

Governance Workstream Minutes

Thursday 21 August 2008

350 Euston Road, London

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Alex Thomason	(AT)	National Grid NTS
Bali Dohel	(BD)	Scotia Gas Networks
Bob Fletcher	(BF)	Joint Office
Chris Hill	(CH)	RWE npower
Chris Wright	(CW)	British Gas
Joel Martin	(JM)	Scotia Gas Networks
John Bradley	(JB)	Joint Office
Jon Dixon	(JD)	Ofgem
Phil Broom	(PB)	Gaz de France
Phil Lucas	(PL)	National Grid UKD
Richard Fairholme	(RF)	EON UK
Richard Street	(RS)	Corona Energy
Rosie Mcglynn	(RG)	EDF Energy
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy

1.0 Introduction and Status Review

1.1 Minutes from Previous Workstream

Accepted without amendment.

1.2 Review of Actions

Action GOV 11036: National Grid UKD to develop a proposal for recovery of stranded costs.

PL requested that the action be carried forward. ST said efforts should be made to ensure there were no stranded costs, or consideration could be given to recovering stranded costs through the ACS process. **Carried Forward**

1.3 Review of Live Modifications Proposals and Topics

JD gave an overview of the terms of reference likely to be given to the groups set up to consider the industry codes governance review. This includes identifying industry wants and what should be considered for inclusion in future consultations and recommendations, and how industry code governance should be modified. The first meeting is to focus on how the different codes are administered with a follow up meeting concentrating on User views. TD has been asked to represent UNC governance.

Action: Attendees to provide their views and comments for TD to present at Ofgem meeting on 28 August.

2.0 Modification 0213 “Introduction of Users Pays Governance Arrangements into the UNC”

SL gave an overview of the changes made to the Proposal.

SL asked if the GTs had developed a guidance document on cost estimates, as agreed in previous meetings. ST confirmed that this was the intention, though clarity was required on the scope. AT commented the proposed guidance document would be outside the scope of UNC and was voluntary, though GTs are willing to cooperate.

ST raised the treatment of Modifications in flight, and questioned the suggestion that they should not be subject to the process set out in proposal 0213. SL felt that it would be inappropriate to change the governance of an in-flight proposal, and wished to retain this aspect as drafted.

SL explained the proposed apportionment of investment costs within the proposal. ST argued these should be defined as analysis, development and investment costs and allocated as User Pays charges on the basis of the beneficiary principle rather than as an ongoing transaction based charge. AT agreed that clarity would be helpful when referring to agency costs, are these development or operational or both. RF questioned how beneficiaries other than UNC Users would be charged under this process.

RS asked if development costs are included in “k”, but JM advised that User Pays costs and revenues are non-formula and so excluded from “k”, being opex as far as the networks are concerned. JM went on to ask how it was proposed that costs are to be recovered over time and whether this should be specific within the Proposal.

TD suggested that the Proposal might usefully include a matrix that identifies how each of analysis, development and operational costs are to be apportioned against the beneficiary or User. SL felt that the aim of the guidance document is to identify best practice for the apportionment of costs under various categories.

RH raised a concern around the payment for estimates analysis as the cost of an estimate tends to escalate as more detail is requested, who decides which steps are sufficient to go forward? JD pointed out that the Panel would be asked to vote on whether there is sufficient information to make a decision on the Proposal, including whether more detailed cost estimates were necessary. TD added that analysis costs are necessarily incurred if a Proposal is implemented and therefore always potentially recovered through the User Pays mechanism; the debate is how costs are recovered for analysis of proposals which are not implemented. ST suggested there could be a charging line in the ACS for analysis costs, though SL felt this was outside the scope of Proposal 0213.

SL expressed a view that ACS charges for User Pays services should be consistent with those set out in Modification reports and not subject to change without consultation. ST advised this is potentially inconsistent with the obligation to set cost reflective charges – for example services could be implemented 12 months after indicative charges were provided in the consultation process, by when costs may have changed.

The 0213 Workstream Report was then completed. It was agreed that this should be published alongside these minutes and comments could be provided prior to the Report being submitted to the September Panel meeting.

3.0 Any Other Business

None

4.0 Next Meeting

18 September 2008, following the UNC Committee meeting.

Action Log – UNC Governance Workstream 18 21 August 2008

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GOV1036	07/07/2008	2.0	Develop a proposal for recovery of stranded costs	National Grid UKD (AR)	Ongoing
GOV1037	21/08/2008	1.3	Provide their views and comments for TD to present at Ofgem Governance Review meeting on 28 August	All	Ongoing