

Change Overview Board (COB) Minutes
Wednesday 22 February 2017
Elaxon, 350 Euston Road, London NW1 3AW

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan*	(AM)	British Gas
Angela Love	(AL)	ScottishPower
Arik Dondi	(AD)	Ofgem
Colette Baldwin	(CB)	E.ON
Hazel Ward*	(HW)	RWE npower
Joanna Ferguson	(JF)	Northern Gas Networks
Jon Dixon*	(JD)	Ofgem
Lorna Lewin*	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Martin Baker	(MB)	Xoserve
Rosella Jones	(RJ)	Electralink
Steve Simmons*	(SS)	Scotia Gas Networks
Vicki Spiers	(VS)	ES Pipelines

**via teleconference*

Copies of meeting papers are available at: <http://www.gasgovernance.co.uk/COB/220217>

1. Introduction

LJ welcomed all to the meeting.

2. Review of Minutes

The minutes of the meeting held on 09 November 2016 were approved.

3. Planning

3.1 Change Horizon Update

The schematic was displayed. MB presented an overview of the current landscape, drawing attention to the main changes made in the previous Quarter. The potential movement/position across zones of a number of items was then considered on an individual basis.

Zone 3

EU CAM - Modification 0597 is now with the Authority for decision and Modification 0598S will be implemented on a date to be confirmed.

PCW DES - LJ reported that Modification 0593 was now with the Authority for decision.

DCC Day 1 - MB reported that this had been removed.

MR Submissions (December 2017) - MB reported that this had been removed, following the relaxation of requirements by the Competition and Markets Authority (CMA). JD summarised the CMA's revised position and expectations in respect of meter reading frequency/submission. There was an opportunity to influence the shape and timing of settlements and avoid an interim solution, and JD believed that the

industry should be addressing this as soon as possible; if appropriate and robust evidence could be provided in the interim, the CMA could be engaged in a reasoned discussion. An impact assessment was anticipated as being carried out over the first half of the year; once there was an assessment outcome it could be revisited. A report was to be made to the CMA by the end of July 2017.

It was questioned whether the COB was the group to take this forward; parties thought the requirements would be beyond COB's scope. Reference was made to Request 0594R - Meter Reading Submission for Advanced & Smart Metering; it was believed that the work required would also be beyond its current remit.

A discussion ensued. Concerns were expressed regarding the April 2018 implementation date, parties believing it to be difficult to achieve. If the CMA issues its directive at the beginning of September as expected, was 7 months a sufficient lead-time for industry to make preparations, or should the CMA be lobbied for a longer lead-time? JD believed the debate should be initiated sooner rather than later; it might be the CMA's decision as to when it should be implemented, but industry could make a strong recommendation as to what their lead-time should be. It was suggested that Workgroup 0594R might possibly clarify what would need to be done to achieve that, but its remit might be too narrow.

HW said that a 7 month lead-time was not long enough, especially when taking into consideration what flaws might have to be addressed following Nexus delivery and other deferred areas. This would be a big change and cannot be done quickly. SS agreed, observing that the PSR interface will have to change in November, and there were other important changes to be taken into account across other industry areas.

JD recognised the necessity to identify a pipeline of change, and be specific about what COB can influence and how that can be exercised to best advantage. There needed to be a clear understanding of where the power lay to determine these things. JD reiterated that the CMA would issue its new direction at the beginning of September, and with only 7 months between then and the beginning of April 2018, the industry needs either to be confident in its assumptions of what that direction was most likely to be and that it could meet the requirements within that time period, or recognise and indicate very early on to the CMA that it will need a longer period of time.

AL observed that time may be wasted in developing a solution that may not be required at the end of the day. JD pointed out that the industry would need to provide substantive evidence to the CMA to encourage the adoption of a more pragmatic approach. Therefore work needs to be done now to provide robust information to the CMA to influence any decision.

