

UNC Workgroup 0841/0841A Minutes
Introduction of cost efficiency and transparency requirements for the
CDSP Budget

Monday 05 February 2024

Via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Harmandeep Kaur (Secretary)	(HK)	Joint Office
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DM)	Scotia Gas Networks
Edward Allard	(EA)	Cadent
Gavin Williams	(GW)	National Gas Transmission
Gregory Edwards	(GE)	Centrica
James Rigby	(JR)	Xoserve (CDP)
Jayne McGlone	(JM)	Xoserve (CDP)
Kirsty Ingham	(KI)	Centrica
Marina Papatoma	(MP)	Wales & West Utilities
Mark Jones	(MJ)	SSE
Matthew Brown	(MB)	Ofgem
Oorlagh Chapman	(OC)	Centrica
Sally Hardman	(SHa)	SGN
Steve Mulinganie	(SM)	SEFE
Susan Ann Helders	(SH)	Northern Gas Networks
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 18 April 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/0841/050224>.

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed all parties to the meeting.

1.1 Approval of Minutes (08 January 2024)

The minutes from the previous meeting were approved.

1.2 Approval of late papers

No late papers to approve.

1.3 Review of Outstanding Actions

None

2.0 Consider approach for Modification 0841A

The Chair confirmed that Modification 0841A has been withdrawn by the Proposer on 26 January 2024. The Withdrawal Notice can be found at [Withdrawal Notice \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk).

Steve Mulinganie (SM) queried the reason behind the withdrawal and asked why the alternate was no longer required. Tracey Saunders (TS) explained that Modification 0841 has changed significantly since the original version and the points raised in the alternative Modification have now been incorporated into 0841. TS stated that she and Centrica compromised on the main point raised in the alternative Modification around third-party assurance by agreeing that the audit would still take place, however, the type of audit will be determined by the DSC Committee. TS noted that, with this change along with the other amendments, it was determined that the purpose of the alternative had now been achieved with the latest version of Modification 0841.

TS noted that this has been an example of the Proposers working with the alternative Modification Proposer and highlighted the importance of these discussions which can lead to a better product. TS also noted that several industry individuals have taken an active part in the discussions which helped productively shape the Modification.

3.0 Legal Text Review

Ed Allard (EA) presented the changes made to the Legal Text for Modification 0841 – *Introduction of cost efficiency and transparency requirements for the CDSP Budget*.

The Workgroup discussed the intention of clause 12.3 in Section V of the Transportation Principal Document when setting rules around Modification approvals to the Business Plan Information Rules (BPIR). Various Workgroup members agreed that the current wording of 12.3 is vague as it can be interpreted as the sub-committee being able to approve a Modification to the BPIR. Tracey Saunders (TS) noted that this could be problematic if the sub-committee proposing the Modification can also approve it. TS further noted that the text should not say ‘relevant sub-committee’ as that includes the DSC Contract Management Committee. The text also needs clarification around the voting in the UNC Committee (UNCC).

Oorlagh Chapman (OC) (the Proposer) clarified their intention, stating, that the text should say that the Modification goes to the DSC Contract Committee for discussion and then goes to the UNCC for approval. EA confirmed that they will send the text to Dentons for review and amendments so that the text is clear and reflective of the proposer’s intentions.

TS asked for further clarification around the intent of the clause questioning whether BPIR Modifications will only go to the UNCC with the DSC Contract Management Committee’s approval. Gregory Edwards (GE) explained that the intent was that the change proposal would go to the DSC Contract Management Committee, and it can recommend to the UNCC that the change be made. If the DSC Contract Management Committee does not agree with the change, it does not go to UNCC for approval. TS was satisfied with the response.

Steve Mulinganie pointed out that the term ‘subject to’ may also need to be changed in 12.3.1.

Sally Hardman (SHa) queried the use of the words ‘effectively’ while ‘efficient’ and ‘economic’ are already being used in 3.4. TS clarified that this was discussed in one of the previous meetings as something that may be economic and efficient, may still not be the best course of action therefore effective was included to ensure the best outcome. GE agreed with TS. SHa was happy with the response.

The Workgroup agreed that the only changes required to finalise the Legal Text were to Clause 12.3. EA agreed to send this to Dentons for immediate review.

Business Plan Information Rules

Gregory Edwards (GE) presented the changes made to the Business Plan Information Rules (BPIR) document. GE noted that the main changes were made to the Assurance Activities section.

The Workgroup reviewed the changes and approved this document as the final version.

TS asked CDSP to confirm whether they are happy with the final version. James Rigby (JR) and Jayne McGlone (JM) confirmed on behalf of CDSP that they were happy with the final version.

