

UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Wednesday 01 June 2016
Consort House, 6 Homer Road, Solihull, B91 3QQ

Attendees

| | | |
|----------------------------|-------|----------------------------|
| Andrew Margan | (AM) | Centrica |
| Andy Millar | (Ami) | Xoserve |
| Angela Love* | (AL) | ScottishPower |
| Azeem Khan* | (AK) | RWE npower |
| Bob Fletcher (Chair) | (BF) | Joint Office |
| Chris Warner | (CWa) | National Grid Distribution |
| Colette Baldwin | (CB) | E.ON |
| David Tennant | (DT) | Dentons |
| Gethyn Howard | (GH) | Brookfield Utilities |
| Jan Willem van den Bos | (JWB) | Dentons |
| Karen Visgarda (Secretary) | (KV) | Joint Office |
| Michael Walls* | (MW) | ESP Pipelines |
| Neil Copeland | (NC) | Ofgem |
| Richard Pomroy* | (RP) | Wales & West Utilities |
| Sean McGoldrick | (SMc) | National Grid NTS |
| Steve Mulliganie | (SM) | Gazprom |
| Sue Hilbourne | (SH) | Scotia Gas Networks |

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/010616>

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 (18 May 2016)**

The minutes of the previous meeting were approved.

Minutes from 27 May will be approved at the 13 June meeting.

2.0 DSC Contract Update**DSC – Liability of CDSP**

The Workgroup reviewed the 'DSC – Liability Of CDSP' paper and DT provided an overview of the background and the core sections in relation to the Licence conditions. SM raised the question as to how historic liabilities would be addressed, especially in relation to Nexus when considering delayed delivery of systems or where the liabilities would lie from a future ownership perspective. DT said the liability paper had been written from a 'New World' perspective and transition would be dealt with separately. AMa said that it was important that this issue was addressed and that a separate paper needed to be produced to encompass the elements of risk including pensions liabilities. AMi proposed that the liability cost allocation concerns would be addressed by the Costing Allocation and Charging Group and that they should be given the action to resolve allocation of costs. GH said he also had

concerns how such costs may be allocated to the IGT's as any methodology would need to be representative of the risk.

A very lengthy and in-depth discussion then ensued surrounding the potential liabilities and associated impacts that could become an issue in relation to Nexus and who was ultimately controlling and governing Nexus implementation. SMC proposed that perhaps the Project Nexus Steering Group should have the decision as to how the liabilities were sanctioned. The general consensus was the PNSG did not have the authority or legal gravitas to make decisions on how and where the liabilities should be allocated to. DT proposed that a separate paper should be produced to address the 'historic liability element' and SM said it should contain an explanation of how parties were indemnified against the potential cost and risk to the business.

SM questioned if a Shipper was an economic owner, if not how are liabilities being passed through? DT advised that this will be a mutual approach with where all parties are exposed to a financial risk, this is distinct from being a shareholder, particularly in this example where shareholder receive no financial gain.

AMa asked if liabilities would flow through to the community or by target group based on the service provided or task undertaken? DT advised that this needs to be defined/agreed but would need to be financed by core customers.

CB noted that the CDSP is not for profit, however if it's wider business undertakes activities that put core customers at risk; who would fund this liability? DT noted the concern but felt this would be managed by policies set between core customers and the Board to ensure no unnecessary risk was taken on.

SM would like to understand what is core and non core and how liabilities would be attracted/managed to ensure no risk was passed to customers, particularly where this risk could be insured against and paid through the non core service.

AMi felt that customers would get a view of work activities to be undertaken as the workplan would set these out and it would be consulted upon. In addition all work activities are controlled by the Board and customers would be represented.

SM was concerned that once the workplan was approved all customers would be on the hook for liabilities for services they have not requested.

AL wanted to understand what would be covered by general insurance and why these services couldn't be managed through this process, rather than placing direct liabilities on customers.

AMi advised the proposals were based on current practice and this removes additional insurances costs, which would be incurred unnecessarily.