AL believed it would be necessary to know when any areas that have been previously de-scoped from Nexus are likely to be delivered, and what is planned and when in Nexus Phase 2, in order to take a view on what can be managed in the time currently available. CB added that there needed to be confidence that Nexus will be implemented on 01 June 2017 and that primacy of any other priorities should be recognised. Is the industry moving to daily settlement? MB said that the CMA conclusion was monthly for April 2018, and he agreed with the need to understand the true scale and where it might fit in with the existing priorities, etc. The CMA wants to see an impact assessment, but he did not read it as being daily reads and just a matter of time; if it *is* the right thing to do then it may impact the Ofgem Switching Programme. Responding to AL's comment regarding the provision of a change schedule by Xoserve every 6 months, MB believed there would be a release management approach, and JF indicated that it was likely to happen through the new DSC Change Committee meetings.

SS suggested that while there would be minimal impact to some parties, should not each party be looking at what could be the earliest implementation date that each could achieve? CB was of the view that more frequent meetings would be required to

address the work and understand the capabilities of systems, etc; the industry cannot afford *not* to move this forward more quickly. A better understanding of Workgroup 0594R's remit was required and perhaps this could be extended if necessary?

JD reiterated that there was a potential for daily settlement to happen, or it may remain as a monthly requirement. There was a requirement for smart meters to submit reads more frequently than annually, and the work on Request 0594R should help to inform this. To influence the CMA's decision the industry needs to provide a well-informed piece of work. JD then asked for views on whether the industry should be asked for its opinions now (i.e. not waiting for 0594R conclusions) and on both options (i.e. if it is A this will be required, or if it is B then that will be required....), and if it is not to be done under the auspices of COB then where should it sit.

A discussion ensued. How long it should take to implement and where it should sit in the pipeline of change and other release schedules was of concern. The implications for both approaches needed to be clearly identified and set out and formally provide to the CMA to prevent the forcing of inappropriate requirements upon the industry. CB believed that Workgroup 0594R should take a holistic position, including timeframes and costs, etc. For COB to look at in isolation would not be the best approach, and COB would need to understand the outcome of the assessment of 0594R first. LJ pointed out that COB does not represent the whole industry and may not reflect the concerns of other parties. He believed that Workgroup 0594R was the most appropriate forum to look at the questions that need answering and consider the best sequence for priorities; all parties should be encouraged to participate and contribute to those discussions. It was noted that the next Workgroup 0594R meeting was to be held on the next day (included within the business of the Distribution Workgroup) and that JD was intending to attend. HW commented that an assessment of the optimal time to deliver should include considerations of all wider industry changes that have to be delivered and not just those within the gas industry. RJ observed that similar changes made in the electricity industry were large and had required an Ofgem project to address; perhaps something of a similar scale might be required for gas changes. CB suggested there should be some co-operative thinking that involved the supply side also, and other stakeholders. Any pinch points, cross dependencies and other (as yet unknown) factors will need to be identified. Workgroup 0594R may not have a broad enough horizon to manage this. Ofgem should seek formal opinions. LJ suggested that COB could, if needed, hold a teleconference to set the context, prior to the seeking of views on the most appropriate settlement frequency/date. AL added that benefits to consumers should be clearly evident and stated; it was not clear that the CMA had made the case for this. It was suggested that a consumer representative should be invited to attend/participate in the Workgroup 0594R discussions.

Concluding this, LJ advised that he would ask that the matter be considered immediately after the 0594R meeting, whilst the topic was fresh in people's minds. At the least, it was to be hoped that those present could articulate the questions that needed to be answered and to provide their views on the next steps.

MB will reinstate this topic on the Change Horizon schematic.

Zone 2

Two new topics - *Strategic Direction* and *Consultative Board* - had been added since the last meeting.

Zone 1

A new topic - *Licencing and competitive tendering* - had been added since the last meeting. LJ was not convinced this should be included because it was primarily focused on central parties and not requiring wide industry activity. Following a brief discussion it was agreed that MB should move its position to 'Ones to watch'.

Gemini Replatforming - Concerns were expressed that this could drain much needed resources from other areas. MB commented that Xoserve was in the early stages of options analysis and that more detail should be available for the August COB meeting. Lessons will be learned from the Nexus experience. It was suggested this be added as a specific agenda item for the August meeting.

