

Governance Workstream Minutes
Thursday 18 March 2010
350 Euston Road, London

Attendees

Tim Davis (Chair)	TD	Joint Office
Bob Fletcher (Secretary)	BF	Joint Office
Abigail Hall	AH	Consumer Focus
Chris Warner	CWa	National Grid Distribution
Chris Wright	CWr	British Gas
Jenny Boothe	JB	Ofgem
Joanna Ferguson	JF	Northern Gas Networks
Jon Dixon	JD	Ofgem
Phil Broom	PB	GDF Suez
Richard Hall	RHa	Consumer Focus
Ritchard Hewitt	RHe	National Grid NTS
Shelly Rouse	SR	Statoil
Simon Trivella	ST	Wales and West Utilities
Stefan Leedham	SL	EDF Energy

1.0 Introduction and Status Review

TD welcomed attendees to the meeting.

1.1. Minutes from Previous Workstream

The following corrections to the February minutes were requested:

CWr advised a number of references to Mike Young were identified as CW in the minutes; this includes the reference in the attendees list.

R Fairholme was missing from the attendees list.

The Minutes were then approved.

1.2. Review of Actions

GOV1043 Provide a User Pays guidance paper for the December Workstream.

Update: JD advised that the intention remains not to provide a note at least until the UNC User Pays guidance document has been amended. **Closed**

GOV1047 Amend the draft guidelines document based on comments received for presentation to the Governance Workstream.

Update: ST advised that the initial intention is to amend the ROM templates and then subsequently to provide an updated guidance document for the April Workstream.

Carried Forward

GOV1048 Provide a view on the possibility of adopting a process for a cost pass through mechanism for marginal User Pays charges.

Update: JB advised that Ofgem is still considering the possibility of a pass through mechanism.

Carried Forward

GOV1049 National Grid NTS to consider the comments received and amend UNC 0281.

Update: RH advised the amendments to the Proposal are still being considered.

Carried Forward

2.0 Modifications

2.1 Review Proposal 0267 “Review of UNC Governance Arrangements”

It was recognised that progress was largely on hold until Ofgem’s publication of the Industry Codes Governance Review Final Proposals, which were previously expected by the end of January.

In light of Proposal 0286 having been raised, *Extending Modification Panel Voting Rights to Consumer Representatives*, ST suggested arranging a separate Workstream meeting to consider in particular issues surrounding Panel constitution and voting. JD advised he would be willing to attend to provide an overview of Ofgem recommendations to help the discussions move forward even if the Final Proposals have not been published.

The Workstream agreed to meet on 30 March.

3.0 Topics

3.1 014Gov, Review of User Pays Process

TD drew attention to Ofgem's recent decisions on Proposal 0276, whereby the Modification Proposal was approved but Ofgem had intimidated that the y would not accept the supporting ACS change. JD explained the issues with 0276 centred on the cost recovery methodology - it was based on capacity booked on a particular day and Ofgem did not consider this a suitable method for such an enduring change. JD also confirmed that a further letter would be issued providing more detail on why Ofgem had said they would veto the proposed ACS change.

CWr was concerned this decision would have implications for a number of User Pays Proposals, including those discussed by the Panel earlier in the day. JD agreed that any charges put forward in the ACS would need to take into account funding and try to avoid methodologies based on a snapshot in time. He also confirmed Ofgem's role is to veto methodology changes, not the charges, in the ACS – it is important the methodology is agreed in advance, in particular the recovery of development costs.

RHe was concerned that development cost methodologies based on cost recovery over a period of time needed to consider the time value of money and may require an increase in charges to reflect this. RHe confirmed that when developing Proposals and assessing costs National grid NTS have discussed the identification of capex and operating costs with xoserve to help provide clarity to the build up of charges.

ST felt the User Pays process has generally worked well, with Proposal 0224 providing a good example. It was noted that some eligible Shippers had said they had no intention of using the service, but would still be required to pay a share of the development costs. This was the methodology set out in the Proposal and consequently mirrored in the ACS. JD added that Shippers could have raised alternative changing proposals during the process but chose not to.

ST asked if National Grid NTS would be bringing forward a different change to the ACS to accommodate Proposal 0276 for consideration at the Transmission Workstream. RHe was unable to confirm this. TD pointed out that, as an ACS issue, this is not a UNC nor consequently Workstream issue.

4.0 Any Other Business

None raised.

5.0 Next Meeting

30 March 2010.

15 April 2010, following the UNC Committee meeting.

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
GOV1043	19/11/09	3.2	Provide a User Pays guidance paper for the December Workstream.	Ofgem (JD)	Closed

GOV1047	21/01/10	3.2.1	Amend the draft guidelines document based on comments received for presentation to the Governance Workstream.	National Grid NTS (RH)	Carried Forward
GOV1048	21/01/10	3.2.2	Provide a view on the possibility of adopting a process for a cost pass through mechanism for marginal User Pays charges.	Ofgem (JB)	Carried Forward
GOV1049	18/02/10	2.3	National Grid NTS to consider the comments received and amend UNC 0281.	National Grid NTS (RH)	Carried Forward