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**Governance Workstream Minutes**  
**Thursday 21 January 2010**  
**350 Euston Road, London**

**Attendees**

Tim Davis (Chair)	TD	Joint Office
Bob Fletcher (Secretary)	BF	Joint Office
Abigail Hall	AH	Consumer Focus
Bali Dohel	BD	SGN
Chris Warner	CW	National Grid Distribution
Chris Wright	CW	British Gas
David Moore	DM	Gas Forum
Gareth Evans	GE	Waters Wye
Joanna Ferguson	JF	Northern Gas Networks
Joel Martin	JM	Scotia Gas Networks
John Bradley	JoB	Joint Office
Jenny Boothe	JeB	Ofgem
Phil Broom	PB	GDF Energy
Ritchard Hewitt	RH	National Grid NTS
Sebastian Eyre	SE	EDF Energy
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**

Accepted without amendment.

**1.2. Review of Actions**

**GOV1043** Provide a User Pays guidance paper for the December Workstream. **Update:** No update was available. **Carried Forward.**

**Action GOV1045:** SL to develop proposals on the constituency of Panel and present to the next Workstream. **Update:** Presentation provided see item 2.2. **Action Complete.**

**GOV1046:** ST to provide options on changing the existing licence to allow the recovery of marginal costs through different mechanisms to the current User Pays process. **Update:** Presentation provided see item 3.2.2. **Action Complete.**

## 2.0 Modifications

### 2.1 Review Proposal 0267 “Review of UNC Governance Arrangements”

CW was concerned the visibility of 0267 is not high within the other Workstreams and asked if updates could be provided to them. TD suggested this could be provided alongside an update on Ofgem’s Code Governance Review once the Final Proposals have been published.

### 2.2 Panel Shipper Election Process

SL gave a presentation considering the option of including the shipper election process for in the UNC, thereby moving responsibility from the Gas Forum to the JO (on behalf of the Transporters). The presentation set out high-level principles for such a process, voting rights and how the process could be managed.

GE asked how the Gas Forum managed the election process, and DM replied that he would be presenting on this later in the meeting. SL highlighted the difficulty of defining which parties should be allowed to vote and suggested that an element of discretion could be useful, with the Panel available to decide in the event of uncertainty.

GE asked if a UNC related document detailing the process to be followed would be necessary to enable the Joint Office to manage this process – couldn’t they just be asked to do it. TD felt that the UNC usually specifies the process to be followed and this was beneficial in clarifying expectations. GE was concerned the process might not be able to be rapidly adapted to deal with unintended consequences, and had a concern that it could be changed by the Joint Office or Transporters without consultation with Shippers. ST thought having a defined process in the UNC might provide a level of comfort to some parties, as changes would need to go through a formal change control process. JeB was concerned the process looked a little cumbersome as set out and would like to see it compared to the Gas Forum process for ease of use.

TD clarified that, rather than defining an election process, the key consideration of this presentation was putting an election process for shipper elections into the UNC, and asked if any other Shippers present have any views. CW expressed some concern about the appropriateness of Transporters administering Shipper elections - an impartial third party may be more appropriate for both Shipper and, potentially, Transporter elections.

SL felt there is significant advantage in having transparent rules available on the Joint Office website. GE asked the Joint Office for their views on managing the process. TD indicated that if this was a requirement under the UNC, the JO would be happy to undertake the task but the detailed rules would dictate the difficulty of doing so.

DM then provided a presentation on developing the election process they administer for UNC Panel and Committee memberships. GE asked how electoral roles and invitations to stand or vote would be managed. DM advised communications are issued through the Joint Office at present, though any nominations or communications received in response were checked against Gas Forum membership. Creating an electoral roll would remove this reliance and introduce a clear route for all election communications. GE was concerned how this would be maintained and full coverage ensured, which DM accepted would need to be managed.

PB highlighted the issues investigated by the Gas Forum Executive during the previous year's election and felt that it may be worth the Gas Forum considering a number of the recommendations contained in Sols presentation. SL agreed to provide comments to the Gas Forum in response to their presentation.

TD suggested that the two presentations were complementary and the revised process put forward by the Gas Forum could be used whether or not the ejections process was incorporated within the UNC. If any party saw value in the UNC route, they were at liberty to raise a Modification Proposal.

