clarified that Shippers right to take legal action would not be changed under the FGFO arrangements.

It was confirmed that the DSC financial elements for transition would be considered on 20 September.

4.0 DSC – Credit

DT summarised the key items that have changed within the Credit Policy.

DT explained that the credit committee would be a sub-committee of the contract management committee, and the credit committee would be responsible for approving

changes to the credit rules proposed by the CDSP. However, this would not prevent parties from raising modifications to propose changes to the credit should they wish too..

BF questioned the membership of the credit committee and if like other committees it would be a balanced approach. He highlighted that the current EBCC has 9 Shipper members. CWo confirmed that the constitution of the committee still needed to be considered and that it was appropriate that member's knowledge and skills was paramount.

SG noted previous questions asked relating to the membership of the committee and whether the committee should have a different membership to that of the EBCC, and the pass through of costs. DT believed from conversations held with Xoserve and the Credit Management team that an EBCC member should not be prevented from being a credit committee member. CB confirmed that she had looked at pass-through and understood that Distribution Networks under the UNC are allowed to pass-back any unpaid elements through transportation charges not to incur costs associated with unpaid debt.

Action 0902: All Gas Transporters to consider and provide clarity on the management of CDSP bad debt and whether this could be passed through to Shippers via transportation charges.

The Workgroup considered the frequency of meetings and the monitoring of performance. It was considered that the operational cash collection reporting could be similar to EBCC.

SG asked about any conflict of interest for EBCC members to act in the DSC credit committee and if there would be any confidentially issues.

It was considered if there could ever be a situation where cash management would cross over in terms of conflict for ensuring payment. CB highlighted that the security for energy balancing debt is separate and any default would be claimed against the security arrangements in place for each contract.

The Workgroup considered lifting and shifting the credit ratings, the mechanics of obtaining credit ratings and if current ratings could be utilised.

Action 0903: GTs / Xoserve to establish what arrangements are in place for obtaining a credit rating / security limits and if this process can be utilised in the DSC.

SMu challenged some of the rationale for having similar rules to transportation credit due to the level of perceived risk being much lower. The Workgroup considered the right for rules to be flexed and enable discretion to ensure an appropriate level of control. The Workgroup considered the EBCC arrangements and the ability to change the rules with a 2 month notice period or other such period agreed by members. The value of risk was considered and the proportion of risk placed on Shippers. SMu was concerned about frequent changes to the methodology for calculating credit limits and that changes should in principle be kept to a minimum and must do scenarios. SMu suggested that the value at risk should be less as this primarily an IT service and the calculation for indebtedness would be different to gas transportation and energy.

SG asked how the credit arrangements would be determined from day one. SMu asked how the value at risk will be calculated and what time will be allowed for credit arrangements to be put in place leading up to implementation.

DT summarised the steps the CDSP can take when a customer's credit limit is approaching its indebtedness limit. The Workgroup considered the purpose of notifications, the parties that should be notified and what opportunities that should be afforded to Shippers before Transporters are notified.

The Workgroup considered the sanctions for non-payment or exceeding security limits, the ability to charge interest and one-off charges for late payment. The Workgroup also considered the obligations to pay and preventing Shippers for example from registering customers and if this was a appropriate sanction when not in default but where they are close to exceeding their maximum agreed security limit.

AMi stressed the importance not to confuse the terms and conditions with the obligations for payment. There is a need for protection and the ability to use appropriate sanctions under a credit policy.

SG stressed that there is a subtlety between having appropriate security in place and a failure to pay and whether the sanctions should be same for both. It was suggested that all parties should consider the sanctions further and have a view for the next meeting to allow further discussion.

Action 0904: All parties to consider and provide a view on the credit policy and should sanctions apply where there is a failure to pay for further discussion on 20 September 2016.

SG stressed the importance for lawyers to attend the meeting on 20 September or for them to consider the topic papers ahead of the meeting and provide comments. It was stressed that without the Workplan it is difficult for Shippers to have a clear indication of what is being discussed at future meetings and to plan for lawyer or appropriate attendance. SG suggested, as the meetings get nearer to November more developed legal documentation will be available and lawyers should be needed to review legal drafting.

5.0 DSC – Third Party Services Policy

CWo provided the Third Party Services Policy

The Workgroup asked about potential impacts on core customer services, any cost for core services, the cost for additionally commissioned services and how costs/margins would be offset against the core services.

SHi specifically asked about the costs for a small number of Shippers from a constituency group, which has been procured an additional service, which is not considered a core service required by all parties. It was confirmed the costs for the services would be calculated in line with the costs for core services and the costs of that additional service developed would be charged to the parties procuring that additional service. The margin collected for this service would then be an offset cost for other services when setting the next budget if this was to be an ongoing service for the next financial year.

AMi explained the permissions surrounding data security and the need to take back to the committee permissions for direction.

