

# UNC Funding, Governance and Ownership (FGO) Workgroup Minutes

## Monday 22 August 2016

Elxon, 4th Floor, 350 Euston Road, London NW1 3AW

### Attendees

|                          |       |                            |
|--------------------------|-------|----------------------------|
| Bob Fletcher (Chair)     | (BF)  | Joint Office               |
| Lorna Dupont (Secretary) | (LD)  | Joint Office               |
| Andrew Jones             | (AJ)  | KPMG                       |
| Angela Love              | (AL)  | ScottishPower              |
| Charles Ruffell          | (CR)  | RWE                        |
| Charles Wood             | (CWo) | Dentons                    |
| Colette Baldwin          | (CB)  | E.ON                       |
| Craig Neilson            | (CN)  | National Grid Distribution |
| Gethyn Howard            | (GH)  | Brookfield Utilities       |
| Gregory Edwards          | (GE)  | British Gas                |
| Martin Baker             | (MBa) | Xoserve                    |
| Michael Walls            | (MW)  | ESP Pipelines              |
| Robert Wigginton         | (RW)  | WWU                        |
| Rupika Madhura           | (RM)  | Ofgem                      |
| Sean McGoldrick          | (SMc) | National Grid NTS          |
| Sue Hilbourne            | (SH)  | Scotia Gas Networks        |

Copies of all papers are available at: <http://www.gasgovernance.co.uk/fgowg/220816>

## 1. Introduction and Status Review

### 1.1. Approval of Minutes (29 July 2016 Charging)

The Minutes were approved.

### 1.2 Current Position

MBa reported that in the interim since the last meeting Ofgem had asked the FGO Programme to consider a scenario in which FGO might go live on 01 April 2017 and be followed by Nexus implementation at a later date. The implications of this were under consideration, and it is expected that this will be discussed further at the POB meeting this Friday. AJ indicated that information had already been provided to Ofgem and that KPMG were meeting with Ofgem prior to the POB meeting to explain the implications of a pre Nexus implementation.

At tomorrow's FGO/0565 meeting it is expected that C Warner will give a similar update.

MBa advised that today's materials were predicated on the Cost Allocation and Services suite as a post-Nexus view of arrangements, and requested that the meeting bear this in mind. Reconsideration may be necessary, should the implementation sequencing need to change.

## 2. Cost Allocation Model Review

### *Second Review of Allocation of Costs to DSC Services*

MBa gave an overview of the revised Cost Allocation spreadsheet, which reflected the material that was published for 12 August 2016, and explained the information provided in the various columns. The annotated version published on 12 August 2016 contained the reasoning for whether a service was not required/not used post Nexus implementation. It was anticipated that the 43 constituency groups would be consolidated into 24. Financial information from 2017/18 onwards and a 4 year total had been included to give a sense of the values involved; a business planning exercise for 2017 will be undertaken and figures may vary.

Attention was drawn to various figures (CAT Costs forecasts columns Z - AD), and MBa gave further detail on the Shipper CDSP charges; based on circa 21-22 million supply points, it would be around 50 pence per supply point per annum. Investment would be in addition to that figure (no data available yet).

Column X contained some highlighted outliers - these were where some ASA service lines, for various reasons, had not been mapped across to the DSC Service Schedules, and some more thinking was required in respect of these areas. MBa provided more individual detail on specific instances. Referring to Service Line Grouping 32 - UK Link Manual, CB asked for more information regarding costs, services, and counterparties. MBa responded that a greater understanding was required of what the activities were and what costs were associated. If any were defined as services then they will need to be allocated to the appropriate counterparties.

The IGTAD outliers had been highlighted because these did not 'naturally' drop into one of the 6 Service Schedule columns. They were currently defined in the IGTAD which will go live when Nexus goes live. GH expressed concerns regarding potential duplication of costs where services may already be aligned to general supply point administration. MBa noted that the detail of iGT facing services and UK Link services required closer consideration to establish their correct mapping to the DSC. GH indicated that he would keep a watching brief on the detail and would follow up on any concerns. CWo believed that some costs would be accommodated but there may be some residual costs depending on what is incorporated. There was a brief discussion on what activities may fall away and what might still be valid and could be swept up in Transportation charges or split out as a separate charge.

