

UNC Workgroup 0531 Minutes
Provision of an Industry User Test System
Tuesday 12 July 2016
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan*	(AM)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Bobbie Gallacher*	(BG)	ScottishPower
Colette Baldwin	(CB)	E.ON
David Addison	(DA)	Xoserve
Edd Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Jaimie Simpson*	(JS)	Engie
Kristian Pilling*	(KP)	SSE
Mark Jones*	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Nathanael	(NN)	Plus Shipping
Phil Lucas	(PL)	National Grid NTS
Steve Mulinganie	(SM)	Gazprom

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0531/120716>

The Workgroup Report is due to be presented at the UNC Modification Panel on 21 July 2016.

1.0 Introduction and Status Review**1.1. Approval of Minutes (06 June 2016)**

The minutes of the previous meeting were approved.

1.2. Actions

0601: All parties to provide a view on whether the system specification should be part of the UK Link Manual rather than the subsidiary document prior to the July meeting.

Update: Xoserve confirmed no views had been provided. **Closed**

0602: National Grid to provide Legal Text Commentary.

Update: This had been provided and included in the Workgroup Report. **Closed**

2.0 Amended Modification

MJ confirmed that the modification had been revised (now published at version 5.0) and gave a brief overview of the changes, the majority of which were those agreed at the previous meeting. The last part to be agreed was the 'User Pays' elements. A discussion ensued.

User Pays

It was suggested that how the CAPEX amount needs to be funded should be addressed. DA indicated that the High Level Cost Estimate had been placed at £2m+. Parties thought this to be high for the provision of a test environment. LJ pointed out that this estimate could be challenged through the User Pays Committee.

Workgroup participants sought to develop a better understanding of why the figure was so high. Pointing out that this was a very high level estimate (not detailed) and was provided to give a sense of the order of magnitude of the undertaking, DA explained that this would be providing a complex production environment with different interfaces, portals, securities, etc. There would be many and various factors to take into consideration and work through, to arrive at a more detailed figure.

It was queried whether it would be a single charge or whether recovery might be anticipated over a number of years. This was discussed. SM argued it might be considered as part of the Nexus funding and could be recovered through that route. LJ observed it was not in the original Nexus specifications and it would be safer to consider it as not funded. CB thought it could be argued that there was never going to be 'clean' cut over and there was no contingency envisaged. DA commented that this modification could be considered to be 'after Nexus' and therefore not a part.

It was reiterated that, on the assumption the industry does want this User Test System, it needed to be clearly determined how it could be paid for in the most effective way, and how any recovery of costs should be made. LJ suggested that it might expect to be recovered on a depreciating model, in the same manner as employed for the Nexus funding. Various options were briefly discussed.

The first consideration would be to establish whether costs should be split between Shippers and DNOs, and then consider a further split between Shipper parties. Gemini changes and impacts were discussed. DA explained the test environments available for use; in terms of this modification there will be no 'hook' into Gemini. At first sight, the DNOs would appear to receive less benefit and so would expect to have to contribute far less (a very small proportion would therefore be envisaged), with Shippers attracting the major portion of costs. The period over which it might be funded was then considered. Access under commercial terms was suggested, however it was pointed out that Ofgem might view this as increasing costs to consumers and therefore not acceptable.

It was suggested that questions regarding costs and funding might be included in the consultation and industry could provide a view.

More detail was clearly required for the Workgroup to reach an informed conclusion. The following actions were agreed:

Action 0701: DNOs to consider the potential for their future use of the system and, if it is concluded that they would use it, define an appropriate portion of any costs.

Action 0702: MJ to decide how the Shipper component of any costs should be funded.

Action 0703: Xoserve to define:

- a) what the asset funding profile looks like;
- b) what the depreciating asset profile looks like and over how many years;
- c) what funding/recovery models might be appropriately applied, and over what sort of term.

LJ stressed that the updates to these actions must be submitted to the Joint Office well in advance of the next meeting.

It was recognised that the modification may require further amendment following the next meeting.

Moving on to consider the Solution text, AC drew attention to points 4 and 5, observing that these were now reflected in the subsidiary documentation and the Solution text will

need revision to reflect the legal text as drafted. MJ noted this and will make appropriate amendments when revising the modification to accommodate the User Pays information following the next meeting.

3.0 Consideration of Legal Text

The Workgroup remained of the view that the legal text continued to meet the intention of the modification.

4.0 Consideration of Cost Estimate and exclusion of Project Nexus costs

The June UNC Modification Panel requested the provision of a cost estimate before it would decide on progressing the modification.

See discussion at 2.0, above.

5.0 UK Link Testing System and Procedures document

A detailed review had been carried out by Xoserve; DA briefly outlined changes made and indicated that any further comments would be welcomed as soon as possible, otherwise it will be assumed that this version of the document is accepted and can be included alongside the Workgroup Report.

Action 0704: UK Link Testing System and Procedures document - MJ and KP to review and provide any further comments to DA as soon as possible (by 29 July 2016 at latest).

6.0 Conclusion of Workgroup Report

It was agreed that a further Workgroup meeting was required to address questions regarding the treatment of costs.

While recognising that there was clearly more work to be done to develop the thinking relating to costs and how they should be recovered, LJ reminded that the Workgroup must submit a report to the July UNC Modification Panel for consideration. It will contain the views gathered to date, Panel will be acquainted with the progress, and an extension would be requested in order to address the concerns relating to the treatment of costs.

7.0 Next Steps

The Workgroup Report will be submitted to the July UNC Modification Panel and an extension of one month will be requested.

8.0 Any Other Business

None.

9.0 Diary Planning

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

At the next meeting it is anticipated that an appropriate treatment of costs will be agreed, revisions to the modification will be made, and the Workgroup's Report will be revised and concluded.

Time/Date	Venue	Workgroup Programme
Tuesday 09 August 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<p><i>Consider appropriate treatment of costs</i></p> <p><i>Consider revisions required to the modification</i></p> <p><i>Completion of revised Workgroup Report</i></p>

Action Table (12 July 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0601	07/06/16	3.0	All parties to provide a view on whether the system specification should be part of the UK Link Manual rather than the subsidiary document prior to the July meeting.	All	Closed
0602	07/06/16	5.0	National Grid to provide Legal Text Commentary.	National Grid (AC)	Closed
0701	12/07/16	2.0	DNOs to consider the potential for their future use of the system and, if it is concluded that they would use it, define an appropriate portion of any costs.	DNOs (AC)	By 01 August 2016 Pending
0702	12/07/16	2.0	MJ to decide how the Shipper component of any costs should be funded.	SSE (MJ)	By 01 August 2016 Pending
0703	12/07/16	2.0	Xoserve to define: <ul style="list-style-type: none"> a) what the asset funding profile looks like; b) what the depreciating asset profile looks like and over how many years; c) what funding/recovery models might be appropriately applied, and over what sort of term. 	Xoserve (DA)	By 01 August 2016 Pending
0704	12/07/16	5.0	<i>UK Link Testing System and Procedures document</i> - MJ and KP to review and provide any further comments to DA as soon as possible (by 29 July 2016 at latest).	SSE (MJ/KP)	By 29 July 2016 Pending