NC asked DT if other Codes had been looked into, for example BSC and DT said that other Codes had been investigated but this was a unique situation in relation to the CDSP, so other Codes were not relevant in this specific context.

1.3 Insurance section

DT moved on to overview the Insurance section and discussions took place surrounding the insurance liabilities. AMi and DT explained that Xoserve had not done any testing in the market regarding the insurance topic. He explained the process in relation to the Business Plan and Change Elements from a financial spending, delegation of authority and overall expenditure situation.

Further discussion took place regarding the possibility of an external auditing process to be undertaken within Xoserve and the feasibility of this. AMi said in principal this could be possible, providing it was managed by Xoserve, from both a timing and resource perspective and that no multiple audits would take place on mass.

AL asked why there was no intention to insure against risk and costs could be passed directly to third parties for services they request. AMi felt there were ways to manage the risks through the use of credit checks or similar to ensure customers were protected. RP agreed and was of the opinion that this would be managed by the Board and possibly contract management group with limits to the type and risk of services that could be offered.

Approach to possible liabilities 2.1 Categories of liability

DT then overviewed the Categories of liabilities, and explained each category as listed: 2.2 Category A: Service related liabilities, Category B: Contract liabilities which are not service liabilities, Category C: Tort liabilities related to the DSC, Category D: Liabilities outside the DSC.

Regarding Category A, a discussion ensued regarding the area of a combined constituency and the cost allocation in relation to how this would be divided between the industry parties. AMi said that this would stay in the Service Line liabilities and GH proposed a concern with this being split and spread across all parties, specifically in relation to IGT's, who don't use that function and so why would they incur a cost. DT explained this area was to do with service related liabilities and this was the reason from an insurance aspect, it was not worth the time and effort to explore the insurance topic further.

The Workgroup then discussed various potential scenarios where a service delivery failure may occur and what the impacts could be, in relation to cost, risk and the impact on the CDSP.

DT agreed that whole area of service liability was complex and hence the need for discussion in the Workgroup. SM said this area has an element of risk from a legal and lawyer perspective and that the lawyers were unlikely to accept this, for example, should NTS cause an issue that impacted on the rest of the industry. SMc said that the risk to Gemini was minimal, as NTS had been asked to retain control, funding and accountability of Gemini in the current proposal, and he saw no areas for concern and therefore risks were likely to be minimal. Further discussion took place surrounding this topic and the potential associated impacts concerning issues from a liability situation. AMi explained that Xoserve have rigorous Risk Committees and Policies to ensure adherence to process and procedure. CB said she understood that, however there had been instances in the past where data had been sent to the incorrect recipient. AMi agreed that had unfortunately happened on a few occasions and that the Compliance Team had been instructed to rectify this issue and to date, fines had not been incurred.

DT moved on discuss the 'mutualise' area as high-lighted in 2.6 'Further considerations' 2.6.2 and discussion took place regarding the allocation of cost in this model, which AMA wanted clarified. DT said he was not aware how that would be managed and proposed it was a matter for the Cost, Allocation and Charging Group to discuss. SMc said in relation to the cost it would depend on where it had originated from, as to how it should be allocated. AMi agreed to investigate this area in more depth in relation to what potential liabilities could occur from an Xoserve perspective; these to be discussed in the Cost Allocation and Charging workgroup meeting days. CWa also agreed to provide specific questions on funding and allocation scenarios.

Further general discussion took place regarding 2.6.5 in relation to the reversing mutualisation and customers of CDSP. SM asked to what extent an individual could create a potential issue and what would be the rationale for reversing. A lengthy debate took place concerning what situations this might occur and the associated impacts and justification. DT and CWa said they would provide some examples of why 2.6.5 was the correct approach and agreed to provide examples, justification and clarity from a confidentiality and breach of payment perspective.

