

**UNC Workgroup 0841 Minutes**  
**Introduction of cost efficiency and transparency requirements for the**  
**CDSP Budget**  
**Monday 06 November 2023**  
**And Via Microsoft Teams**

<b>Attendees</b>		
Kate Elleman	(KE)	Joint Office
Tanaka Tizirai	(TT)	Joint Office
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU-UK
Edward Allard	(EA)	Cadent
Ellie Rogers	(ER)	Xoserve
Gregory Edwards	(GE)	Centrica
Jayne McGlone	(JMc)	Xoserve (CDSP)
Kirsty Ingham (away from 11am)	(KI)	Centrica
Marina Papathoma	(MP)	Wales & West Utilities
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Sally Hardman	(SHa)	SGN
Steve Mulinganie	(SM)	SEFE
Tracey Saunders	(TS)	Northern Gas Networks

*This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.*

*The Workgroup Report is due to be presented at the UNC Modification Panel by 15 February 2024.*

*Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0841/061123>*

**1. Introduction**

Kate Elleman (KE) welcomed everyone to the meeting.

**1.1 Approval of minutes (10 October 2023)**

The minutes from Tuesday 10<sup>th</sup> October 2023 were reviewed by the Workgroup and no amendments were requested. Therefore, the minutes were approved by the Workgroup.

**1.2. Approval of Late Papers**

No late papers were submitted to the Joint Office for this Workgroup meeting.

**1.3. Review of Outstanding Actions**

**0901:** XoServe/CDSP (ER/JMc) provided a revised ROM together with an overview and outline of the amendments made to the ROM.

CDSP explained that they have now included the 0841A Modification (0841A) in the Rough Order of Magnitude (ROM) document. The inclusion is also accompanied by colour coded wording to distinguish contents which specifically relates to either: 0841 and 0841A.

CDSP explained that main difference of the two modifications in respect to overview of impacts is that, 0841 mandates that a 3<sup>rd</sup> party assurance activity must be completed annually to demonstrate that the CDSP budget meets the business rule document. Whilst 0841A provides that this assurance activity will be at the request of DSC Contract Management Committee (DSC CoMC). Essentially, this modification provides that rather than the assurance being mandated annually, the DSC CoMC can decide whether it is required, and if so what level of assurance should be applied (i.e. DSC CoMC or independent 3<sup>rd</sup> party).

CDSP further explained that the ROM sets out that both modifications will require additional resources for XoServe will be required in order to support the business planning process and implementation of the modifications.

CDSP mentioned that since the ROM was published, they have received a few comments around understanding which options relate to which modification. In order to alleviate any confusion, they intend to create a matrix with separate columns for each of modification, highlighting the specific options which apply to each modification. Accordingly, they will work to update the ROM to reflect this proposed change and intend to publish in anticipation of the following Workgroup meeting.

Kirsty Ingham (KI) suggested that for further simplification, it has already been clarified that the efficiency review scope is not the intention of the modification. Therefore, the line referencing the efficiency review scope within the indicative costs table can be removed.

CDSP noted that they will take that on board.

Tracey Saunders (TS) welcomed the suggestion of including the columns on which activity/option relates to either 0841 or 0841A. And possibly a further step of indicating that the first line within the indicative costs table will always apply, and that the other activities are optional depending on the modification.

Gregory Edwards (GE) raised a question around the CDSP assurance resource element covered within the ROM. He wanted to understand what the baseline is in relation to the resources and noted that they XoServe produced their business plan (BP) for the next year (BP24) that largely reflects the contents within the modification. GE wanted to know what the assurance resource consists of, in view of that resource noted currently be utilised now. And further noted whether it is the case that if the resource has not been approved by OFGEM, they would revert back to previous versions of the BP which do not include the level of detail included in this year's version.

Jayne McGlone (JMc) mentioned that is not their intention and that upon reflection, the term "assurance resources" may not have been the correct description, but it is actually the additional resources required for the additional requirements.

GE noted that his issues is not in respect to the terminology of the resources, but he would like to understand what baseline was used for establishing the requirement of additional resources.

JMc clarified that it is not their intention to revert back to the previous BP process and they will be including the level of detail provided this year, for the subsequent years.

Chair sought to clarify with JMc that she is essentially stating that they have had to utilise additional resources this year but at their own risk. However, it would be unsustainable should the modification become successfully and implemented within the UNC going forward.

JMc confirmed that it is indeed the case and it would be unsustainable for the level of hours currently required.

GE further raised a concern as to whether that cost is actually something which is associated with 0841 and 0841A. He explained that it appears that the additional resource is something which would be required going forwards, including in the event that neither modification is implemented. Therefore, he would like to understand why those costs for additional resources are linked to 0841 and 0841A.

