
Governance Workstream Minutes
Thursday 18 February 2010
350 Euston Road, London

Attendees

| | | |
|--------------------------|----|----------------------------|
| Tim Davis (Chair) | TD | Joint Office |
| Bob Fletcher (Secretary) | BF | Joint Office |
| Abigail Hall | AH | Consumer Focus |
| Andrew Wright | AW | Elexon |
| Bali Dohel | BD | SGN |
| Chris Warner | CW | National Grid Distribution |
| Mike Young | MY | British Gas |
| Gareth Evans | GE | Waters Wye |
| Joel Martin | JM | Scotia Gas Networks |
| Jenny Boothe | JB | Ofgem |
| Nick Reeves | NR | National Grid NTS |
| Ritchard Hewitt | RH | National Grid NTS |
| 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:** JB advised that Ofgem wished to review the Transporters draft guidelines prior to providing their paper. **Carried Forward.**

GOV1047 Amend the draft guidelines document based on comments received for presentation to the Governance Workstream. **Update:** RH confirmed Transporters have met to discuss the contents of the guidelines. ST confirmed the ROM process is being reviewed for inclusion and should be available for the next meeting. **Carried Forward**

GOV1048 Provide a view on the possibility of adopting a process for a cost pass through mechanism for marginal User Pays charges. **Update:** JB confirmed that Ofgem are still considering this process and hope to respond at the next meeting. **Carried Forward**

2.0 Modifications

2.1 Review Proposal 0267 “Review of UNC Governance Arrangements”

TD asked for views on the Panel constitution including the inclusion of voting rights for a consumer representative and casting vote for the chair. Including if there were any views on the process for Shipper elections.

MY expressed some concerns that it may not be appropriate for the gas forum to run the election for Shipper representatives to Panel, as not all shippers were members. GE felt these discussions would be better placed at the gas forum, SL did not agree as it is a closed forum and though non-members can vote, they cannot attend the meetings.

MY thought consideration needed to be given to how the additional Panel voting members may affect the balance and outcome of decisions. GE was mindful that UNC is mainly aimed at retail organisations, there were wholesale companies and they need to be represented. GE was also concerned that there appeared to be a desire to change the existing arrangements when they have worked well for 10 years – issues with voting last year during last years elections were a process issues and not an issue with the constituency of Panel.

TD added there were concerns with additional voting members; there will still be recourse to seeking a material change with Ofgem, use of the appeals process or ultimately appeal to the competition commission. GE considered there is still an option to wait until Ofgem publish their reports on SPAA and recommendations for change, before rushing into decisions.

SL considered there will be little change for UNC with the universal acceptance of SPAA and development of Central Communications Provider – there is still a need for flows of information to the Transporter and therefore little change to governance.

ST considered it is important to structure Panel to ensure the cross section of shipper representatives is reflective of the shipper community. This was endorsed by CW who felt there are not the same issues in representation in UNC as there is in SPAA.

GE asked what are the deficiencies in the current process – what needs to be fixed. RF felt the Panel constitution needs to avoid an opportunity for parties to vote along market lines rather than Proposal benefits. TD asked if members wished to consider votes for, against and abstentions rather than votes for as now. SR was unconvinced that members currently vote outside the interest of the modification proposal and more in line with their company view, adding each shipper can vote and each can seek election to be a Panel member if they considered this to be an issue.

TD asked if members thought Consumer Focus with possibly 2 votes may unbalance Panel. RF asked if the rules should change to ensure a level of independence for Panel along BSC lines. ST was concerned if Panel Chair or Consumer representative’s votes prevented a parties option to seek appeal

following a Panel vote. The consumer representatives views could be protected by licence changes without a need to vote at Panel.

MY commented that the appeals process was designed to prevent spurious appeals being made, though he noted STs concern of additional voting members preventing parties seeking to appeal.

RF asked how independence was set out in the rules. TD explained the rules for each of the voting members for Shippers and explained that Transporters appoint 5 representatives; they do not need to be elected.

There was a general view that 5 shippers and 5 transporters is a good balance for Panel and there should be an option to abstain or vote against included in the rules.

2.2 Issues Matrix

Not discussed.

2.3 Modification Proposal 0281

TD confirmed that Panel had requested the preparation of a Workstream report in the proposed new format and this was to be discussed later. NR gave a presentation introducing the Proposal.

TD asked if the Workstream were confident the flexible and fixed implementation dates were the correct terms or if a restricted implementation date was actually needed. AW confirmed the electricity process has a “decide by” date and “implementation date”, and if no decision is reached by the “decide by” date then the proposal is rejected. CW asked if a new proposal is required to proceed with development of the rejected proposal. AW advised the BSC Panel can decide new “decide by” and “new implementation” dates. TD confirmed UNC 0281 is different to the process used by BSC.

ST confirmed that Ofgem take notice of suggested implementation dates detailed in Final Modification Reports and JB confirmed this was so.