CWa said he wanted to remind the Workgroup that this paper needed to be drafted, but he appreciated that currently there was further work and understanding to take place. BF said he understood the text would be needed for the DSC at the end of August and that once DT

had amended the 2.6.5 section (agreed by Friday 03 June 2016) then the Workgroup participants could prepare comments on it, ahead of the meeting on 13 July 2016)

DSC – Default

DT overviewed the DSC – Default paper and explained this was going to be used to support the drafting of the DSC Terms and Conditions. He overviewed the specific sections entitled; Payment default, Suspension, Default and termination.

A general discussion took place in relation to the Suspension section regarding the impact on new market entrants, as this could be seen as discrimination from a customer aspect. AMi said a new entrant could grow very rapidly and then be a risk to the industry, so he did not agree with that viewpoint. SM said regarding point 3.3 'a right of suspension' there would need to be some sort of authorising or check point, and he was not sure who would undertake that process. AL proposed the EBCC would be the right forum, and BF said that the EBCC were there to defer the actions of the Transporters but by definition this was related to energy, although members tended to be from a credit management background. SMC suggested that the UNCC could potentially provide a governance structure.

A lengthy debate then ensued as to which body would be the most appropriate to look at this area, whether it could be the EBCC, or other UNCC Sub Committee to validate the proposal with the final decision being made by the CDSP. NC said from a licence perspective that Ofgem would clearly be involved in any suspension decision and DT said that the CDSP would Suspend Limited Services unless a recommendation was given from the committee for not doing so. There were concerns that suspension of CDSP services needs to be considered carefully as the invoices may be of limited value but could potentially stop a company operating.

DT moved on to overview section 3.4 regarding a 'Transporter being in breach of payment obligations'. General discussion took place surrounding Transporters incurring costs, but with no knock on effects, unlike Shippers and AMi said the same was true in relation to not creating Meter Points, from a limited scope to suspend services to the Transporters. GH said from an IGT viewpoint they have a very different pricing structure and they may struggle with the costs passed on to them. AMi said that a risk would only be created if a bill was never paid. GH said despite that fact, he had already raised these concerns with Ofgem from an IGT viewpoint regarding A15 and the changes to SR11.

DT continued to review the points in the paper and explained the impacts, with special emphasis regarding 4.4 The DSC will therefore state that:

- (a) a party will cease to be a DSC Customer (and cease to be party to the DSC) if, and only if, and at the same time that, it ceases to be a Party to the UNC (i.e. when it is no longer a party under any network code);
- (b) a party which ceases to be a DSC Customer will remain liable for amounts payable in respect of periods before the effective date of termination and for any antecedent breach (equivalent to the current requirement in TPD Section V4.2.5).

A lengthy discussion took place and SM was interested in the materiality aspect of these two clauses and SMC wanted to know what the trigger would be in both a) and b) with regards to a breach, as the parties would have obligations to the UNC and not the DSC. He proposed a two stage/tier process to be developed with check points to be adhered to and he said this process could be produced between now and April 2017. It was agreed that AMi would investigate a clear default process with a 2 stage/tier approach. GH also agreed to investigate the process with Ofgem from a breach perspective.

DSC – Data flows and rights of use

JWB introduced the Data flows and rights of use paper, explaining that this document itemised the overall process in relation to the types of data that could arise in the DSC and was high-level awaiting legal drafting. These included 2. Data Types, a) Services Data, b)

Contract Data, and c) Party Data and the Rights of Use section. JWB provided clarity to each clause and explained the manner it referred to data in each section. He also confirmed in relation to Contract Data the UKLink and ownership in the Services Schedule would be included. It was then agreed by the Workgroup that this document could be legally drafted.

DSC Service Document and DSC Service Description

AMi provided an overview to the DSC Service Description paper and explained under 1.6 Amendment, page 2, Part A, 2. Meaning of Service Description 2.1 (i) [Liabilities] was still to be discussed in more depth in relation to the Services Schedule.

Service Lines Description

AMi then overviewed in detail the schematic of the Services Lines Description and explained the way the document had been produced and the way to navigate around it. He explained that he would appreciate feedback regarding the document, as when it was eventually completed it would contain circa 300-400 Service Lines, and it would not be amended, hence the need for early feedback. NC said from a Stakeholder engagement perspective, it was very prescriptive not to allow any alterations at a later date, but understood it was relative, due to the number of service lines involved and he urged the Workgroup to provide feedback.