### **3.0 Topics**

#### **3.1 013Gov, Industry Codes Governance Review**

TD asked if there were any points Ofgem wished to raise on the Industry Codes Governance review. JeB confirmed that final proposals were on course to be published at the end of the following week, with potential licence drafting following a couple of weeks later.

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

##### **3.2.1 User Pays Guidance Document**

RH presented potential changes to the User Pays Guidelines document which reflected discussions with Ofgem, Shippers and xoserve. The changes included definitions of both what is and is not a User Pays proposal.

TD asked if updating the guidelines document should wait for publication of the Ofgem guidance document. RH felt the guidelines document could proceed in place of the Ofgem guidance document, subject to everyone agreeing. CW was concerned that the Ofgem guidance document was meant to clarify Ofgem's strategic views on User Pays in addition to how the process works, and so would

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still be useful.

ST requested, rather than pressing ahead with the revised guidelines as drafted, time to consider the issues, covering both the guidelines document and any guidance provided by Ofgem. SL thought the guidelines presented by RH clarified the position for User Pays and the Ofgem guidance document is not required. RH added the guidelines clarify that if there is a change to xoserve systems then it is a User Pays proposal – it does not follow that there needs to be a charge if the cost of change is minimal and, for example, invoicing costs exceed the charge.

ST remained concerned that bureaucracy will be increased if the revised definition was adopted since all changes will be classed as User Pays even if the Transporter wishes to make a change with no associated charges. However, ST agreed reviewing the document is worthwhile but felt this should be developed once agreement is reached on the definitions of User Pays.

JM added that, contrary to RH's suggestion, both proposals 0263 and 0255 should have been defined as User Pays under the existing guidelines and it was perhaps the fault of the Panel and/or Proposer for not applying the original guidelines rather than a need to revise the definition. There was then a general debate around the classification of proposals under the existing guidelines document compared to the guidance given in the amended document.

**Action GOV1047: National Grid NTS (RH) to amend the draft guidelines document based on comments received for presentation to the Governance Workstream**

**3.2.2 Recovery of marginal costs**

Wales and West Utilities (ST) gave a presentation on User Pays funding and options for the recovery of marginal costs using User Pays mechanisms for Gas Transporters (including NTS), on a cost pass through basis.

AH asked if Proposals 0263 or 0231V were implemented, could they be funded using this logging up and pass-through process (assuming it was implemented)? ST believed this could be the case for 0263. However, 0231V involves allowed revenue and is already funded through licence provisions. JeB asked how marginal cost is defined as £30k or £2m could be considered marginal when shared across 21m consumers. ST thought a useful rule of thumb would be where the cost of invoicing exceeds the charge as a minimum test, but further work would be required to establish the criteria for costs to be attributed to the mechanism.

RH was concerned that, on a cost pass through basis, all Users still have to pay whether they wish to take the service or not. ST felt these additional costs would be small when compared to the total of cost passed through under licence. SL agreed this was moving

away from the principle of User Pays, where Users get a choice in the service they wish to receive and pay for, but may be more efficient.

JM asked if it would be down to the Proposer to define if the cost of a change is marginal enough to use this mechanism. ST felt this would be driven by the same process as now and based on ROM costs, potential take up, etc., with cases judged on their merits.

TD asked if Ofgem considered this mechanism was a possible option for the future. JeB suggested Ofgem would need to consider the potential benefits and impacts on those who do not wish to take the service before they could consider agreeing to any change to the existing methodology.

**Action GOV1048: Ofgem (JeB) to provide a view on the possibility of adopting a process for a cost pass through mechanism for marginal User Pays charges.**

#### 4.0 Any Other Business

None raised.

#### 5.0 Next Meeting

18 February 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)	Carried Forward
GOV1045	17/12/09	2.1	Develop proposals on the constituency of Panel and present to the next Workstream.	EDF (SL)	Completed
GOV1046	17/12/09	3.2	Provide options on changing the existing licence to allow the recovery of marginal costs through different mechanisms to the current User Pays process.	WWU (ST)	Completed
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)	Pending
GOV1048	21/01/10	3.2.2	Provide a view on the possibility of adopting a process for a cost pass through	Ofgem (JB)	Pending

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			mechanism for marginal User Pays charges.		
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