JMc noted that the costs are derived from the requirements from when the modification was first raised. She further noted that they need that additional resource to be funded, whether it is through the modification or via a different route. JMc posed that it becomes a question as to whether the modification is still required if the Workgroup is satisfied with the process that CDSP has followed is meeting the needs and requirement based on what has been produced in BP24.

GE clarified that is not the question, and that the correct question is whether the costs are linked to the modification. He acknowledged that the additional resource/costs will be needed but he does not understand why it is linked to either modification, if it has already been established that the additional resources will be need going forward.

ER mentioned that the requirements came about from the modification being raised. And these requirements were picked up in the process from when 0841 was raised before BP24 commenced. She sought to understand the issue with it being included and noted the modifications formalise the extra requirements in the business plan process, and those formalise that, and that is where that cost arises from.

Chair sought to clarify and noted 0841 potentially meant that the additional resources were required. And further noted that in the worst case scenario, none of the modifications are successful and implemented, and CDSP reverts back to previous ways of working and determine that additional resource is not required.

GE clarified that is not what ER and JMc have been stating. He stated that they mentioned that has been done for this year will form the baseline moving forward and they will be no reversion of a lesser form of a business plan. Therefore, the costs will be backed into the subsequent business plan regardless of whether the modification is successful and implemented.

CDSP noted that the requirements have arose from the modification, and the associated costs have to be included within the ROM. And if they did not include them within the ROM, they would be no source for those costs.

GE stated that hypothetically these costs have been included for 2024 as per that resource included in the ROM. However, if those modifications do not progress, then what happens to the money linked to the modifications, would it get taken out from the costs base for the following year?

CDSP mentioned that they will continue to develop the business plan following the process which has been followed this year and noted that everyone is in agreement that additional resource is required. CDSP further mentioned that should they remove the additional resources from the ROM and include it in BP24 – would that work?

GE mentioned that he agreed that additional resource is required.

CDSP noted that they could take this away and consider the position.

Stephen Mulinganie (SM) noted that the inclusion of it does not need to be included in the ROM.

TS agreed with GE and SM's points, that if it the additional resource has been adopted as business as usual and CDSP has decided to stick with the current process regardless of what happens with ROM, they can show that it has been done, but they do not need to represent the costs as forming part of the ROM being approved. However, her question is if that additional resource includes, not only carrying out the actual activities, but documenting them, providing feedback on them, and showing the Business Plan Information Rules document has been satisfied. If those are additional activities which would be required if the Modification is implemented, then those costs should form part of the ROM. She sought clarification as to whether that is the case.

Chair noted that TS highlighted two points, enduring costs, and costs relating only to the modification.

CDSP recognised those points and mentioned that they will take the points and feedback into their team. They would be including a general statement to the effect that the additional resources costs is available, even if it sanctioned elsewhere.

SM noted that it does not need to be included in the ROM as it is not relevant, and it is not being required. However, it may be included in the final modification report which discusses the development modification. The ROM can set out the cost of implementing the modification, but not the costs of items not related to the modification. It can be covered in the final report as a positive development of the modification. Therefore, in this case the CDSP has accepted and adopted the way they do things to actually reflect and improvement upon on the current arrangements. And if not part of the final modification report, it may form part of a submission by parties as part of the consultation process. Otherwise, the modification may become confusing.

CDSP (ER) noted that they will prepare the statement to be included in the submission of the ROM and not the ROM itself.

Chair further noted that she will include the wording, once prepared by CDSP, within the Workgroup report.

GE agreed that the concern he had raised regarding to the additional resource has been resolved.

Chair summarised that the indicative costs table will be amended to reflect the separate Modification requirements together with the removal the efficiency review scope.

GE raised a question around the audit scope costs within the indicative costs table and he expressed that in a previous Workgroup it has been established that the £100,000 to £180,000 figures cannot be the correct figure. He noted that the benchmark should be the audit costs for XoServe which was around £42,000 in connection to the latest accounts they submitted to Companies House. He noted arguably audit exercises to be undertaken here would be less arduous than the statutory accounts being audited. Therefore, the figures should not exceed the costs that they would pay an auditor to audit their statutory accounts.

CDSP mentioned that the costs in the ROM are a high level and rough estimate of the costs, and that scope has been specified as the parties were not clear what the actual scope should be. However, if parties are now clear as to the costs, they are happy to amend the scope, and obtain a quote.

GE noted that regardless of a scope being fully defined, they maintain that the up limit of the costs should be what XoServe paid for their audit costs relating to the statutory accounts.

SM raised a point that the issue is that the scope figures appear to be unnecessarily high compared to the costs associated with undertaking a similar process in respect to statutory accounts. The question is that those figures may need to be reviewed, and the argument is that there is a proxy in respect to the costs of their statutory accounts.