AL queried whether there was still a £10 CSEP Admin charge applied to all iGT supply points by the GT. It was noted that this was still applied at that level. AL therefore wondered how it was intended to remove this charge, as she understood this to be in place for the manual processing of iGT updates and when the SSP comes in this would no longer be the case.

**Action FGO 0801: *Allocation of Costs to DSC Services, UK Link Manual and iGT facing Services - MBa to provide greater clarity regarding any defined services/cost allocations (service drivers, system connection costs, etc.). Also, GTs to consider treatment of CSEP Admin Charge under FGO (both pre and post Nexus).***

CB suggested adding more clarity in respect of traceability of previous work done, suggesting that MBa consider producing a document that provided a clearer explanation of how it related to the service(s) that a party is currently paying for. CN suggested a matrix model to show the dynamics/effects.

**Action FGO 0802: *Allocation of Costs to DSC Services - MBa and CN to construct and provide a dynamic matrix clarifying the traceability of services, costs, charging groups, structures, and indicating where fixed and variable costs lie.***

SMc queried the basis of the allocations percentages; MBa gave a brief outline. SMc reiterated that it was necessary to more clearly understand how any figures/percentages had been arrived at for the National Grid NTS share, and required further detail.

**Action FGO 0803: *Allocated percentages – MBa and AJ (KPMG) to provide information to SMc from previous Charging and Cost Allocation Workgroup meetings concerning the share of costs apportioned to NTS and the underlying rationale.***

A query was raised regarding the introduction of the iGT services; there was an understanding that these were additional services to those in use today. MBa explained that by adding in iGT parties Xoserve will be carrying out more of the same services currently in use rather than bringing into play any new services, although there were some minor differences in approach. SMc queried the share allocated. GH explained how funding might apply and a brief discussion ensued. SMc believed that further adjustments would more accurately reflect appropriate costs/parties; those with an iGT element in the line, e.g. line 41, required closer examination and possible adjustment.

MBa reiterated that this document showed the allocation of costs to services, and was to be followed by the methodology to define how the costs should be most appropriately shared out across parties; the current numbers were a reasonable endeavours approach based on the January 2016 forecasts. A draft methodology statement will be produced for the next meeting (05 September 2016).

RM then pointed out that Ofgem had received certain information in January and that it expected to make its decision on the charging methodology in the third week of September. If figures differed radically/materially from the January submission then RM would need to be informed of this as soon as possible. The potential variances were discussed, with most believed to be potentially minimal. However, SMC drew attention to transportation invoicing services, where he considered that a possible variance could be as great as £2 million, which would be material to National Grid NTS. SMC reiterated the need for clear explanations as to how any figures had been arrived at, and so that parties could be assured there were no cross-subsidies.

MBa reiterated that this document just shows how services are mapped and the potential granularity of allocation. Attention was drawn to columns Q - V, and MBa explained there would be rules established to address the apportionment of costs across the various counterparties to each service. January's view may still apply or not; how different it may/may not be in monetary terms has still to be established.

GE asked for clarification regarding the document submitted in January - was it cost allocation or charging? MBa explained that the work done in January took the view of allocation of costs to services at Level 2. It then gave an indication of who should be funding what (constituents, proportions) and was broken down again as appropriate (into 43 groups). The GDNs agreed their own split. Now (August) there is a clearer contractual view of which constituencies are contracted for which services, and an order of magnitude figure is now possible, and there is a need to have rules to define what, and in what proportion, will be borne by each constituent member. Referring to line 23 (funding split of 17% and 83%), GE asked where did the cost allocation appear that supports the split. MBa gave an explanation and what was provided to Ofgem in January. The figures in columns Q - V and Z - AD were then discussed in greater detail.

These are the costs that will be managed under the DSC and there will be relatively small parts that will be managed under other contracts.

Concerns were expressed regarding the perceived lack of progress to date. If the numbers were not agreed then there would be insufficient time left to address and move forward appropriately.

The next steps would include mapping and verifying services and appropriate costs/funding exposure for each constituency and rules for apportionment, and checking capability of implementation of any agreed rules for 01 April 2017. RM reiterated her expectations and the requirements for the making of her decision in September. The methodology to sit in the DSC would then be developed - an agreed starting point is required, perhaps the principles and proposed allocations previously developed? CN observed that these had been looked at in isolation, but there was now a need to understand how they might all be joined together, and CN and MBa were looking at this. Some principles and potential applications were produced in May. Over the last few months parties have been thinking about these in an effort to achieve a consensus. Once agreement is achieved on principles and application then this can be encompassed in the charging methodology.