The Workgroup considered the CDSP skill set and the extension of third party services continually expanding. SG confirmed that the services policy could be amended by a modification or a general standing agreement to amend services. In terms of charging the policy outlines the charging of services based on a methodology.

SG noted a topic had been raised in relation to core customers acting as a 3rd party under a 3rd party agreement, she confirmed it had been agreed to come back to this. CB expressed that it wasn't clear as to why a core party would want the provision of a service as a 3rd party.

6.0 Amended Modification

CWa confirmed that he had amended the modification to clarify the effect on the UNC and the way this needs to be captured. CWa confirmed his intention to redraft Section D and Section G of the code. He also explained the management of iGTs to ensure they are in scope. CWa explained another modification would need to be raised to capture the model for iGTs.

CWa also confirmed that the latest thinking for Project Nexus is to table in draft some transitional date changes to explain how the change to the Project Nexus date will be managed and how the legal text would be managed between FGO implementation and Nexus implementation.

7.0 Review of outstanding actions

0565/0606: National Grid Distribution (CWA) to provide further clarity for point 2.4.3 in the Cost of Change section, as to who is responsible for paying the additional costs for a cost estimate if a ROM is not sufficient.

Update: Deferred until 21 September meetings. **Carried forward.**

0565/0607: Xoserve (AMi) to:-

- a) provide further clarity on the Change Order process for a cost estimate or a ROM is required, what is the trigger;
- b) At what point does a Change Order trigger an external cost estimate.

Update: (a) Deferred until 21 September meetings. **Carried forward.**

Update: (b) Deferred until 21 September meetings. **Carried forward.**

0565/0608: Xoserve (AMi) to provide clarity in relation to internal and external financial spend regarding the proposed Change Order process.

Update: Deferred until 21 September meetings. **Carried forward.**

0565/0610: Xoserve (AMi) to provide greater clarity and information concerning the costs in the Modification process.

Update: Deferred until 21 September meetings. **Carried forward.**

0565/0801: National Grid Distribution (CWA) to arrange a Data Protection Legal Review teleconference.

Update: Deferred until 20 September meetings. **Carried forward.**

0565/0803: GDN's & iGT's to consider the funding of agency Non Code Services, in particular the relationship with SPAA.

Update: AMi provided a view of the present obligations under Schedule 23 that sets out the Data Enquiry service. It was believed this would not be asked for under the contract as it was delivered to parties other than GTs. It was noted that further consideration is needed on what the arrangements should be, either a service or data. It was suggested that these discussions are taken offline with GTs. **Closed.**

0565/0804: National Grid Distribution (CWA) said he would investigate the invoicing process to be adopted for the 'Must Reads' process once the ACS was no longer operational.

Update: Workgroup agreed to close action. **Closed.**

0565/0805: National Grid Distribution (CWA) and National Grid NTS (SMc) to provide clarity on the cost estimate process to be used with the modification process, including the EQR process.

Update: Deferred until 21 September meetings. **Carried forward.**

0565/0806: National Grid Distribution (CWA), iGT's and Transporters to look at credit risks and bad debt profiles.

Update: Workgroup agreed to close action. **Closed.**

0565/0807: All Shippers to look at the risks as per the Credit Policy Document and provide feedback as to the suitability of membership profiles and whether individuals could be members of both EBCC and DSC Credit Committee.

Update: Workgroup agreed to close action. **Closed.**

0565/0808: National Grid Distribution (CWA) to investigate whether a chair provided by the Joint Office should have a casting vote, or should an independent chairperson be established in such circumstances.

Update: CWA did not favour an independent Chair or casting vote ability; it was suggested meetings should be chaired by Joint Office with no casting vote. He confirmed this would be revisited on 20 September. **Closed.**

0565/0809: National Grid Distribution (CWA) to amend the categories and confirm the position of the Shipper Classes in terms of the voting process, together with investigating iGT's concerns around Committee representation and produce an Annex for D2 and GD4.

Update: Deferred until 21 September meetings. **Carried forward.**

8.0 Any Other Business

None raised.

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
10.00 Tuesday 13 September 2016	CANCELLED	
10.00 Tuesday 20 September 2016	Dentons, One Fleet Place, London, EC4M 7RA	FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> Data Protection DSC- financial transitional arrangements Liabilities Risk Register
10:00 Wednesday 21 September 2016	Elaxon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> TBC (CWA to confirm agenda, and provide a copy of the KPMG plan to populate agendas)
10.00 Friday 23 September 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup – Charging (agenda to be confirmed) <ul style="list-style-type: none"> Second review of Charging Methodology (Services) (investment) <ul style="list-style-type: none"> Services and Users Cost Drivers and Cost Allocation Charging Methodology, including funding of Liabilities Invoicing - review Process Margin, Surplus and Deficit - review of Final Proposals Budget Setting - review Process
10.00 Thursday 29 September 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> TBC
10.00 Friday 30 September 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> TBC
10.00 Monday 03 October 2016	Dentons, One Fleet Place, London EC4M	FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> TBC

