

UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Wednesday 04 May 2016
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Alex Ross-Shaw*	(ARS)	Northern Gas Networks
Andy Miller	(AMi)	Xoserve
Azeem Khan*	(AK)	RWE npower
Chris Warner	(CWa)	National Grid Distribution
Colin Blair*	(CBI)	Scottish Power
Colette Baldwin	(CB)	E.ON
David Mitchell	(DM)	Scotia Gas Networks
David Tennant	(DT)	Dentons
Gareth Evans	(GE)	Waters Wye Associates
Gethyn Howard	(GHo)	Brookfield Utilities UK
Jan Willem van den Bos*	(JWB)	Dentons
Michael Walls	(MW)	ESP Pipelines
Richard Pomroy	(RP)	Wales & West Utilities
Rupika Madhura	(RM)	Ofgem
Sarah Gull	(SG)	Xoserve

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/040516>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 October 2016.

1.0 Introduction and Status Review**1.1. Approval of Minutes (06 April 2016 and 18 April 2016)**

The minutes of the previous meetings were approved.

2.0 Timeline/Workplan Update

CWa confirmed that KMPG had taken an action at yesterday's UNC FGO Workgroup meeting to produce a workplan to capture and align all the FGO considerations, dependencies and meeting requirements. This will be an overarching workplan integrating all elements associated with the UNC changes, DSC, Charging considerations and programme deliverables.

3.0 DSC Contract Update (Further Position Papers)

DT confirmed the Workgroup had 3 papers to consider at today's meeting which covered the structure of the DSC following the outline set out in GTB7.

DT explained that the intention of the framework agreement is to make the agreement binding on UNC parties and the concept that had been established to refer to the CDSP as an authorised party. DT also explained how new parties would be captured and that any

inflight applications to become a new party would need to be considered as part of the transitional arrangements.

GHo, suggested some transitional rules would be required in the UNC and DSC to make sure applications from parties who apply in the non DSC world are captured and to ensure there is a smooth transition from old to new.

JWB explained that the DSC comprised the agreement, terms and conditions and service documents and they would be drafted in a way to reduce duplication across the documents to a minimum. The Terms and Conditions were based on the ASA. JWB provided the draft Terms and Conditions explaining there are still some gaps to be considered.

JWB summarised the intent of the Key Provisions and links to the DSC Service document, where details will cover the services and dispute process. GHo enquired whether the iGT UNC should be referred to. SG explained that this has not yet been bottomed out, however Xoserve will be considering how iGTs are referred to and the relationship with iGTAD. SG explained that the structure of the Terms & conditions might change as further considerations and developments are made.

DT emphasised that essentially all the words that need to be captured through writing the Framework, Terms and Conditions and Service Documents, will span over the 3 key documents. JWB suggested as the service documents are considered in more detail there may be a requirement to make further amendments to the Terms and Conditions to ensure there are no gaps.

CB suggested there would be benefit producing a summary explanation of the documents for those parties that are not actively involved in the Workgroup development and to enable legal teams to be comprehensively briefed. AMB agreed it would be appropriate to capture an explanation of how the elements will sit together.

Action 0501: DSC summary explanatory document to be produced.

GE expressed concern about the engagement of the wider community and how the Workgroup involved company lawyers in order for all parties to digest the information being provided. He emphasised the importance of engaging lawyers as early as possible. DT explained that the documents are in an early stage of development and will be subject to change. It was suggested when there is some stability in the drafting there would be an opportunity to arrange a Legal Text review meeting similar to that planned for the UNC drafting on 25 July.

The Workgroup considered how to engage legal representatives. RM asked what proactive measures Transporters and Xoserve were undertaking to ensure parties/stakeholders who were not present were being engaged. She believed some thinking and planning on the stages of development was required. SG explained KMPGs intention to produce and share a workplan, which captures the development of the UNC, Charging and DSC terms. CWa explained KMPG have agreed to monitor the development and to ensure critical steps are managed and achieved.

SG explained that the workplan is in draft and is expected to be shared on 18th May 2016. RM was keen to understand what efforts have been made to engage parties and asked for the workplan to be shared with Ofgem as soon as possible.