### *Interim Solution*

Noting the possibility of the prospective change in sequencing of Nexus and FGO implementation the possibility of requiring a potential interim cost allocation and charging methodology solution was then discussed. It was believed there would be no adverse distribution effects across the Shipper community if SOQ were used as the basis for apportionment of Shipper charges. Development of an enduring solution would require a much clearer understanding of Xoserve's fixed and variable costs. RM referred to discussions at the

recent POB meeting and asked who was picking up these points, e.g. pensions costs, and relaying them to parties. GE observed that this FGO group has not had much input regarding that to date and had not reached an understanding of Xoserve's fixed and variable costs. MBa explained what had been shared through the KPMG route. The majority of Xoserve's costs were fixed. RM suggested that which lines are to be fixed and which to be variable should be defined in the model being developed by MBa and CN; this requirement was added to Action FGO 0802. CWo observed that a very small proportion of costs were to be identified as being variable it may not justify having a different model/cost basis.

It was suggested that, using SOQs as the basis, Xoserve draft some proposals that could be tested for application for discussion. Shippers should then review and agree, or provide concrete reasons for their rejection of the solution and also provide a viable alternative. It should demonstrate allocation of top-level costs based on provision of services, and allocation to counterparties, and the method of attributing costs among the Shipper community. There was a need to understand each service and the drivers for how much is fixed cost and how much is variable cost, what influences these decisions and the principle(s) for splitting out, and how this feeds into SOQs. (It was suggested that MBa update the figures from January and include elements of fixed/variable costs and reasons.) MBa reiterated that one approach has to apply to the whole community. Those present felt that SOQ may be a viable option for an interim position use in a pre Nexus implementation scenario but there would be concerns should this be considered for as a post Nexus option.

AL offered to raise these points for discussion at other Shipper meetings, i.e. Energy UK, ICOSS and the Small Supplier Forum, and seek views.

**Action FGO 0804: *Methodology for apportionment of Shipper Charges* - MBa to provide indicative data for discussion based on the SOQ approach (using October 2015 as the starting point), and to provide clarity on costs associated with each service line (fixed, variable, and drivers for each) and the principles for splitting out and how this affects the SOQ approach, by 31 August 2016.**

**Action FGO 0805: *Methodology for apportionment of Shipper Charges* - AL to raise discussion at Energy UK, ICOSS and the Small Supplier Forum, and seek views.**

**Action FGO 0806: *Methodology for apportionment of Shipper Charges* - Parties to review with a view to confirming acceptance of this approach at the 05 September 2016 meeting (or provide concrete reasons for rejection and offer a viable alternative).**

Responding to a question from RM, GH confirmed that the iGTs would consider if they were happy with the principles being developed and would be happy to contribute to other meetings to assist progress. MBa observed that if a service was identified as solely applying to iGTs then iGT parties could work out any required allocation amongst themselves; if a service was identified as applying to across all GTs including iGTs then these parties could also work out any required allocation amongst themselves. The parties should then inform Xoserve if the apportionment methodology used in the January figures would require to be revised.

**Action FGO 0807: *Methodology for apportionment of GT and iGT Charges* - GTs and iGTs to consider rules for apportionment of charges under the interim and enduring arrangements.**

### *Charging Methodology*

RM reminded that an enduring charging methodology also needs to be in place for 01 April 2017, and that commitment had not fallen away. Parties would need to be prepared to reach some agreement regarding this at the meeting on 05 September 2016 (or to clearly explain the reasons for disagreement).

RM asked MBa to explain the interim solution. If FGO were to go live on 01 April 2017 then to facilitate this, the charging methodology to recover costs/charges from Shippers would be to use SOQs (using the proportion based on the January figures). The enduring methodology will allocate costs to services, and then to any constituency, and will consider the potential impacts of the fixed/variable costs mix. AL asked how these different solutions would be introduced.

RM advised that she had written to KPMG asking that the POB consider options for the duration of the interim Charging Methodology, whether this should endure only until Nexus implementation or to a later date.