AMi went on to explain that the Service Lines document would contain all the appropriate Service information to enable this to be one complete document for all the service related information.

AMa proposed the words 'User and Customer' used in the same context could add to confusion and if they could be re-named to add clarity. AMi said this was not possible, due to the complexity and it would add to further confusion later.

3.0 Review of outstanding actions

0565/0501: DSC summary explanatory document to be produced.

Update: Ami confirmed this information had been produce and this action could now be closed. **Closed.**

0565/0503: *Draft Workplan/timeline* - All to review plan and provide comments (omissions, focus, etc) to CWa as soon as possible, to enable early refocusing of workplan/timeline (if necessary).

Update: CWa confirmed the Work Plan had been produced and this action could now be closed. **Closed.**

0565/0504: *DSC Change Management: Committee Composition* - Shippers to consider and provide views (on this approach and any potentially viable alternatives) to CWa (well) before 20 June 2016.

Update: CWa again reiterated the importance of providing feedback and that to date he had only received two responses. He wanted feedback specifically on the constitution and agreement areas. **Carried forward.**

0565/0505: NC to establish if Ofgem will accept/perform a role as arbiter.

Update: NC said this had been discussed and Ofgem felt they did not have the expertise to perform this role and that more information was required. **Carried forward.**

0565/0506: *UK Link Communications (ANS)* - Transporters and Xoserve to clarify if Active Notification Service (ANS) still exists/remains in scope, and if so how does that feature in CDSP services.

Update: AMi said this was being investigated and SMcG said it did exist and there were no changes going to be made to it. It was then agreed this action could be closed. **Closed.**

0565/0507: All parties to review the proposed changes and provide any comments as soon as possible to CWA, CWO and DT, prior to the next meeting (20 June 2016) in relation to the following: GTB7; UNC TPD G, M, and U; iGTAD sections; and DSC Transition.

Update: DT said he needed feedback on the G & M Sections and Section H prior to the next meeting to be held on 20 June 2016. **Carried forward.**

4.0 Next Steps

CWA explained that he needed feedback to the papers as discussed and that he and BF would discuss setting up a repository on the JO website to make accessing the most up to date documents easier for all concerned.

5.0 Any Other Business

None raised.

6.0 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 Monday 13 June 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Service / User Mapping • Consider Cost Drivers and Allocation |
| 10:00 Monday 20 June 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> • GT B7 (if needed) • TPD G & H (if needed) • TPD M (2nd draft) • TPD U (2nd draft) • Other TPD & EID (if needed) • iGT and iGTAD (2nd draft for iGTAD) • Transition (1st draft) • Miscellaneous including MR (1st draft) |
| 10:00 Thursday 30 June 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Service / User Mapping • Consider Cost Drivers and Allocation • Consider Methodology |
| 10:00 Monday 11 July 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Cost Drivers and Allocation • Consider Methodology |

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| 10:00 Wednesday 13 July 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ | FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> • DSC Terms & Conditions (2nd draft) • DSC Service Description (1st draft) • DSC Budget & Charging Methodology • UK Link Manual (1st Draft) • Change Control Procedures (outline) • Contract Management & Reporting Arrangements (1st draft) • Third Party Services Policy (1st draft) • Transition Document (1st draft) |
| 10:00 Monday 25 July 2016 | Dentons | FGO Workgroup and Workgroup 0565 UNC Consolidated Legal Review <ul style="list-style-type: none"> • GT B7 • TPD G & H • TPD M • TPD U • Other TPD & EID • iGT and iGTAD • Accession / Withdrawal • Transition • Miscellaneous including MR DSC Contract Update |
| 10:00 Friday 29 July | Consort House, 6 Homer Road, Solihull B91 3QQ | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Methodology • Consider Invoicing Process • Consider Credit Arrangements |
| 10:00 Wednesday 03 August 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ | FGO Workgroup and Workgroup 0565 <ul style="list-style-type: none"> • DSC Change Control Procedures (1st draft) |
| 10:00 Monday 08 August | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Invoicing Process • Consider Credit Arrangements • Consider Transition Matters |
| 10:00 Monday 22 August 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | FGO Workgroup – Charging <ul style="list-style-type: none"> • Consider Credit Arrangements |

