

UNC Request Workgroup 0646R Minutes Review of the Offtake Arrangements Document

Wednesday 05 December 2018

Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Arran Poad *	(AP)	Northern Gas Networks
Chris Warner	(CW)	Cadent
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	SGN
Eddie Blackburn	(EB)	National Grid NTS
Louise McGoldrick	(LM)	National Grid NTS
Richard Pomroy *	(RP)	Wales & West Utilities
Shiv Singh	(SS)	Cadent
Stephen Ruane	(SR)	National Grid NTS
Stevie Docherty *	(SD)	Northern Gas Networks

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0646/051218>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 March 2019.

1. Introduction and Status Review

1.1. Approval of Minutes (24 October 2018)

DD advised of a correction required to Action 1103. This should state:

Parties to consider the options for B5.3.1 and changes to Annex ~~B1 and~~ B2 - Option 1 include ~~telemetry~~ electrical as a mandatory site service in Part 1 of ~~A~~ annex B2 (Electrical) and or remove Annex B2 entirely as the requirements are covered in the revised Supplemental Agreement template.

The minutes from the previous meeting were approved

2. Removal of Assets

DD confirmed that following last month's meeting, it was agreed the steps for the cost contribution needed to be incorporated into the process documentation and issued for review.

CW emphasised that the modification will need to be clear as to what elements need to be incorporated specifically into the UNC and what elements need to be incorporated into the guidance documents, to assist with the provision of appropriate legal text.

RP questioned if the impacts to the Lease Agreements have also been considered and captured within the draft modification. EB clarified that the Lease Agreements will always override what is in OAD.

RP enquired about the process for removing redundant assets. He presumed that for those sites with the Lease Agreements, they would have to be changed to reflect a redundant asset and its removal. LM clarified that when assets have been removed the site configuration changes might need to be reflected within the Lease Agreement. AP enquired what the procedures would be to change the lease. He was particularly concerned about the additional cost of adding clauses to the lease.

EB explained that if this change goes ahead the Lease Agreements will have to be changed if a redundant asset is removed if the lease was that specific. RP believed that the cost consideration to remove a redundant asset should also include the associated costs of changing the lease.

DD highlighted that Cadent sites do not use Lease Agreements so there needs to be sufficient flexibility within the rules in OAD to manage both scenarios. He stressed that the intent of this change is to enable the ability to request the removal of an asset.

EB emphasised that OAD cannot override the lease, but if an asset is removed the lease might need to be amended, however Leases usually specified the whole site redundancy such as where it comes to the end of its life and not usually specific assets. RP believed the process was; if equipment is redundant and space was required the equipment could be removed and the lease arrangements would be changed to reflect the changes. DD explained that the change in OAD is to facilitate the ability to make that request.

DM clarified that amending the lease would have cost impacts and suggested that this could be covered within the guidance to allow all costs to be considered including any internal legal costs.

EB clarified that the ability to remove an asset would be an optional process within OAD. A Transporter may choose not to utilise to remove assets, despite them being redundant due to cost reasons.

EB believed there were two options for the text required:

1. Detail could reside entirely in OAD
2. Ability referenced in OAD supported by a subsidiary document

EB wanted to understand the driver for the changes, where it should reside and the appetite for having a subsidiary document.

CW explained that where there are detailed activities, code reference documents are utilised. The Workgroup briefly considered the governance process for changing OAD and subsidiary documents.

DD referred to the Critical National Infrastructure (CNI) changes and wanted to understand how to determine what goes into OAD and what goes into a subsidiary document. CW explained the Workgroup will need to consider what text is required in OAD and how much detail is necessary as it is not an operational document. BF also highlighted that the change process would also need to be considered. He explained that changes to OAD would need to be managed using the UNC Modification process, whereas the subsidiary documents would stipulate the required governance and that changes would be agreed at a committee level.

SR enquired about the end-to-end process. EB also enquired about the need to justify an asset being redundant as the first step. He expressed that there needs to be a benefits case established. He suggested that this needs to be included in OAD.

The Workgroup considered whether it was appropriate to insert the removal of redundant assets within OAD or whether as an alternative solution this could be managed with a change to the leases.