RM reiterated that Ofgem anticipated FGO implementation by 01 April 2017 - a pragmatic approach and reduced risk. There were still some questions outstanding but these were not expected to be impediments. The commitment still remains to deliver the charging methodology by 01 April 2017 (in the event that Nexus may still be delivered on that date).

#### *Cost Drivers and Cost Allocation*

It was reiterated that the service line drivers and any fixed and variable cost information should be provided by 31 August 2016 for review. (See Action 0804, above.)

### **3. Methodology Statement**

Deferred to next meeting (05 September 2016).

### **4. Review Invoice Process**

Deferred to next meeting (05 September 2016).

### **5. Transition Matters – Principles and Application**

It was noted that some areas would be discussed at the FGO/0565 meeting the next day, but that some topics may still require discussion by this FGO Charging group. RM referred to discussions at POB and suggested that these might need to be more clearly communicated to this meeting. For example Pensions/Liabilities - GTs needed to share information and Shippers needed to see associated risks; Ofgem had asked for information and this was still awaited. It was noted that minutes of the POB meetings were produced and that these recorded discussions on the Top Ten issues.

#### **Action FGO 0808: AJ to establish a communication route between the FGO POB and FGO/0565 Workgroups to provide updates.**

AL noted that Ofgem had advised the POB that as far as it was concerned the GTs had been funded for Project Nexus. AL therefore queried how the arrangements would ensure that no further costs for Nexus would be incurred by the Shippers. In particular AL highlighted that there would be costs in 2017, as retrospective adjustment, which was part of the Nexus suite of MODs, would be not be delivered after FGO Phase 2 goes live. RW explained how this would work.

#### **5.1 CDSP Charging Principles and their Application Paper - *British Gas Comments***

GE had reviewed the paper with the interim solution in mind, and gave an explanation for each of the comments provided in the various sections.

*ID 1* - GE believed the charging objectives should be reflected in the charging methodology principles so that they could be tested against; he was not suggesting that they be in the Licence Condition. BF observed that all UNC Modifications were tested against the formal relevant objectives and there was a specific set for modifications relating to UNC TPD Section Y that were charging related. GE pointed out that the CDSP Charging Methodology did not currently exist and so some appropriate criteria were required against which it could be measured. CWO explained some of the difficulties that might be encountered from the point of view of legal drafting, and what Ofgem would take into account when making its assessment. If simply included in the UNC or the DSC they may not be relevant or of benefit, and consideration would have to be given to including something in the Licence.

GE also believed that an objective should be set around accurate cost reflectivity.

CB observed that the Transporters' objectives could not be applied to the CDSP methodology, and perceived there to be a gap between existing objectives and what might be more relevant

requirements, and that this should be examined and considered. RM agreed that arrangements for the CDSP should reflect this. RM agreed to accept an action to consider at what level and where CDSP charging methodology objectives might best reside; CN indicated he would send to RM a copy of the GT Licence Conditions relating to charging.

**Action FGO 0809: RM to consider at what level and where CDSP charging methodology objectives might best reside.**

*IDs 3 and 11* - It was agreed that the governance of the CDSP charging methodology should be as flexible as possible to accommodate any required changes to service lines. GE suggested there should be a routine annual review of the methodology, perhaps with a date set in the UNC. CWO observed that it was as yet unclear as to whether charging methodology changes should be driven by UNC modifications, and there was a need to provide for flexibility. CN noted there is likely to be a need to notify changes in advance and that in a similar way to Transporters charges, methodology changes may need to coincide with notifications for changes to charges.

The group considered the 'Table of Principles, Application and Matters for Consideration' and whether it could be finalised. GE reiterated his comments related to the interim solution only, and should be seen as such; this Table did not yet take account of fixed and variable costs. A discussion ensued, wherein it was pointed out that it could not be considered as complete whilst still making reference to Options and Matters for Consideration. Noting this, CB agreed that it could not be considered a 'complete' document as other arrangements were still to be finalised, but was happy to go with it for the present and baseline it and move on. It was suggested that with appropriate revision and refinements it could be adopted as a 'closed' document for the interim solution, and then adapted as a document for the enduring solution to include fixed and variable elements, and timeframes for recovery. RM noted that the principles should remain the same for both solutions; if applications changed then review would be required. CWO pointed out that the document itself was predicated on the enduring solution that had been under discussion for the past 4 months; the interim solution had only been in conception over the last week.