Action 0502: KMPG draft Workplan to be provided to Ofgem.

GE asked how the Workgroup intend to engage with parties outside of the Workgroup and if opportunities will be made to consider documentation development offline. SG emphasised that the Workgroup needed to use time efficiently with the pressing timetable and that it may not be efficient to embark on a consultation method, she believed based on past experience, the ability and time to consider key documentation was for parties to engage in the Workgroup process. CWa emphasised the best, tried and tested method, is to engage

parties within the meetings and to discuss in an open forum the elements/issues, which need to be addressed.

JWB explained the interactions with the charging methodology work. SG emphasised that the charging consideration were being considered within related UNC Workgroup meetings, which will feed into the further development of the UNC and DSC.

SG was keen to understand if parties were happy with the DSC approach presented as a work in progress document and to reduce duplication of effort. AMi explained that the DSC principles had been presented to the Workgroup at a previous meeting. No objections were expressed by the Workgroup on the current approach.

RM wanted to offer Ofgem's support and suggested a formal launch is undertaken explaining how the development process will be undertaken. CWa reassured RM that UNC parties are aware of the work ongoing, parties are being informed of development meetings and reminders of meeting dates issued on a regular basis. CWa explained that National Grid and Xoserve had agreed earlier to prepare a summary explanatory document setting out the impacts (see action 0501).

The Workgroup considered the engagement of parties further. GE explained that resources are being diverted to other projects, which were considered to be more pressing and he felt there were significant challenges on resources. GE was concerned that in grand scheme of changes, this change is not creating a significant step change in terms of processes or systems as with Nexus or SMART metering, on day 1 Xoserve will still do the same work as the previous day. The workgroup considered whether the lack of industry engagement is a signal that these parties are comfortable with the developments and will have little objection to the changes as they are introduced.

CB emphasised that the services and activities provided by Xoserve will stay the same. This change is about contractual changes not service changes, suggesting there is a level of comfort within organisation and an element of trust that the industry are not re-engineering the services. This change is more about how existing services sit within a contract and not what new or changed services are to be offered. SG explained there would be position papers that parties will need to understand and be comfortable with and these will be provided to ensure parties are brought into the process.

RM asked when the principles and boilerplate would be issued for parties to consider.

DT believed it would be sensible way forward to capture the change to liabilities and allow time for parties to consider and once there is a landing on the principles and a broad consensus this can then be turned into legal drafting. DT further explained the stages that are intended to take place. RM suggested that the proposer might want to issue position papers to the industry and engage parties and stakeholders offline in conjunction with the planned Workgroup Meetings.

AMi stressed the importance of parties sharing and agreeing the principles followed by the provision of drafting, to allow parties to understand the principles and if these fit before the final drafting of legal text is then considered. CWa provided some further the background the work that had been undertaken by the Workgroup to date and the time constraints.

GE suggested that the process in the past for UNC changes is that the principles and the drafting is provided together to allow parties to fully consider they are aligned. He suggested both principles and drafting should be provided together and as soon as possible.

AMi explained that the UNC process traditionally assesses and develops the required changes in principle and when there is stability with a solution the appropriate legal drafting is created to support the change. He suggested that there needs to be an element of compromise, as there is limited time to consider the required changes and he fully anticipates that the industry may not gain full consensus. However, the industry needs to find a best fit within the time constraints. CWa expressed that wherever possible the industry would be keen to achieve consensus and meet the 01 April 2017 draft licence conditions.

CWa was keen to engage with parties and gain consensus in an attempt to avoid alternative modifications being raised, as there would be very little time to consider these and it would put the October delivery at risk. SG stressed that the industry needs to find sensible solution.

RM challenged how National Grid are ensuring parties/stakeholders were being engaged. She stressed the importance that papers need to be circulated ahead of meetings and parties need to be aware that particular documentation is being discussed and it is clear that consensus will need to be achieved at meetings to move onto the next stage. RM suggested to speed up the process National Grid and Xoserve need to proactively engage with parties/stakeholders outside of meetings to solicit feedback in conjunction with Workgroup meetings. She emphasised that it needs to be clear what agreements need to be made at key stages and once the opportunity to feed into the process has lapsed the project must move on.