AP expressed concern about changing the Lease Agreement clauses. The Workgroup needed to better understand the concerns being raised by Northern Gas Networks (NGN) and asked if these could be articulated for further consideration at the January meeting.

New Action 1201: NGN (AP) to articulate concerns about changing Lease Agreements for Asset Removal.

National Grid NTS also agreed to consider the detail required for OAD.

New Action 1202: National Grid (EB) to consider what detail would be required in OAD for Asset Removal.

It was agreed that further consideration would be undertaken in January.

3. Site Drawings

SR reported that a Site Drawing Workshop has been scheduled for 07 February 2019. He confirmed that the agenda and the scope of the Workgroup is currently being considered. He welcomed feedback/suggestions on what parties would like included and asked for these to be communicated to National Grid. An update will be provided in February following the Workshop.

4. 'Quick Wins' Spreadsheet

The Workgroup did not review the spreadsheet however, DD explained that areas had been identified for inclusion in the draft modification.

5. Proposed Modifications

SS confirmed an amended version of the modification would be circulated ahead of the next meeting in January. There had been a delay in amending the modification in time for this meeting.

It was confirmed that the modification, will cover:

- Tripartite arrangements;
- Shared sites (including the definitions: for bi-directional/reverse flow; closed sites NTS/LDZ; and shared sites);
- Asset removal process;
- Supplemental Agreement template;

BF enquired what the intention was from the Workgroup and how it wished to proceed. The Workgroup considered reinstating the Offtake Arrangements Workgroup to manage any required modifications or whether to consider all the required modifications as part of the Workgroup 0646R review.

BF asked about the scope of the Workgroup. CW explained there was a number of elements for the Workgroup to consider and the intention to manage the required changes through a phase of modifications.

BF challenged the value of reinstating the Offtake Arrangements Workgroup and the likely input from Shippers for modifications that will not impact them. CW believed the Workgroup 0646R should be able to manage the required changes. He suggested that by March the Workgroup should have a consensus on the content of the required modifications.

The Workgroup considered the more complex changes outside the scope of the existing Workgroup 0646R. CW wanted to be in a position to get the initial draft modification to the January Panel. The timing of January's meeting was considered and the ability to review the draft modification.

BF suggested that the Workgroup could utilise meetings to establish a fully worked up modification with text and have a completed product for February with a view of asking Panel for this to proceed directly to consultation.

CW confirmed that Cadent would work offline with the Transporters to ensure the next draft of the modification is as mature as it can be. RP expressed he would be reluctant to issue the modification for consultation if it hadn't had a full review at the Workgroup. CW suggested a thorough review could be undertaken in January in preparation for February's Panel. CW/SS agreed to develop the modification further and provide ample time for the modification to be reviewed ahead of the January meeting.

DM expressed concern about ensuring ample time is provided. He requested that more than five days should be allowed for parties to consider the detail within the modification, ahead of the meeting and allow feedback. CW stressed he wanted to ensure the modification was developed before commissioning lawyers.

DD explained there are some contentious changes, for example, maintenance and CNI, which may take longer to develop.

LM enquired about the 1st draft and the tri-partite business rules, user-to-user Supplemental Agreements, and that the site services party may want to be party to the Supplemental Agreement. SR suggested that the solution for tri-partite arrangements and changing the definition of an offtake, may have consequential impacts and could be a complicated undertaking.

It was agreed that business rules would need to be provided for tri-partite agreements.

New Action 1203: National Grid NTS (EB) to provide business rules for tri-partite agreements

[Post Meeting Note: LM has confirmed that a Supplemental Agreement is an agreement between the Parties whose systems are connected at an Offtake, setting out details at that Offtake. As a result in some instances \(2\) the Services Party who is providing Site Services is not party to the Agreement.](#)

[Business Rule: Where the Site Services Party is not the Upstream or Downstream Party the Services Party usually the Site Owner \[should/may\] sign the Agreement and become a Party to the Agreement.](#)

[Views on the Agreement will be limited to the Site Services.](#)

6. **CNI Critical National Infrastructure (CNI) Information Security Systems (ISS) and Physical Security Update Programme (PSUP).**

DD provided an update on the CNI (ISS/PSUP) programme. He confirmed that the group are focusing on the funding arrangements to mandate certain requirements. The group are looking at implementing changes. It is anticipated that Business rules for CNI, PSUP guidance and an update to OAD will be required.

