

Governance Workstream Minutes

Thursday 15 December 2005

350 Euston Road, London

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Alan Raper	(AR)	National Grid UKD
Beverley Grubb	(BG)	Scotia Gas Networks
John Bradley	(JB)	Joint Office
Julian Majdanski	(JM)	Joint Office
Liz Spierling	(LS)	Wales and West Utilities
Mick Curtis	(MC)	$e=mc^2$
Mike Young	(MY)	BGT
Phil Broom	(PB)	Gaz de France
Robert Cameron Higgs	(RCH)	Northern Gas Networks
Ritchard Hewitt	(RH)	National Grid NTS
Shelley Jones	(SJ)	Statoil
Steve Ladle	(SL)	Total
Sam McEwan	(SM)	Ofgem
Stuart Waudby	(SW)	Centrica Storage Ltd

1. Minutes from Previous Workstream

Were accepted.

2. Review of Actions

Code Update; The UNC on the Joint Office website has been updated, reflecting modifications implemented up to 01/10/05.

Clarification of Voting Rules; see 5.1 below

The other actions related to the proposers of the various governance Modification Proposals and had been fulfilled.

3. Review of Modifications and Topics Log

The Modification Panel had decided that the following Governance Proposals should go to consultation.

0053 'Extending established Uniform Network Code governance arrangements to include the Network Code Operations Reporting Manual referenced in Section V9.4'

0056 'Extending established Unified Network Code governance arrangements to include the Code Credit Rules referenced in section V3.1.2'

0059 'Extending established Unified Network Code governance arrangements to include the Network Code Validation Rules document referenced in Section M1.5.3'

0063 'Extending established Uniform Network Code governance arrangements to include the GRE Invoice Query Incentive Scheme Methodology document referenced in Section S4.6'

0064 'Extending established Uniform Network Code governance arrangements to include the CSEP Ancillary Agreement document referenced in Section J 5.9'

Ofgem reported they were about to approve the following Modification Proposal:

0048 'Preparation of Legal Text for Users Modification Proposals'

4. Modifications

4.1. 0068 'Extending established Uniform Network Code governance arrangements to include the Safety Monitor Referred to in Section Q of the Code'

TD clarified that the Panel Meeting had not determined that this Proposal was sufficiently developed to go to consultation. TD expressed the hope that the revised wording provided by the Proposer addressed some of the concerns raised with respect to clarity and the intent of the Proposal.

RH said that, in his view, the procedures published were under the governance of Health and Safety legislation. National Grid NTS had to demonstrate compliance with its Safety Case, which inevitably involved professional judgement as well as detailed methodologies and procedures. As such, applying network code governance to the Safety Monitors was inappropriate.

SL responded that this type of issue had been raised in the context of the rejected Modification Proposal 0035. SW suggested that the NEC Safety Case only gave high level principles and left the details to be brought under UNC governance. SW also pointed out that if a party brought to the attention of the Transporter potential improvements, the Transporter would have a duty to respond.

AR suggested that it was inappropriate for Ofgem to be the body that made the final decision on a Safety Monitor level change as this was a safety issue. TD raised the possibility that a view could be requested from Ofgem on whether for the reason of Safety Case governance the Proposal should not proceed, but the Workstream did not feel such a request was necessary.

The Workstream considered the revised draft Proposal. SW clarified that the intent was that methodology changes or changes in Safety Monitor levels could be raised by any UNC party, and that a Modification Proposal would have to be raised for any level change. JB pointed out that the UNC allows for Safety Monitors to be reduced on the basis of short term demand forecasts and questioned whether the Proposer intended to include those types of Monitor Level Changes within his Proposal. SW agreed to consider the points raised, and whether "except where otherwise provided in the Code" type wording might be helpful.

MC queried how implementation would facilitate the relevant objectives in terms of incentivising supply security. SW explained that this was a long term investment point. RH believed that implementation would have a negative effect on facilitating the relevant objective of the efficient discharge of licence obligations

The advantages of implementation as set out in the Proposal were acknowledged. Based on the discussion, the potential disadvantages of implementation were summarised as:

- It might produce two sets of monitors
- It might adversely affect the flow of confidential information to National Grid NTS that it uses for supply/demand planning
- Setting Safety monitors requires a certain amount of judgement and a more "rules based" approach may not provide the most efficient solution for meeting the safety requirements.
- Inappropriateness of Ofgem, the commercial regulator, making a final decision on a safety matter
- Separating responsibility under the UNC from accountability under the Safety Case of the Transporter.

RH did not believe that it would adversely affect the operation of the NTS. DNs did not believe that there would be adverse operating impacts as they would anticipate that the Transporters views of safe monitors would override any monitors set under UNC.