AMi was concerned about encouraging a consultation engagement type approach. He believed there would not be time to hold informal consultations and have a number of drafting iterations. RM suggested the workplan needs to be explicitly clear where the Workgroup are agreeing principles, what time is allowed for review and this will be followed with legal drafting and its prompt acceptance.

GE stressed the importance of the detail and to avoid a free for all, it may be wise to provide two or three discreet options for some of the principles. GE recognised that ultimately this is a modification trying to achieve an objective. Where possible the Workgroup need to nail down the points, and channel down one or two options where there may not be a consensus. In balance CB was keen to avoid disenfranchising people, and where there maybe options, demonstrate that these have been considered, and which option was the best way forward.

The Workgroup acknowledged there is a need to have a clear workplan and position papers with principles for agreement and engagement needs to be proactive to achieve the objective.

The Workgroup considered the direct invoicing and payment of services. It was understood that this principle had been accepted.

DT presented the Service Document drafting, outlining the scope of the document and the principles around governance, and the criteria of services.

AMi asked about the timing of drafting and that the DSC needs to be signed well in advance of April 2017, for the ordering of services. He suggested the modification should clearly define an implementation date of when the DSC needs to be signed for example 01 February 2017 to enable time for signatures. DT acknowledged that there needs to be a process in place to allow the DSC to be signed in advance of 01 April 2017, and this will be managed through transitional arrangements.

The Workgroup considered the implementation timetable and the ultimate date the changes will come into force. RM acknowledged the need to have an authority decision to enforce the changes into UNC and allow appropriate time for the DSC signing process to be concluded. The Workgroup also recognised the need to be clear to parties on the consequences of not signing onto the DSC. These were deemed transitional issues.

GH acknowledged that there may be a need for iGTs to raise modification to the iGTUNC and that this needs to be captured within the workplan. SG confirmed an interim ISA would also need to be in place from October.

4.0 Liabilities

Discussions deferred.

5.0 DSC Governance

Discussions deferred.

6.0 Consideration of Risks / Issues Log

Discussions deferred.

7.0 Review of outstanding actions

0201: Ofgem to consider the concept of a multi service provider CDSP.

Update: RM believed that this was no longer a consideration and understood that certain process aspects undertaken by CDSP wouldn't make it possible to have multiple parties capable of undertaking processes. In addition this is not contemplated under the current licence drafting. RM confirmed, in line with developments, and similar to how Elexon operate, there is flexibility in relation to profit and other activities subject to authority approval. RM suggested if any element needs to be changed approval would need to be sought.

Closed.

0402: Xoserve to identify which areas within UNC allow them to use their discretion and if so is this still appropriate.

Update: AMi confirmed that work had started and initial views have been presented. He anticipated that an update will be available and the next DSC meeting. He confirmed Xoserve will want to avoid any areas of discretion as the world had changed significantly since 1996 when the processes were first agreed, most were now automated leaving no areas to exercise discretion. **Carried Forward.**

0404: *MRA change management (structure, governance, process)* - AL to provide further detail in relation to the vires, make up and controls etc; the voting arrangements and how changes are agreed and implemented; and establish if the objective of an appeal was to overturn a decision, or to reach a different decision. Also to clarify if it is a 'recommendation' rather than 'approval' of budget, and what happens in respect of disputes/escalation routes.

Update: CBI hoped to provide an update on 18 May. **Carried Forward.**

0405: *Options for Code/Non-Code Sub-committee solutions* - All parties to assess the options presented, reflect on the approaches and feedback views on the different models as soon as possible to C Warner.

Update: CWa confirmed the intention is to consider a model accommodating a potential way forward on the 18 May. He confirmed presentations have been provided to the Workgroup on the use of non-code sub-committee solutions and there was a need to find a middle ground that suits all parties. CWa noted that Charles Wood had provided some views on the legal aspects for parties to reflect on. He felt the Workgroup was not far from consensus, and hoped to have a way forward on 18 May. GE enquired about the scope of any committees how much is going to be dealt with under the UNC. He understood the concept of agency services being ring-fenced, he believed it was appropriate to ring fence Transporter and Shipper activities, however there needed to be consideration of potential conflicts on resources, how work is prioritised, and what the committee would look like, such as voting arrangements and any escalation process. **Carried Forward.**

0406: *Risks - Cost allocation and charging methodology (outputs - quality and delivery)* - Xoserve to confirm what is feasible and can/cannot be delivered (AMi to liaise with N Salter and M Baker), and all parties to consider what can realistically be done and return to the next meeting with a view.

