

## Governance Workstream Minutes

Thursday 17 June 2010

350 Euston Road, London

### Attendees

Tim Davis (Chair)	TD	Joint Office
Bob Fletcher (Secretary)	BF	Joint Office
Bali Dohel	BD	Scotia Gas Networks
Chris Shanley	CS	National Grid NTS
Chris Warner	CWa	National Grid Distribution
Chris Wright	CWr	British Gas
Clare Cameron	CC	Ofgem
Gareth Evans	GE	Waters Wye
Joanna Ferguson	JF	Northern Gas Networks
Jon Dixon	JD	Ofgem
Joel Martin	JM	Scotia Gas Networks
Richard Hall	RHa	Consumer Focus
Ritchard Hewitt	RHe	National Grid NTS
Richard Fairholme	RF	E.ON UK
Richard Street	RS	Corona Energy
Simon Trivella	ST	Wales & West Utilities
Shelley Rouse	SR	Statoil
Stefan Leedham	SL	EDF Energy

### 1. Introduction and Status Review

- 1.1. Minutes from the previous meetings were approved.
- 1.2. Review of actions from previous meeting.

**GOV1047:** Amend the draft guidelines document based on comments received for presentation to the Governance Workstream. **UPDATE:** ST advised that proposed changes to the guidance document would be presented to the Workstream soon.

**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:** JD advised that Ofgem was willing to consider this form of mechanism. This requires an approach to be developed to manage User Pays low value changes and identify those User Pays proposals which should be UNC related or non Code services. In due course, transfer to the main price control (or otherwise) would also need to be addressed.

**Closed**

**GOV1049:** National Grid NTS to consider the comments received and amend UNC 0281. **UPDATE:** a revised version had been published. **Closed**

**GOV1050:** Present views on panel constitution and voting. **UPDATE:** GE confirmed the item can be closed in light of developments. **Closed**

**GOV1051:** Develop 0267 issues matrix descriptions to match potential modification rules changes. **UPDATE:** Item carried forward subject to the licence drafting to implement the Code Governance Review. **Carried Forward**

## 2. Modifications

### 2.1. Review Proposal 0267 - Review of UNC Governance Arrangements

TD advised that Ofgem has published proposed Licence changes for the Industry Codes review changes. National Grid NTS had produced a letter and timeline on the implementation aspects of these proposals. CS explained National Grid NTS wished to agree a plan to coordinate the implementation of the review outcomes and management of this process in a timely manner. CS ran through the different areas and who is currently developing proposals for these.

CS explained that it is hoped to present Modification Proposals at the July Workstream with Proposals developed in time for submission to the August panel, seeking a shortened consultation period to allow an implementation recommendation to be made at the September Panel. SL an extended rather than consultation period would be justified, particularly for the larger/more complex Proposals. He considered the charging proposals may need development by workgroups and this should not be ignored. CS still hoped to follow the proposed timeline and manage the exceptions or more controversial proposals, while still getting the others progressed.

TD expressed an aspiration to present the Review Group report to the August Panel with agreed Modification Proposals appended to the report.

RS suggested that to generate wide engagement, CS might usefully attend a Gas Forum meeting to explain the approach being taken.

**Action GOV1052** Joint Office to arrange an additional Governance Workstream for Thursday 29 July 2010.

**Action GOV1053** RS/SL agreed to arrange an invitation to the Gas Forum meeting on 5 July 2010 for National Grid NTS and any other Transporter representatives who may wish to attend.

JD confirmed Ofgem expects to fully participate in the development process to meet the target implementation date, and recognised the amount of work required and short timeline.

### 2.2 Modification Proposal 0281 - Prevention of "Timing Out" of Authority decisions on Modification Proposals

CS advised the Proposal has been amended. However, there were still a number of changes required before being issued to consultation. He highlighted the amendments made, particularly how workgroups address workplan and meeting timescales for implementation and managing changes to systems.