4.0 Development of Workgroup Report

The Workgroup reviewed and updated the Workgroup Report.

Charlotte Gilbert (CG) and Centrica confirmed that there was no cross-code impact.

When discussing the impacts of the Modification, CDSP asked that it should be noted that they would need to organise third-party assurance as and when requested. TS queries whether the impact on resources, such as additional staff needs to be included in the costs. The CDSP clarified that they adopted these costs into Business Plan 2024/25, and they do not believe any other funds are required other than the third-party assurance costs already included in the Rough Order of Magnitude (ROM) which is included within the Workgroup Report. The CDSP will use its existing resources towards the implementation of Modification 0841. The workgroup agreed with the CDSP's plan of action.

When reviewing the Workgroup Impact Assessment, SM suggested that the previous history of Workgroup discussions be left in the Workgroup Report as it reflects the discussion around the Modification version at that point. The rest of the Workgroup agreed with SM. Matthew Brown (MB) supported keeping the previous discussions in the report and stated that it helps Ofgem see how the Modification evolved.

Jayne McGlone (JM) addressed the GDPR concerns around disclosing salaries, discussed in October 2023, and noted that CDSP would not reveal people's salaries. JM further clarified, in relation to the November discussions, that Xoserve did not use additional resources and that existing resource delivered the work. The Workgroup discussed the concerns around GDPR issues when disclosing information to the Committee such as employee salaries in BPIR. TS added that the intent of clause 4.7.7 in Budget and Charging Methodology was to ensure that this Modification does not put the CDSP at risk of breaching their contract with other parties while fulfilling their obligations. The Workgroup agreed to remove the discussions around salaries from the report.

The Workgroup reviewed the text provided by the CDSP to go into the same. JM explained that the text provides clarity around when the assurance activity is to happen to ensure the CDSP has time to not only review the findings but also to make amends further to the review. GE disagreed with the text and stated that it does not reflect the conversations and noted that Centrica's view as the proposer is that the assurance activity should be carried out at the final draft stage and if CDSP wishes to conduct any reviews before that final stage, it is up to them to decide on that. JM noted that the CDSP's stance is that the assurance activity should be there to assist them and if it is carried out at the final stage, it does not give them much of an opportunity to make any changes. GE clarified that the purpose of the assurance activity is not to get it approved by the CDSP board. It was said that Centrica would be happy for the assurance activity to be done with the final draft and the assurance report to be presented alongside the final draft. GE expressed concern that the consultation process is being conflicted with CDSP's internal governance processes. SM noted that if CDSP were to conduct a review at the initial stage, the first draft would not be at a suitable stage for a thorough review and that is not what has been agreed. GE agreed with SM.

GE noted that they understand that CDSP may wish to review the initial stages of the draft, but their point is that the main assurance activity should be carried out on the final draft. GE confirmed that the assurance activity is to confirm that the Business Plan has been created in accordance with the BPIR.

SM noted the discrepancies between the CDSP's expectations and what the proposer wishes to achieve. GE clarified that the BPIR is meant as the minimum requirements that the CDSP has to meet and there is no reason why the CDSP should be stopped from doing an audit at any other stage if they wish to, however, the minimum requirement is that the audit assurance is carried out at the final draft.

The Workgroup reviewed the scope of assurance activity as per section 5 of BPIR. It was clarified that the assurance activity report is to accompany the final draft of the Business Plan. CDSP noted that they will require enough time to procure a third party for the assurance activity when this is required.

Orlagh Chapman (OC) queried the annual process of the annual assurance activities plan. JM confirmed that the assurance activities plan will be presented at the DSC Contract Management Committee meeting next week. The plan is presented to the DSC Contract Management Committee in February and any comments and views from the committee are shared with the Audit and Risk Committee (ARC) who approve the final version of the audit plan. JM noted that all the processes are reviewed every 3 years unless a need arises to review earlier.

The Workgroup reviewed the Relevant Objectives. TS proposed changing the 'would' in Relevant Objective (f) to 'may'. SM noted that they may not necessarily agree with the Relevant Objectives, however, they do not have any objections.

5.0 Any Other Business

None.

6.0 Next Steps

The Workgroup discussed the timeline for the Modification to go to the panel. TS proposed that as long as the proposer, Dentons and Cadent agree with the changes made to the Legal Text, there is no need for another Workgroup. TS also noted that the consultation process will be lengthy due to the details of the matter. SM agreed and proposed the Modification is taken to the February UNC panel meeting. The rest of the Workgroup agreed with the plan.

The Workgroup agreed that the Modification should be implemented no later than May 2024 so that the changes can be incorporated in the development of the CDSP Budget 2025/26.

7.0 Diary Planning

No further meetings planned.