Updates/Revisions - MB will update the Change Horizon as appropriate and liaise with LJ to provide information for inclusion in the Industry Forward Plan (see 3.2, below).

3.2 Industry Forward Workplan

Effective from January 2017, a combined gas and electricity codes Forward Workplan has now been produced. This document is located on the Elexon website at: <http://www.elexon.co.uk/change/code-administration-code-practice-cacop/>.

A link can also be accessed through the Joint Office website at: <http://www.gasgovernance.co.uk/fwdplan>.

The document is divided into various sections:

- Headlines - highlighting significant projects
- Horizon Scanning - showing pan-industry as well as individual gas and electricity horizons looking out five years and beyond. Supported by a summary of the changes proposed in the 2-5 years timescale (affected codes, next steps and links for more information)
- More detail on significant changes
- Code specific changes (current UNC modifications are listed at the end of this section).

Displaying the document, LJ drew attention to the tab '*Horizon (All)*', confirming that it had been based on the Change Horizon that MB regularly provided to the COB. It was anticipated that Code Administrators would update the whole document (as appropriate) on a quarterly basis. There will be an equivalent electricity version, and one that combines both gas and electricity.

Views were sought on whether MB should continue to provide the separate Change Horizon document to the COB (i.e. were the needs of the COB different to those of this Plan) or whether the COB should utilise this mandated Forward Workplan example instead. LJ confirmed there was a commitment to keep this information updated, and that the COB could be a control body for the content. This was briefly discussed. There were views that some of the content (tab A5 for example) was too detailed to be of any value; that it did not seem to be looking at strategic changes, etc; the scope/purpose of the document perhaps required more clarity. LJ observed that each Code Administrator would have its own perspective on what was important/significant, and level of granularity. It is a first draft and one that will evolve over time. The comments were noted and LJ indicated that he would pass these on.

LJ affirmed that he and MB would be liaising to produce what was necessary to update the Industry Forward Plan document. It was agreed that the Forward Workplan tab would be utilised at the COB meetings.

4. Implementing CMA Remedies for the Retail Market

Covered under section 3, above.

5. Policy Updates

5.1 Ofgem Overview

JD advised there was no further update at this time.

5.2 Future Insights

Because of the clash with the half-term holidays, JD had been unable to obtain Ofgem representation to support this item. However, it was anticipated that Chris Brown (Head of Gas System Integration) would attend the next meeting. LJ added that it might be useful if Ofgem could begin to share its emerging thinking on BREXIT so that the COB could start to consider potential future requirements.

6. Switching Significant Code Review - progress/timeline

AD gave a presentation covering the background on the strategic outline case (SOC), explaining the three draft reform packages (i.e. RP1 optimise existing, RP2 major or RP3 full) and reviewing key impacts for suppliers, then briefly reviewing Ofgem's request for information (RFI) and the activities under Phase 2 Detailed Level Specification (DLS).

The SOC, using the HM Treasury five case model (strategic, economic, commercial, financial and management) had been developed with a wide range of stakeholders. The 3 identified options will be measured against the status quo; key elements of each option were outlined, and AD advised that the SOC included graphic descriptions of the solution architecture for each option. The Programme had looked a number of variations and these were listed and briefly described. Discussions had been taking place in respect of 'cooling off' and what should happen if a customer decides to switch back to its original supplier. Different ways of dealing with Objections were being considered.

The RFI was issued to suppliers on 19 January 2017 alongside the SOC, and focuses on various impact areas for suppliers. For some organisations some questions had been mandated, for others it was voluntary. Ofgem was building a model to deal with the responses received to provide a cost/benefit analysis. It is intended to summarise and publish responses (any relevant points from today's Q&A session will be added as appropriate). A query log has been published on its website, and any further questions should be directed to: Andrew Wallace (andrew.wallace@ofgem.gov.uk, telephone: 020 7901 7067) and Pooja Darbar (pooja.darbar@ofgem.gov.uk, telephone: 020 7901 7499). AD reminded that responses to the RFI should be submitted to Ofgem by 02 March 2017.