**Action FGO 0810: 'Table of Principles, Application and Matters for Consideration' for CDSP - MBa to revise this document and alongside the production of the draft charging methodology statement add in a commentary to explain how the comments/matters for consideration had been addressed.**

**Action FGO 0811: Licence Condition A15a - GE to provide draft wording for consideration.**

**6. Surpluses and Deficits – Principles and Application**

Deferred to next meeting (05 September 2016).

**7. Review of Actions**

**FGO 0605:** Xoserve to summarise the "Other Services", e.g. IX services to MAMs, Data Services to MAMs, MAPs, that are expected to be captured within Box 3 of the CDSP Services and Cost Presentation.

**Update:** Completed. **Closed**

**FGO 0702:** Xoserve (MBa) to review the relevant charging objectives and consider how these apply to the DSC Charging Methodology.

**Update:** Completed. **Closed**

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**FGO 0703:** Xoserve (MBa) to raise with the 0565 and DSC meeting the potential need for delineation in Shipper Classes.

**Update:** AL raised a question regarding the emergency services run by Xoserve, where there was a need to ask customers to come off supply, as this would only relate to DM supply points, so she assumed that the service would only be charged to DM Shippers; it was unclear as to how this is catered for in the service lines. It was commented that if differentiation were required it would be discussed at the 0565 Workgroup. **Closed**

**FGO 0705:** Xoserve (AMi) and Brookfield Utilities (GH) to discuss how and when the iGTs will be included into the Cost Allocation Model and GH to provide any concerns iGTs may have with the allocation process.

**Update:** GH had provided a brief resume of the iGTs' concerns regarding the approach and content of the treatment of investment and change costs. GH, MBa and AMi will continue further discussions. (Update to be provided at the next meeting on 05 September 2016.)  
**Carried forward**

**FGO 0706:** Xoserve (MBa) to apply the numbers to show the allocation at a lower level showing the areas of materiality in Levels 1 and 2.

**Update:** Completed. **Closed**

**FGO 0707:** Xoserve (MBa) to consider including Transporter type 'Relevant Charging Objectives' into the principles document.

**Update:** CWo reiterated that unless it sits in the Licence it would not guide Ofgem. **Closed**

**FGO 0708:** All Workgroup attendees to send any comments in relation to the Principles and Applications document to MBa prior to Friday 05 August 2016.

**Update:** Completed. **Closed**

**FGO 0709:** Xoserve (MBa) and Dentons (CWo) to provide Process Flows of the process and produce a Rule Base Drafting document for 05 September meeting.

**Update:** To be provided at the 05 September 2016 meeting. **Carried forward**

**FGO 0710:** NC to speak with CWa regarding the potential date changes and Panel submission timeline.

**Update:** In progress. **Closed**

**FGO 0711:** All to look at the charging of costs for investment from the January documentation and investigate how certain types of investment should be funded.

**Update:** MBa reported that to date no feedback had been received. Parties commented that more information was required in order for them to provide a view. Following a brief discussion of additional requirements, AJ agreed to provide the relevant KPMG document for circulation and MBa agreed to provide more narrative detail behind the January figures, so that all parties could reconsider whether the initial assumptions were still valid regarding funding routes/parties or if should they be revised in the light of more detail regarding fixed/variable costs being made available prior to the next meeting (05 September 2016). The action was therefore expanded.

**Expanded Action FGO 0711:** All to look at the charging of costs for investment from the

January documentation and investigate how certain types of investment should be funded.

- a) AJ to provide the relevant KPMG document for circulation as soon as possible; **(Post Meeting Note: On 23 August 2016 AJ re-circulated to the FGO Charging Workgroup the January submission made to Ofgem. Completed)**
- b) MBa to provide more narrative detail behind the January figures as soon as possible;
- c) All parties to reconsider whether initial assumptions remained valid regarding funding routes/parties or if should they be revised in the light of more detail regarding fixed/variable costs being made available prior to the next meeting (05 September 2016).

**Carried forward**

**FGO 0712:** All to review the Services to Shippers and suggest the appropriate Cost Drivers prior to the 08 August 2016.