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10:00 Wednesday 05 October 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup and Workgroup 0565 • TBC
10:00 Friday 07 October 2016	CANCELLED	
10.00 Tuesday 11 October 2016	Elaxon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup and Workgroup 0565 • TBC
10.00 Friday 14 October 2016	CANCELLED	
10.00 Monday 17 October 2016	Dentons, One Fleet Place, London EC4M 7RA	FGO Workgroup and Workgroup 0565 • TBC
10.00 Tuesday 18 October 2016	Dentons, One Fleet Place, London EC4M 7RA	FGO Workgroup and Workgroup 0565 • TBC
10.00 Wednesday 26 October 2016	Elaxon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup and Workgroup 0565 • TBC
10.00 Tuesday 01 November 2016	Elaxon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup and Workgroup 0565 • TBC

Workgroup 0565 (as of 07 September 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0565/0606	20/06/16	10.	National Grid Distribution (CWa) to provide further clarity for point 2.4.3 in the Cost of Change section, as to who is responsible for paying the additional costs for a cost estimate if a ROM is not sufficient.	National Grid Distribution (CWa)	Carried Forward (Due on 21 Sept 16)
0565/0607	20/06/16	10.	Xoserve (AMi) to:- a) Provide further clarity on the Change Order process for a	Xoserve (AMi)	Carried Forward (Due on 21 Sept 16)

			cost estimate or a ROM is required, what is the trigger; b) At what point does a Change Order trigger an external cost estimate.		
0565/0608	20/06/16	10.	Xoserve (AMi) to provide clarity in relation to internal and external financial spend regarding the proposed Change Order process.	Xoserve (AMi)	Carried Forward <i>(Due on 21 Sept 16)</i>
0565/0610	20/06/16	10.	Xoserve (AMi) to provide greater clarity and information concerning the costs in the Modification process.	Xoserve (AMi)	Carried Forward <i>(Due on 21 Sept 16)</i>
0565/0801	03/08/16	2.0	National Grid Distribution (CWa) to arrange a Data Protection Legal Review teleconference.	National Grid Distribution (CWa)	Carried Forward <i>(Due on 20 Sept 16)</i>
0565/0803	12/08/16	2.0	GDN's & iGT's to consider the funding of agency Non Code Services, in particular the relationship with SPAA.	GDN's & iGT's	Closed
0565/0804	12/08/16	2.0	National Grid Distribution (CWa) said he would investigate the invoicing process to be adopted for the 'Must Reads' process once the ACS was no longer operational.	National Grid Distribution (CWa)	Closed
0565/0805	23/08/16	3.0	National Grid Distribution (CWa) and National Grid NTS (SMc) to provide clarity on the cost estimate process to be used with the modification process, including the EQR process.	National Grid Distribution (CWa)	Carried Forward <i>(Due on 21 Sept 16)</i>
0565/0806	23/08/16	3.0	National Grid Distribution (CWa), iGT's and Transporters to look at credit risks and bad debt profiles.	National Grid Distribution (CWa)	Closed
0565/0807	23/08/16	3.0	All Shippers to look at the risks as per the Credit Policy Document and provide feedback as to the suitability of membership profiles and whether individuals could be members of both EBCC and DSC Credit Committee.	All Shippers	Closed

0565/0808	23/08/16	5.0	National Grid Distribution (CWA) to investigate whether a chair provided by the Joint Office should have a casting vote, or should an independent chairperson be established in such circumstances.	National Grid Distribution (CWA)	Closed
0565/0809	23/08/16	5.0	National Grid Distribution (CWA) to amend the categories and confirm the position of the Shipper Classes in terms of the voting process, together with investigating iGT's concerns around Committee representation and produce an Annex for D2 and GD4.	National Grid Distribution (CWA)	Carried Forward <i>(Due on 21 Sept)</i>
0565/0901	07/09/16	2.0	Xoserve to review and consider providing a draft or sample Business Continuity Plan as a DSC supporting document.	Xoserve (AM/SG)	Pending
0565/0902	07/09/16	4.0	All Gas Transporters to consider and provide clarity on the management of CDSP bad debt and whether this could be passed through to Shippers via transportation charges.	All GTs	Pending
0565/0903	07/09/16	4.0	GTs / Xoserve to establish what arrangements are in place for obtaining a credit rating / security limits and if this process can be utilised in the DSC.	GTs / Xoserve	Pending
0565/0904	07/09/16	4.0	All parties to consider and provide a view on the credit policy and should sanctions apply where there is a failure to pay for further discussion on 20 September 2016.	All	Pending