Chair noted that there are possibly a couple options: 1) the lower end of the scope could be the figure of the recent statutory audit; and 2) It may be worth considering cross-referencing what is included within the statutory audit against what is included in the BPIR and consider why it is different i.e. there may be items which may not be included within an ordinary statutory audit. Chair recognised that the costs associated may eventually be considered by Change Committee. And further asked CDSP either to go back and reconsider the figures or they could decide to hold firm with their current estimates.

CDSP agreed to go back and consider the costs range in light of the feedback and comments they have received.

For the detailed published revised ROM, please refer to the published documents: <https://www.gasgovernance.co.uk/0841>

**New Action 1101:** CDSP (JMc/ER) to produce an updated combined ROM which includes a comparison table and remove the efficiency audit.

## 2. Alternative Modification Assessment

### 2.1 Outline

Tracey Saunders (TS) presented a draft v2 of the amended 0841A and provided an overview and a summary of the changes made to the document. She explained that the definition for 'economic and efficient' has now been updated, which covers off the assessment of whether there is indeed value for money (i.e. a cost benefit analysis). TS further noted the addition of a statement noting that there have not been significant changes to the main sections apart from specifying whether something is in the opinion of the original proposer, including items which are highlighted to represent changes compared to the previous version of the modification. She further noted that she may include a summary of why a change has been made going forwards.

Chair mentioned that from a process point of view, when a modification has an alternative, they tend to duplicate each section, and those differences can be pulled out. She further asked TS as to where the explanation is intended to be set out.

TS noted that the explanation of change may follow the end of the summary together with being highlighted or it could be come at the beginning. However, wherever the change is, it will be flagged within the relevant paragraph.

SM asked once the final modification report is produced, it may be worth having some preamble which sets the scene.

TS mentioned that she will produce the wording, but it is a question of where best to place the wording within the document.

TS continued with presenting and further noted that the inclusion of the wording *“jointly to control and govern the CDSP on an economic and efficient basis...”* at paragraph 2, page 9 of 0841A is not a change but reinserting wording which had been removed erroneously.

TS noted that the wording highlighted in blue represents the Workgroup questions. She continued noted that the bullet point *“specify that the relevant information categories that the CDSP...”* at page 10 was questioned as unclear and TS asked Mark Cockayne (MC) for clarity. And whether it was a concern about the preceding bullet point requiring the Contract Management Committee to assess the information categories that are included... and its relationship to with the wording *“specify that the relevant information categories that the CDSP shall include...”*.

MC acknowledged that they had a debate around those two items and that the wording needed more clarity.

TS continued presenting 0841A and later raised a question regarding being unable to find a definition for the term “Annual Process”, but she found some wording in the Budget and Charging Methodology (BCM). However, she is cognizant that the BCM may not be a UNC document, and thus if it is to be referenced within the UNC and the legal text; should it not be defined? So the question is around how that would be dealt with referring to it in the UNC, then should it not be a defined term.

CDSP (JMc) noted that the BCM is a CDSP documents and forms part of the DSC.

TS noted that the DSC is separate to the UNC in relation to governance. Therefore, the term may need a definition if it is going to be used as a business rule.

Andy Clasper (AC) mentioned that he cannot find a reference to the term “Annual Process” within the legal text, so he needs to take another look at that.

GE clarified that a reference to the “Annual Process” has been made clear that this is in connection with the BCM. He further noted that the lawyers have made changes to the various documents including CDSP documents i.e. the BCM and the contract management arrangements. Therefore, their view is that the term “Annual Process” does not need to be defined in the UNC, as a reference to where it is defined is made.

TS further continued to present 0841A together with summarising the changes. She noted at page 12 of the document that *“reasonable endeavours”* has been kept, which is different from *“best endeavours”* in 0841. And further the inclusion of wording *“demonstrate transparency...”* has been inserted. TS further mentioned that the wording at page 13 around *“disclosure is not prohibited by any legal...”* has been taken from 0841 to ensure both documents are aligned.

TS continued presenting 0841A together with summarising the changes and explaining the reasoning behind the changes.

For the detailed amended version of Modification UNC 0841A, please refer to the published documents: <https://www.gasgovernance.co.uk/0841>

## **2.2 Issues and Questions from Panel**

Chair asked the Workgroup panel whether there are any questions on either the revised 0841A or the updated BPIR for 0841A.

## **2.3 Terms of Reference [www.gasgovernance.co.uk/0841](http://www.gasgovernance.co.uk/0841)**

### **3. Consideration of Amended 0841 Modification**

Gregory Edwards (GE) presented and provided an overview of the Business Plan Information Rules (BPIR).

GE processed to answer TS' query around the inclusion of resources. He noted that was based on their reading of the draft business plan and mentioned that XoServe had included headcount forecasts for 2024. However, it subsequently transpired that the headcount was for permanent staff member and did not include the temporary staff they will rely on to provide the CDSP services. GE explained that it would be beneficial to include resources in order to clarify that requirement.