Update: It was recognised that the Cost allocation and Charging Methodology was now being considered within a separate Workgroup. CWa confirmed KMPG will be managing and monitoring a risk and issues log and this will be made available to this group. RM emphasised the need to have a co-ordinated central plan and risk and issue log. CWa confirmed a full and extensive risk and issue register will be created by KMPG and will be brought to the 18 May meeting. **Closed.**

0407: Review and Comment - All parties to review the draft papers presented today (18 April 2016) and provide comments to Dentons by Tuesday 03 May 2016, to enable redrafting to commence.

Update: DT confirmed no comments had been received. CWa confirmed a piece of work was being undertaken to validate sections G&M. RM emphasised the importance of making it clear that position papers need to be responded to or there will be a missed opportunity to engage or influence the process. She asked National Grid to make it clear that papers will be deemed accepted and the plan will continue to progress where feedback is not provided.
Closed.

8.0 Next Steps

The Workgroup considered the list of items for consideration on 18 May and the need to provide papers as soon as possible to allow parties to review, where parties need to provide a view to National Grid / Xoserve / Dentons.

9.0 Any Other Business

9.1. Communication

The Workgroup recapped the discussions on the communication of key project developments, provision of position papers, the production of principle documents and setting rules.

It was agreed that the DSC would be appended in full to the modification along with the legal text commentary.

BF suggested that the principle documents are provided for parties to have an opportunity to review before the legal drafting review takes place. There was a request for the principle documents to be published centrally for parties to refer to, similar to the Project Nexus BRDs. CWa suggested that Section 3 of the modification would capture the principles and a central location would be used on the website for key documentation - <http://www.gasgovernance.co.uk/fgowg/princdocs>.

SG asked for views on priorities, in terms of the position papers and workplan. She suggested in the absence of any views the most likely areas where consensus is unlikely should be tackled first. It was agreed that the first priority would be to consider liabilities, followed by data management, before tackling the less contentious areas.

GE's view on liabilities, risk and reward was that the liabilities needed to be suitably divided. He suggested Shippers would accept risk / liabilities where these were within their control, however in general Shippers would not be happy accepting the cost of liabilities where these were outside of their control.

AMi explained the risk should Xoserve fail to deliver a service. He questioned if Xoserve incur liabilities how would these be funded in a not for profit environment other than through a cost recovery mechanism. AMi wished to understand the expectation if Xoserve incurred a bill for either a failure to perform a service, or regulatory liabilities. GE questioned if such incurred costs should be paid by Shippers. It was not clear how these costs would be recovered. DT suggested insurance could be procured to cover such losses. The Workgroup briefly considered a Windfall tax example where costs could be imposed outside of Xoserve's control. It was suggested that if sensible protection is not undertaken by Xoserve there needs to be consequences to Xoserve and not to the market as this is outside of their control - Xoserve need to be accountable.

The Workgroup agreed that the liabilities, risks and rewards to shareholders, needed further consideration, as liabilities have to be considered and all parties may need to fund a proportion. SG suggested there need to be more thought taken on the controls that can be put in place and the assurances around services, she believed there was a need for a mutual model and the industry need to consider either having no liabilities, having liabilities and how these would be managed in context with the FGO obligations.

RM was keen for the industry to reach a sensible position; she stressed the starting point and the timetable should not be held up by entrenched positions, as this is subject to evolution.