**Update:** To be covered under the SOQ proposals. **Closed**

**8. Any Other Business**

None.

**9. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

*Workplan Review*

MBa had provided an updated Workplan.

*Meeting Programme*

Workgroup meetings will take place as follows:

| Time/Date                            | Venue   | Workgroup Programme  |
|--------------------------------------|---|--|
| 10:00 Tuesday<br>23 August 2016      | Elexon, 4 <sup>th</sup> Floor,<br>350 Euston Road,<br>London NW1<br>3AW | FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> <li>• DSC Framework Agreement (Final draft)</li> <li>• DSC Term and Conditions (Final draft)</li> <li>• DSC Service Description (Final draft)</li> <li>• Change Control Procedures (Final draft)</li> <li>• Contract Management and Reporting Arrangements (Final draft)</li> <li>• Third Party Services Policy (Final draft)</li> <li>• Transition Document (First draft)</li> <li>• Timeline/Workplan Update</li> <li>• Consideration of Risks/Issues Log</li> </ul> |
| 10:00 Monday<br>05 September<br>2016 | Consort House, 6<br>Homer Road,<br>Solihull B91 3QQ                     | FGO Workgroup – Charging <ul style="list-style-type: none"> <li>• First review of Charging Methodology (Services) (investment)                             <ul style="list-style-type: none"> <li>- Services and Users</li> </ul> </li> </ul>  |



|   |   |  |
|---|---|--|
|   |   | <ul style="list-style-type: none"> <li>- Cost Drivers and Cost Allocation</li> <li>- Charging Methodology, including funding of Liabilities</li> <li>• Invoicing - define Process</li> <li>• Transition Matters</li> <li>• Margin, Surplus and Deficit - review of updated proposals</li> <li>• Budget Setting - define Process</li> </ul>   |
| 10:00 Wednesday<br>07 September<br>2016 | Consort House, 6<br>Homer Road,<br>Solihull B91 3QQ                     | <p>FGO Workgroup and Workgroup 0565</p> <p>DSC Review</p> <ul style="list-style-type: none"> <li>• DSC Contract Management</li> <li>• DSC Term and Conditions</li> <li>• DSC Change Control Procedures</li> <li>• Third Party Services Policy</li> <li>• Transition Document</li> <li>• Miscellaneous including MR</li> </ul> <p>DSC Contract Update</p> <p>Development of Workgroup Report 0565</p>   |
| 10:00 Tuesday 13<br>September 2016      | To be confirmed   | FGO Workgroup and Workgroup 0565   |
| 10:00 Tuesday 20<br>September 2016      | Dentons, One<br>Fleet Place,<br>London EC4M<br>7WS                      | FGO Workgroup and Workgroup 0565   |
| 10:00 Wednesday<br>21 September<br>2016 | Elexon, 4 <sup>th</sup> Floor,<br>350 Euston Road,<br>London NW1<br>3AW | FGO Workgroup and Workgroup 0565   |
| 10:00 Friday 23<br>September 2016       | Consort House, 6<br>Homer Road,<br>Solihull B91 3QQ                     | <p><b>FGO Workgroup – Charging</b></p> <ul style="list-style-type: none"> <li>• Second review of Charging Methodology (Services) (investment) <ul style="list-style-type: none"> <li>- Services and Users</li> <li>- Cost Drivers and Cost Allocation</li> <li>- Charging Methodology, including funding of Liabilities</li> </ul> </li> <li>• Invoicing - review Process</li> <li>• Margin, Surplus and Deficit - review of Final Proposals</li> <li>• Budget Setting - review Process</li> </ul> |
| 10:00 Thursday 29<br>September 2016     | Consort House, 6<br>Homer Road,<br>Solihull B91 3QQ                     | FGO Workgroup and Workgroup 0565   |