SL asked for clarification on the implementation requirements and how Transporters could/should meet implementation dates. CS was of the opinion that timescales could be met where parties allowed sufficient time for assessments to be made. RS was concerned the process appears to add more complexity for smaller companies without clearly identifying any benefits. There is very little scope to make the process work should Transporters have concerns about a Proposal and its implementation. CS challenged any assumption that the Proposal would allow implementations to be delayed - oversight by other parties would continue, including Ofgem.

SL gave an example of UNC 0268 where the Proposal had been approved but implementation is still awaited. CS confirmed that the majority of Proposals will not

have fixed implementation dates and that these dates should be timely.

**Action GOV1053** CS to consider the comments received and amend Proposal 0281 (if required).

JM raised the issue on 0224, where the Proposal had been approved with an implementation date of November 2010. However, issues had been raised in UKLink committee, which may impact meeting this date. RS doubted Proposal 0281 would have made any difference to the issues encountered in 0224.

CWr felt the Proposal has moved away from preventing timing out of Proposals to good governance around implementation of Proposals, and this should be made clear in any redraft.

### 2.3 Modification Proposal 0312 - Introduction of Two-Thirds Majority Voting to the UNC Modification Panel

RF introduced the Proposal to the Workstream. RHa had a number of comments to make:

1. Concerns raised by Parties about the disenfranchisement of their potential to reject/appeal a Proposal.

RHa considered this could be offset by changing the voting arrangements or weighting aspects. RF did not think this was the case and will not help resolve this issue.

2. Rights of appeal are not reduced by the provisions of the proposed changes to allow consumer representatives voting rights. The requirements contained in the statutory instruments still allow appeals to be made. RS did not think this was the case with a 6-4 vote. TD advised the test in the Statutory Instrument cannot be amended, nor reliably interpreted, by the Workstream - perhaps advice should be sought from DECC or lawyers with appropriate expertise?

**Action GOV1054** JD agreed to seek a view from Ofgem's lawyers on the definition of rights of appeal and what amounts to a majority vote at Panel.

TD suggested that the scope of the Proposal as drafted was to as described by RF. The Significant Code Review provisions provide for Ofgem to make a direction to the licensee, which does not change the parties licence and so would be outside the scope of the Proposal as drafted.

**Action GOV 1055** RF to consider amending the Proposal based on the comments received at the Workstream.

## 3. Topics

### 3.1 013Gov, Industry Codes Governance Review

Covered under 0267 above.

### 3.2 014Gov, Review of User Pays Process

No business raised.

### 3.3 New Topics

No new topics raised.

4. **Any other business**

No other business raised.

5. **Diary Planning for Workstream**

Next Meeting

15 July 2010, following the UNC Committee meeting.

29 July 2010, venue to be confirmed.

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner*</b>	<b>Status Update</b>
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 / Wales and West Utilities (RHe/ST)	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 (JD changed 20 May)	Closed
GOV1049	18/02/10	2.3	National Grid NTS to consider the comments received and amend UNC 0281.	National Grid NTS (RH)	Closed
GOV1050	30/03/10	2.1	Present views on panel constitution and voting	Waters Wye (GE)	Closed
GOV1051	07/05/10	2.2	Develop 0267 issues matrix descriptions to match potential modification rules changes	Joint Office (BF)	Carried Forward
GOV1052	17/06/10	2.1	Arrange an additional Workstream for Thursday 29 July 2010.	Joint Office (BF)	Pending
GOV1053	17/06/10	2.2	UNC0281 - Consider the comments received and amend the Proposal (if required).	National Grid NTS (CS)	Pending
GOV1054	17/06/10	2.3	seek a view from Ofgem's lawyers on the definition of rights of appeal and what amounts to a majority vote at Panel.	Ofgem (JD)	Pending
GOV1055	17/06/10	2.3	UNC0312 - consider amending the Proposal based on the comments received at the Workstream.	E.ON UK (RF)	Pending