TS further queried whether GE is saying that the costs as defined in the BCM does not include resources?

GE confirmed that the costs definition does not include FTEs.

TS sought clarity as to whether GE is asking for them to provide a total number of FTE at that level or are you asking for them to break it down?

GE clarified that they are asking for the resources which the CDSP will require to deliver the services to specify as currently the information provided presents half a picture.

TS sought clarity as to whether he wants a high level number of resources.

GE confirmed that it can be a high level figure and it does not need to be broken down between permanent and temporary staff.

TS noted that the wording around resources could allude to "total number of staff across the business" or that effect, for the benefit of future proofing, should other people pick up the documents. She further noted that his wording has the effect of instructing the committee and that hers has the effect of discussing with the committee.

KI clarified that the modification does not provide for the committee to instruct the CDSP, there is an agreement and if that agreement cannot be achieved then the process provided for within the supplied business plan will need to be followed. There is no instruction but only an agreement, and CDSP can push back.

TS stated that she understood that the wording provided that the CDSP Contract Management Committee will agree the level, which in her interpretation is an instruction.

KI clarified that the Committee in that instance is agreeing with the CDSP and there are two parties to that agreement.

TS mentioned that she will go back her document, and further noted that the other wording provides that a "detailed level" will be needed.

CDSP (JMc) mentioned that her reading of the definition of costs would include resource, but if you want the number of FTEs, then it would be clearer to include the number within the document.

Chair sought clarity on GE's previously raised point that costs included permanent and temporary resources. Therefore, where the costs associated with the temporary resources excluded completely or included in a different pot?

GE clarified that up until the current draft business plan, there were no FTEs included i.e. 2024's business plan represents an improvement. However, it only provides the number of permanent FTEs and not the associated costs of those permanent FTEs.

CDSP (JMc) acknowledged that they did not fully appreciate that, and asked whether they want the number of permanent and contractor FTEs to be broken down?

Chair clarified that it is the associated costs which is required as the modification is about transparency of costs.

CDSP sought clarity as to whether they do not want the number of resources within XoServe?

GE explained that the figures of the FTEs and their associated cost base is required to understand context and trends and therefore, they would like the total number of staff required for the CDSP services.

TS raised a concern that GE's wording in the BPIR states that the CDSP shall present a costs, resources and forecast at a detailed level, whilst what has been provided is not detailed. She suggested that it is best for it to be taken out as "resources" and listed as a separate bullet point which states total headcount vs expenditure including temporary staff.

GE explained that these rules have to be read in conjunction with the modification. He noted that there is a provision within the modification to allow the CDSP to deviate from.

TS stated that this is not a deviation, and the committee would need to deviate from each year.

GE elaborated that the modification allows for the deviation from any items within the BPIR.

TS queried as to why the detailed breakdown requirement is set as a rule if the committee have to explain why they are deviating from it each year. Why not remove the wording and have a wording which represents that resources be shown at a minimum of temporary and permanent FTE headcount and expenditure. She mentioned that the rules have to be correct at the outset.

KI mentioned that the BPIR is seeking to be future proof as much as possible, as it may transpire that the information provided at a detailed level is discovered to be helpful.

Gregory Edwards (GE) further continued and presented a revised version of 0841 which was only slightly amended to rectify one or two typos.

TS queried that she does not believe that the Workgroup discussed the changes within the previous version.

GE noted that those changes were indeed discussed.

Chair confirmed that V6.0 was discussed in the previous Workgroup meeting.



**Post Meeting Note:** V6.0 was published ahead of the November workgroup meeting but the version that was discussed during the 06 November meeting was actually v6.1 and therefore the workgroup had not reviewed the changes between v5.0 and v6.0. The proposer agreed that the next version of the modification would be change marked against v5.0 for transparency.

**4. Development of Workgroup Report**

Chair asked GE and KI to submit their updated modification and that will be established as version 7, and further directed TS to use that version for 0841A v2.0. Chair further requested GE and TS to provide their respective versions as soon as possible. Following from there, the combined workgroup report will be prepared which will include all the previous discussions and comments.

**5. Any Other Business**

No other business was raised for the Workgroup.

**6. Next steps**

Chair noted that the TS and AC will need to provide their legal text, which may be discussed in the upcoming Workgroup in December 2023.

**7. Diary Planning**

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

Workgroup meetings will take place as follows:

Time/Date	Meeting Paper Deadline	Venue	Programme
10:00 Monday 04 December 2023	5pm Tuesday 28 November 2023	Microsoft Teams	Standard Agenda

0841 Action Table						
Action Ref	Meeting Date	Min Ref	Action	Reporting Month	Owner	Status Update
1101	06/11/23	1.3	CDSP (JMc/ER) to produce an updated combined ROM which includes a comparison table and remove the efficiency audit	November 2023	CDSP (JR/JM)	Pending