|                                 |  |                                  |
|---------------------------------|--|----------------------------------|
| 10:00 Friday 30 September 2016  | Consort House, 6 Homer Road, Solihull B91 3QQ                  | FGO Workgroup and Workgroup 0565 |
| 10:00 Monday 03 October 2016    | Dentons, One Fleet Place, London EC4M 7WS                      | FGO Workgroup and Workgroup 0565 |
| 10:00 Wednesday 05 October 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ                  | FGO Workgroup and Workgroup 0565 |
| 10:00 Friday 07 October 2016    | Consort House, 6 Homer Road, Solihull B91 3QQ                  | FGO Workgroup and Workgroup 0565 |
| 10:00 Tuesday 11 October 2016   | Elexon, 4 <sup>th</sup> Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup and Workgroup 0565 |
| 10:00 Friday 14 October 2016    | Elexon, 4 <sup>th</sup> Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup and Workgroup 0565 |
| 10:00 Tuesday 18 October 2016   | Consort House, 6 Homer Road, Solihull B91 3QQ                  | FGO Workgroup and Workgroup 0565 |
| 10:00 Wednesday 26 October 2016 | Elexon, 4 <sup>th</sup> Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup and Workgroup 0565 |
| 10:00 Tuesday 01 November 2016  | Elexon, 4 <sup>th</sup> Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup and Workgroup 0565 |

| <b>FGO WG Actions (22 August 2016)</b> |                                      |                   |   |               |                      |
|--|--------------------------------------|-------------------|---|---------------|----------------------|
| <b>Action Ref</b>                      | <b>Meeting Date</b>                  | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner</b>  | <b>Status Update</b> |
| <b>FGO 0605</b>                        | 30/06/16<br><a href="#">Charging</a> | 4.0               | Xoserve to summarise the “Other Services”, e.g. IX services to MAMs, Data Services to MAMs, MAPs, that are expected to be captured within Box 3 of the CDSP Services and Cost Presentation. | Xoserve (MBa) | <b>Closed</b>        |
| <b>FGO 0702</b>                        | 11/07/16<br><a href="#">Charging</a> | 2.0               | Xoserve (MBa) to review the relevant charging objectives and consider how these apply to the DSC  | Xoserve (MBa) | <b>Closed</b>        |

|                 |   |              | Charging Methodology.  |  |   |
|-----------------|---|--------------|--|--|---|
| <b>FGO 0703</b> | 11/07/16<br>Charging                              | 2.0          | Xoserve (MBa) to raise with the 0565 and DSC meeting in relation to the functional Supplier Charge.  | Xoserve (MBa)                              | <b>Closed</b>   |
| <b>FGO 0705</b> | 29/07/16<br>Charging                              | 2.0          | Xoserve (AMi) and Brookfield Utilities (GH) to discuss how and when the iGTs will be included into the Cost Allocation Model and GH to provide any concerns iGTs may have with the allocation process.   | Xoserve (MBa)<br>Brookfield Utilities (GH) | <i>Due at 05 Sept meeting</i><br><b>Carried forward</b>   |
| <b>FGO 0706</b> | 29/07/16  | 2.0          | Xoserve (MBa) to apply the numbers to show the allocation at a lower level showing the areas of materiality in Levels 1 & 2.   | Xoserve (MBa)                              | <b>Closed</b>   |
| <b>FGO 0707</b> | 29/07/16  | 5.0          | Xoserve (MBa) to consider including Transporter type 'Relevant Charging Objectives' into the principles document.  | Xoserve (MBa)                              | <b>Closed</b>   |
| <b>FGO 0708</b> | 29/07/16  | 5.0          | All Workgroup attendees to send any comments in relation to the Principles and Applications document to MBa prior to Friday 05 August 2016.  | All  | <b>Closed</b>   |
| <b>FGO 0709</b> | 29/07/16<br>Charging                              | 6.0          | Xoserve (MBa) and Dentons (CWo) to provide Process Flows of the process and produce a Rule Base Drafting document for 05 September meeting.  | Xoserve (MBa)<br>Dentons (CWo)             | <i>Due at 05 Sept meeting</i><br><b>Carried forward</b>   |
| <b>FGO 0710</b> | 29/07/16  | 7.0          | NC to speak with CWa regarding the potential date changes and Panel submission timeline.   | KPMG (NC)                                  | <b>Closed</b>   |
| <b>FGO 0711</b> | (29/07/16)<br>Action expanded 22/08/1<br>Charging | (9.0)<br>7.0 | All to look at the charging of costs for investment from the January documentation and investigate how certain types of investment should be funded.<br><br>a) AJ to provide the relevant KPMG document for circulation as soon as possible;<br>b) MBa to provide more narrative detail behind the January figures as soon as possible;<br>c) All parties to reconsider whether initial assumptions remained valid regarding funding routes/parties or if should they be revised in the light of more detail regarding | All  | <i>Due at 05 Sept meeting</i><br><br>(a) Completed<br><br>(b) and (c)<br><b>Carried forward</b> |