Currently the Programme is between Phases 1 and 2; the Blueprint phase is not yet finished (anticipated to be end of year). Assumptions are being made for the DLS for Option RP2, and Ofgem will be looking for signals from the RFI responses analysis to inform its assumptions. AD outlined the Programme structure, and briefly described the four phases. The timeline included a consultation in August and a decision in December 2017, with the end of the Programme anticipated to occur during 2019 (the position on this was expected to be clearer by the time of the next COB meeting).

AD explained the governance structure. EDAG would continue to work on the Blueprint as details were extracted from the RFI analysis. The Technical Design Authority (TDA) will look at the detail emerging from the Programme workstreams to ensure consistency with the Blueprint. VS asked how the TDA group was formed. AD responded it was currently in formation and that any suggestions would be welcomed. A number of groups (gas and electricity networks, ENA, etc) had been asked to provide

experts, and it was expected to call upon external as well as internal expertise. A draft Terms of Reference was being developed and will be formalised.

The anticipated DLS products were illustrated; the Programme had been divided into various elements that needed to be addressed and signed off. AD observed that the TDA has taken longer than anticipated to form, and it was expected to hold its first meeting at the end of March/beginning of April. In the meantime any questions and comments would be welcomed.

The decision on which RP option to adopt will be made by the end of the year. It is recognised there will be some interdependencies and regulatory design work will be progressed in parallel as appropriate. Asked when Ofgem might begin to form a view, JD indicated that it would be difficult to do any regulatory work in advance until there was more information on which RP option was the most likely; for example if RP3 was selected then this would require a more radical set of changes than if RP1 was chosen. In the meantime any common elements/quick wins identified applicable to all irrespectively would be expedited; it was hoped to have in place as much as possible by 2018, and then address the gaps depending on the option eventually selected.

AD will provide a further update on progress at the next COB meeting in May.

7. Issues for discussion

None raised.

8. Review of Action(s) Outstanding

COB 0701: *Alternative Sources of Gas* - JF to establish if there was any appropriate report that might assist and inform the COB in its overview of potential and/or impending changes.

Update: JF referred to Northern Gas Networks' H21 Project Report (looking at hydrogen and related innovations). Looking at 18-24 months in the future, part of the network may have to be ring-fenced and this could affect balancing arrangements. CB was concerned in respect of charging impacts, which could affect parties' pricing elements. It was suggested that timelines should be kept under review on the Change Horizon. **Closed**

9. Any Other Business

None raised.

10. Diary Planning and Agenda for the next Meeting

It is anticipated that the following items will be addressed at the next meeting (15 May 2017):

- Change Horizon - Update (*Xoserve*)
- Implementing CMA remedies - Update
- Policy Updates and Future Insights (*Ofgem*)
- Brexit – emerging thinking on impacts to GB regime
- Switching Significant Code Review - progress/timeline (*Ofgem*)
- Issues for discussion.

Meeting papers and/or other items for discussion should be submitted by Thursday 04 May 2017 to the Joint Office at: enquiries@gasgovernance.co.uk.

Time/Date	Venue	Programme
10:30, Monday 15 May 2017	Consort House, Prince's Gate Buildings, 6 Homer Road, Solihull B91 3QQ	• See items at 10, above
10:30, Monday 14 August 2017	Rooms LG5 and 6 combined, Energy UK, Charles House, 5 - 11 Regent Street, London SW1Y 4LR	• <i>To be confirmed</i>
10:30, Monday 20 November 2017	Solihull (<i>venue to be confirmed</i>)	• <i>To be confirmed</i>

Action Table – Change Overview Board (22 February 2017)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
COB 0701	04/07/16	3.1	<i>Alternative Sources of Gas</i> - JF to establish if there was any appropriate report that might assist and inform the COB in its overview of potential and/or impending changes.	Northern Gas Networks (JF)	Closed