CW asked why the Proposal has two suggested dates, as this appears to provide alternative dates with no consequences if they are not met. RH replied this is due to user pays impacts, where costs may change based on the implementation timeline, cheaper options may take a longer timeline than more expensive shorter implementation. TD thought this was not clear in the Proposal as it does not advise Ofgem of the implementation timeline and reasons why, it only request a decision by a particular implementation date. JB thought discussions during development should guide Ofgem on their reasons for their decision by a particular implementation date. RH agreed that some changes are required to the Proposal so it delivers the process required.

RF confirmed that the electricity model has prearranged system release dates, which proposals need to adhere too. JM thought there were similar dates for UK Link systems, though changes can usually be accommodated outside these dates based on User/Transporter preferences.

MY asked what is the relevance of the implementation dates if the authority is not tied to the date, should implementation dates be based on a lead time following an authority decision. RF felt it is a useful process that gives the

industry a view of potential implementation dates for proposed system changes. MY still considered the implementation dates suggested in the Proposal as spurious and trying to fix a problem that isn't there.

AH felt the Proposal may offer the Panel more control on when it could expect decisions to be made by. ST considered that out of the decisions currently outstanding with Ofgem, none would have been implemented any earlier due to the nature of the Proposals i.e. regulatory impact assessments required.

ST agreed that there might be a desire by the proposer to get Proposals implemented by a particular date, though by and large these were aspirational and not necessarily a business need. GE agreed with this view, as most changes are not driven by an implementation date.

SL thought it might be useful if Panel used the content of this proposal as a best practice, requesting implementation information for particular proposals rather than mandate it for all by implementation of UNC 0281. Adding, inclusion of a variable implementation date may be sufficient reason for the request of re-consultation on proposals, which do not meet the earlier implementation dates, further delaying the process. As such he did not believe it was efficient to implement this proposal in its current form.

ST asked to what detail proposers put an implementation date on the existing forms. TD advised that proposers are asked to provide a date, though usual practice is for this to be following the authorities decision or highlighted in the Final Modification Report.

AW confirmed that BSC have implementation dates agreed by the development group and again by the Panel - they are not driven by the Proposer.

MY view is the Modification Process should drive out proposals which are fully developed and understood, this practice is not likely to be improved by this proposal, though identifying good practice and providing clear guidance may be the right way forward.

AW confirmed that the obligations in BSC are flexible in the way implementation dates are included and not so proscriptive as UNC 0281, though they must be provided by the development group and BSC Panel. The implementation dates should be achievable and be available for consultation.

SL was concerned that proposers may need to seek implementation dates in ROMs which then tied down to the Proposal and may not be achievable once more detailed analysis is available. RH advised that it would still be possible to vary or amend a proposal if more accurate information is made available.

JB advised Ofgem had concerns over the consistency of implementation dates currently provided and were hopeful this proposal would start to address these issues.

In terms of the Workstream report, TD confirmed that all templates would be standardised across code governance bodies once the outcomes of the code review were published, therefore this proposal was seeking a change to existing templates for a short period of time.

SL asked how legal text or its production is likely to be affected, as Ofgem won't be able to make a decision until it has received the text. RH considered it might prompt a requirement to have legal text available for consultation and allow a more informed consultation process.

ST asked if Ofgem were able to publish their views on the consultation they undertook on timing out. JB confirmed the report and final proposals are still to be published.

TD asked if it is intended to require justification of UNC efficiency benefits for User Pays proposals as the process is subtly different for these. RH agreed the Proposal would need to be reviewed, as there is no intention to exclude User Pays proposals or set objectives they may not need.

SL asked how the process would work for urgent proposals, as these are usually time related. How can a flexible date be provided in Urgent situations.

RH agreed the Proposal would need to be amended. The Workstream agreed to defer consideration of the report until after the publication of Ofgem's report and to request an extension from Panel.

TD highlighted a number of changes in the new templates compared to existing templates used for UNC Modifications. ST asked who completes the Proposal, TD replied the proposer and this is further amended or added too by the development or workstream as necessary. ST asked if the code of practice for code administrators is to be mandatory or guidance. TD expected it to be mandatory.

Action GOV1049: National Grid NTS to consider the comments received and amend UNC 0281. **Pending**

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. JB advised the code review documents were ready for publication. However, these were still going through internal approval and would be issued once this was granted. ST asked if this included licence drafting and if this was material. JB confirmed the report will identify potential licence changes and these would be subject to discussion at an industry workshop, though some changes had been made to the licence change proposals.

3.2 014Gov, Review of User Pays Process

3.2.1 User Pays Guidance Document

No discussion on this topic.

3.2.2 Recovery of marginal costs

No discussion on this topic.

4.0 Any Other Business

None raised.

5.0 Next Meeting

18 March 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 |
| 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) | Carried Forward |
| GOV1048 | 21/01/10 | 3.2.2 | Provide a view on the possibility of adopting a process for a cost pass through mechanism for marginal User Pays charges. | Ofgem (JB) | Carried Forward |
| GOV1049 | 18/02/10 | 2.3 | National Grid NTS to consider the comments received and amend UNC 0281. | National Grid NTS (RH) | Pending |