10.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:00, Wednesday 18 May 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup - Charging Workgroup 0565 <ul style="list-style-type: none"> • Timeline/Workplan Update • DSC Contract Update • GT B7 (third draft with iGT provisions) • DSC Governance (final position) • TPD G and H (2nd draft) • TPD M (2nd draft) • TPD U (1st draft) • TPD and EID (2nd draft) • iGT and iGTAD (1st draft for iGTAD) • Miscellaneous MR, GT and TD and DSC transition (first draft) • Consideration of Risks/Issues Log
10:00 Friday 27 May 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup – Charging
10:00 Wednesday 01 June 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Timeline/Workplan Update • DSC Contract Update • Consideration of Risks/Issues Log
10:00 Monday 13 June 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup – Charging
10:00 Monday 20 June 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> • TPD U (2nd draft) • iGT and iGTAD (2nd draft for iGTAD) • Miscellaneous MR, GT and TD and DSC transition (second draft)
10:00 Thursday 30 June 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup – Charging

10:00 Monday 11 July 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup – Charging
10:00 Wednesday 13 July 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • GT B7 (1st consolidated) • TPD G and H (1st consolidated) • TPD M (1st consolidated) • TPD U (1st consolidated) • TPD and EID (1st consolidated) • iGT and iGTAD (1st consolidated) • Miscellaneous MR, GT and TD and DSC transition (consolidated) • Consideration of Risks/Issues Log
10:00 Monday 25 July 2016	Dentons	<ul style="list-style-type: none"> • UNC Legal Meeting • DSC Contract Update
10:00 Friday 29 July	Consort House, 6 Homer Road, Solihull B91 3QQ	FGO Workgroup – Charging
10:00 Wednesday 03 August 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • GT B7 (2nd consolidated) • TPD G and H (2nd consolidated) • TPD M (2nd consolidated) • TPD U (2nd consolidated) • TPD and EID (2nd consolidated) • iGT and iGTAD (2nd consolidated) • Miscellaneous MR, GT and TD and DSC transition (2nd consolidated) • Consideration of Risks/Issues Log
10:00 Monday 08 August	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup – Charging
10:00 Monday 22 August 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	FGO Workgroup – Charging
10:00 Tuesday 23 August 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	<ul style="list-style-type: none"> • Timeline/Workplan Update • DSC Contract Update • Consideration of Risks/Issues Log
10:00 Wednesday 07 September	Consort House, 6 Homer Road,	Development of Workgroup Report

2016	Solihull B91 3QQ	
10:00 Wednesday 21 September 2016	Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW	Development of Workgroup Report
10:00 Wednesday 05 October 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	Conclusion of Workgroup Report

0565 Actions as at 04 May 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0201	03/02/16	4.0	Ofgem to consider the concept of a multi service provider CDSP.	Ofgem	Closed
0565/ 0402	06/04/16	4.0	Xoserve to identify which areas within UNC allow them to use their discretion and if so is this still appropriate.	Xoserve (AMi)	Carried forward
0565/ 0404	18/04/16	9.1	<i>MRA change management (structure, governance, process)</i> - AL to provide further detail in relation to the vires, make up and controls etc; the voting arrangements and how changes are agreed and implemented; and establish if the objective of an appeal was to overturn a decision, or to reach a different decision. Also to clarify if it is a 'recommendation' rather than 'approval' of budget, and what happens in respect of disputes/escalation routes.	ScottishPower (AL)	Carried forward
0565/ 0405	18/04/16	9.8	<i>Options for Code/Non-Code Sub-committee solutions</i> - All parties to assess the options presented, reflect on the approaches and feedback views on the different models as soon as possible to C Warner.	ALL Parties	Carried forward
0565/ 0406	18/04/16	11.1	<i>Risks - Cost allocation and charging methodology (outputs - quality and delivery)</i> - Xoserve to confirm what is feasible and can/cannot be delivered (AMi to liaise with N Salter and M Baker),	ALL Parties	Closed

			and all parties to consider what can realistically be done and return to the next meeting with a view.		
0565/ 0407	18/04/16	13.0	<i>Review and Comment</i> - All parties to review the draft papers presented today (18 April 2016) and provide comments to Dentons by Tuesday 03 May 2016, to enable redrafting to commence.	ALL Parties	Closed
0565/ 0501	04/05/16	3.0	DSC summary explanatory document to be produced.	National Grid (CWa) / Xoserve	Pending
0565/ 0502	04/05/16	3.0	KMPG draft Workplan to be provided to Ofgem.	National Grid (CWa)	Pending