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|                 |                                      |     | fixed/variable costs being made available prior to the next meeting (05 September 2016).   |                             |   |
| <b>FGO 0712</b> | 29/07/16                             | 9.0 | All to review the Services to Shippers and suggest the appropriate Cost Drivers prior to the 08 August 2016.   | All                         | <b>Closed</b>                                   |
| <b>FGO 0801</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Allocation of Costs to DSC Services, UK Link Manual and iGT facing Services</i> - MBa to provide greater clarity regarding any defined services/cost allocations (service drivers, system connection costs, etc.). Also, GTs to consider treatment of CSEP Admin Charge under FGO (both pre and post Nexus).  | Xoserve (MBa) and the GTs   | <b>By 31 Aug for review</b><br><b>Pending</b>   |
| <b>FGO 0802</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Allocation of Costs to DSC Services</i> - MBa and CN to construct and provide a dynamic matrix clarifying the traceability of services, costs, charging groups, structures, and indicating where fixed and variable costs lie.  | Xoserve (MBa) and NGD (CN)  | <b>By 31 Aug for review</b><br><b>Pending</b>   |
| <b>FGO 0803</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Allocated percentages</i> – MBa and AJ (KPMG) to provide information to SMC from previous Charging and Cost Allocation Workgroup meetings concerning the share of costs apportioned to NTS and the underlying rationale.  | Xoserve (MBa) and KPMG (AJ) | <b>By 31 Aug for review</b><br><b>Pending</b>   |
| <b>FGO 0804</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Methodology for apportionment of Shipper Charges</i> - MBa to provide indicative data for discussion based on the SOQ approach (using October 2015 as the starting point), and to provide clarity on costs associated with each service line (fixed, variable, and drivers for each) and the principles for splitting out and how this affects the SOQ approach, by 31 August 2016. | Xoserve (MBa)               | <b>By 31 Aug for review</b><br><b>Pending</b>   |
| <b>FGO 0805</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Methodology for apportionment of Shipper Charges</i> - AL to raise discussion at Energy UK, ICOSS and the Small Supplier Forum, and seek views.   | ScottishPower (AL)          | <b>Due at 05 Sept meeting</b><br><b>Pending</b> |
| <b>FGO 0806</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Methodology for apportionment of Shipper Charges</i> - Parties to review with a view to confirming acceptance   | All Shipper parties         | <b>Due at 05 Sept meeting</b><br><b>Pending</b> |

|                 |                                      |     |   |                  |                |
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|                 |                                      |     | of this approach at the 05 September 2016 meeting (or provide concrete reasons for rejection and offer a viable alternative).   |                  |                |
| <b>FGO 0807</b> | 22/08/16<br><a href="#">Charging</a> | 2.0 | <i>Methodology for apportionment of GT and iGT Charges</i> - GTs and iGTs to consider rules for apportionment of charges under the interim and enduring arrangements.   | Transporters     | <b>Pending</b> |
| <b>FGO 0808</b> | 22/08/16<br><a href="#">Charging</a> | 5.0 | AJ to establish a communication route between the FGO POB and FGO/0565 Workgroups to provide updates.   | KPMG (AJ)        | <b>Pending</b> |
| <b>FGO 0809</b> | 22/08/16<br><a href="#">Charging</a> | 5.1 | RM to consider at what level and where CDSP charging methodology objectives might best reside.  | Ofgem (RM)       | <b>Pending</b> |
| <b>FGO 0810</b> | 22/08/16<br><a href="#">Charging</a> | 5.1 | <i>'Table of Principles, Application and Matters for Consideration'</i> for CDSP - MBa to revise this document and alongside the production of the draft charging methodology statement add in a commentary to explain how the comments/matters for consideration had been addressed. | Xoserve (MBa)    | <b>Pending</b> |
| <b>FGO 0811</b> | 22/08/16<br><a href="#">Charging</a> | 5.1 | <i>Licence Condition A15a</i> - GE to provide draft wording for consideration.  | British Gas (GE) | <b>Pending</b> |