It was agreed that the Proposer would produce a clarified Proposal.

Action SW

The Joint Office would subsequently circulate a draft Workstream Report and add the Proposal to the next Transmission Workstream agenda.

Action Joint Office

4.2. 0070 'Removal of the SME Role and Streamlining the Modification Rules'

RH explained that, contrary to previous Workstream discussions, Proposal 0070 did not address the ability of the Proposer to change a Proposal following consultation. RH suggested that there should be constraints on such changes, and suggested that any change should be accompanied by a written justification for making the change, linked to consultation responses and why change would further facilitate the relevant objectives. TD suggested that issuing a notice of change with a revised Proposal would be a way that this could be achieved. PB suggested that a proforma should reflect this possibility. This was agreed as a principle if the Proposal were implemented. TD pointed out that the Panel already has an ability to require reconsultation if a Proposer varied the Proposal excessively and this would provide a safeguard if the justification made by the Proposer was inadequate.

RH agreed to revise the Proposal in the light of the discussion and in response to any email comments made by Workstream members. **Action RH**

It was agreed to produce a Workstream Report following the next meeting.

5. Topics

5.1. Panel Processes and Timings

BG and AR suggested that to comply with the UNC, Panel votes should clearly identify opposition. The current processes identify only those in support of a proposal. Those not in support may be either neutral or against. TD stated that the current rules were designed to obtain a clear outcome. Two sets of votes might produce a less clear outcome. LS asked how the Panel could determine opposition. TD replied that this was an aspect of the rules prior to removal of 9.5.5. TD stated that the Statutory Instrument laid down the concept of majority voting in favour and consistent with this the Modification Rules defined the majority concept in terms of the majority present. If abstainers did not wish to influence the recorded decision they were at liberty to leave the room. It was agreed that current section (9.5.2 (b) (i)) was unhelpful indicating the possibility of a vote expressing opposition and removal of the words "or not" would clarify matters in this respect. It was agreed that this be included in Modification Proposal 0070. **Action RH**

MY stated that recent Urgent Proposals had highlighted the need for the Panel to make a recommendation where it had no influence on the timetable. TD drew a distinction between the last two Urgent Mods and those that had preceded them, where five Business Days had been allowed for Panel consideration. SL felt that the principle transcended the number of days – if the Panel had not determined the process it should not be expected to make a recommendation. Except where excluded for short term security of supply reasons, all Modification Proposals, including Urgent Proposals, are appealable if Ofgem does not accord with the Panel Recommendation. This gave Panel Members a responsibility in decisions that they do not take lightly.

SM agreed to take concerns regarding Urgent timetables back to Ofgem and to emphasise that if the Panel was expected to make a recommendation, additional time should be built into the timetable. **Action SM**

It was accepted that parties were able to raise a Modification Proposal to change the Modification Rules with respect to Urgent Procedures, but this was not anticipated at this stage.

6. Any Other Business

SM outlined "Project Paperless" and stated that, whilst decision letters were not in scope, comments on their coverage would be welcome. RH suggested that some of the lengthy decision letters raised issues which might more helpfully have been discussed during Workstream Meetings, and it was agreed that decision letters should not be a substitute for Ofgem involvement in the development process. All were invited to respond to Ofgem. **Action All**

7. Next Meeting

19 January 2005 following the UNC Committee meeting.

Action Log – UNC Governance 15 December 2005

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GOV 1001	15/12/05	4.1	Proposer of Modification Proposal 0068 to produce a revised proposal reflecting the discussion at the Workstream	Centrica Storage Limited (SW)	
GOV 1002	15/12/05	4.1	Joint Office to circulate a draft Workstream Report and add discussion of Proposal 0068 to the next Transmission Workstream agenda.	Joint Office (JB)	
GOV 1003	15/12/05	4.2	Proposer of Modification Proposal 0070 to produce a revised proposal reflecting the discussion at the Workstream and any email comments made by Workstream members.	National Grid NTS (RH)	
GOV 1004	15/12/05	5.1	Proposer of Modification Proposal 0070 to include deletion of words “or not” in respect of 9.5.2 (b) (i) in revised proposal	National Grid NTS (RH)	
GOV 1005	15/12/05	5.1	Ofgem to consider concerns regarding Urgent timetables particularly that if the Panel was expected to make a recommendation, additional time should be built into the timetable.	Ofgem (SM)	
GOV 1006	15/12/05	6.0	As part of Ofgem “Project Paperless” workstream members to consider sending comments to Ofgem of the coverage of subject matter within its decision letters	All	

* key to initials of action owners

SW – Stuart Waudby, JB – John Bradley, RH – Ritchard Hewitt, SM – Sam McEwan