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|---|--|--|
| | | <ul style="list-style-type: none"> • Consider Transition Matters |
| 10:00 Tuesday 23 August 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | <p>FGO Workgroup and Workgroup 0565</p> <ul style="list-style-type: none"> • DSC Framework Agreement (Final draft) • DSC Term & Conditions (Final draft) • DSC Service Description (Final draft) • Change Control Procedures (Final draft) • Contract Management & Reporting Arrangements (Final draft) • Third Party Services Policy (Final draft) • Transition Document (1st draft) • Timeline/Workplan Update • Consideration of Risks/Issues Log |
| 10:00 Wednesday 07 September 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ | <p>FGO Workgroup and Workgroup 0565</p> <p>UNC Consolidated Legal Review</p> <ul style="list-style-type: none"> • GT B7 • TPD G & H • TPD M • TPD U • Other TPD & EID • iGT and iGTAD • Accession / Withdrawal • Transition • Miscellaneous including MR <p>DSC Contract Update</p> <p>Development of Workgroup Report</p> |
| 10:00 Wednesday 21 September 2016 | Elexon, 4 th Floor, 350 Euston Road, London NW1 3AW | <p>FGO Workgroup and Workgroup 0565</p> <ul style="list-style-type: none"> • Development of Workgroup Report |
| 10:00 Wednesday 05 October 2016 | Consort House, 6 Homer Road, Solihull B91 3QQ | <p>FGO Workgroup and Workgroup 0565</p> <ul style="list-style-type: none"> • Conclusion of Workgroup Report |

Workgroup 0565 Actions (as at 01 June 2016)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------------|---------------------|-------------------|--|--------------------------|--|
| FGO 0502 | 03/05/16 | 2.0 | KMPG to create a FGO Risk and Issues Log. – <i>27/05 transferred into the 0565 Workgroup for further consideration at 20/06 meeting.</i> | KMPG (NC) | Carried Forward |
| 0565/0501 | 04/05/16 | 3.0 | DSC summary explanatory document to be produced. | Xoserve (AMi) | Closed |
| 0565/0503 | 18/05/16 | 2.0 | <i>Draft Workplan/timeline</i> - All to review plan and provide comments (omissions, focus, etc) to CWa as soon as possible, to enable early refocusing of workplan/timeline (if necessary). | ALL Parties | Closed |
| 0565/0504 | 18/05/16 | 5.0 | <i>DSC Change Management: Committee Composition</i> - Shippers to consider and provide views (on this approach and any potentially viable alternatives) to CWa (well) before 20 June 2016. | ALL Shippers | Carried forward <i>As soon as possible prior to 20 June 2016</i> |
| 0565/0505 | 18/05/16 | 5.0 | NC to establish if Ofgem will accept/perform a role as arbiter. | Ofgem (NC) | Carried forward <i>As soon as possible prior to 20 June 2016</i> |
| 0565/0506 | 18/05/16 | 8.0 | <i>UK Link Communications (ANS)</i> - Transporters and Xoserve to clarify if Active Notification Service (ANS) still exists/remains in scope, and if so how does that feature in CDSP services. | Transporters and Xoserve | Closed |
| 0565/0507 | 18/05/16 | | ALL Parties to review the proposed changes and provide any comments as soon as possible to CWa, CWo and DT, prior to the next meeting (20 June 2016), in relation to the following: GTB7; UNC TPD G, M and U; iGTAD | ALL Parties | Carried forward <i>As soon as possible prior to 20 June 2016</i> |

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| | | | sections; and DSC Transition. | | |
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