DD explained that a site user can install a security fence and that the arrangements can be quite complex as it can lead to a mix of ownership and this needed to be reflected in OAD.

EB enquired if the option of an asset transfer has been considered. DD confirmed that the group are looking at several options, including the pros and cons. However, the asset transfer option had been discounted.

RP explained there were a number of regulatory complexities, with the treatment of the Regulated Asset Value (RAV), depreciation and the impact on Profit and Loss.

DD clarified an update to OAD Section B (for PSUP) may be required to consider alarms and site security. He confirmed that site security needs to be documented in the Supplemental Agreement, in most cases the site owner provides security, but this needs to be documented as this may not be the case in the future. EB explained that as the site owner is responsible in OAD for site security, if the site owner is not providing site security they would potentially be in breach of Code.

The Workgroup considered any impending problem. It was considered whether OAD could be amended to allow 'a party' other than the site owner to be responsible for site security. It was suggested if there was a pressing case in the future more business rules could be developed. EB asked if this could be a 'quick win' change that could correct the situation and avoid a breach. EB suggested the OAD could be updated to future proof this with the ability to amend the Code again if further change was required.

DD enquired how this would become binding for all operators. EB explained that this could be an OAD change, supplemental agreement changes or a change to a subsidiary document.

EB suggested a quick fix for OAD to state that the default is the site owner unless agreed otherwise.

It was agreed that this change would be considered as a quick win and added to the current draft modification.

DD also highlighted his concerns with the rescinding of security cards. EB explained that rescinding a single person's access due to the misuse of an access card is only removing access to that one person and would not be seen as refusing entire access to the Transporter.

DD believed the next CNI meeting was either the 18th/19th December. A further update will be provided in January.

New Action 1204: Current Draft Modification to include – an update to OAD to reflect that the default for site security is the site owner unless it is agreed otherwise.

7. Outstanding Actions

0802: *Reference Site Drawing Workshop* – All DNOs to provide contact details to SR in order to facilitate action 0801.

Update: A Site Drawing Workshop has been scheduled for 07 February 2019. **Closed.**

0803: *Reference Redundant Assets* – All DNOs to check their respective lease agreements with their company lawyers and look to provide a view on whether in their opinion the lease agreements take precedent over OAD provisions (or vice versa).

Update: The general view was that the lease agreements take precedent to the OAD. **Closed**

0806: *Reference Issues Spreadsheet* – All parties to review the spreadsheet and provide suitable feedback for consideration at the next Workgroup meeting.

Update: Update expected January. **Carried forward**

1003: Cadent (CW) to consider the ability to transpose the Removal of Assets process directly into OAD.

Update: Further consideration will be captured during the modification assessment. See item 2.0. **Closed**

1006: Joint Office / Cadent to consider re-instating the Offtake Arrangement Workgroup.

Update: BF confirmed that the Review of OAD would continue within Workgroup 0646R. **Closed**

1101: Cadent to review the use of Lease Agreements

Update: DD confirmed that Cadent need to review if they need to have site Lease Agreements. EB clarified at the time of Network Sales it was agreed that Lease agreements were not required. He suggested if Cadent want to use Lease agreements that could be considered along with the justification. DD wanted to understand why the decision was made that Cadent did not require Lease Agreements. EB highlighted that nobody is flagging that there is a problem with Cadent not having Lease Agreements, however if Cadent want to go this route this can be explored. EB suggested that this should be taken offline as it was out of scope of the Review Group and would be considered business as usual. **Closed.**

1102: All DNs to review the provisions within the current lease, and what the provisions are for **removing** redundant assets

Update: See discussion under item 2. above. **Closed.**

1103: Parties to consider the options for B5.3.1 and changes to Annex B2 - Option 1 include electrical as a mandatory site service in Part 1 of Annex B2 or remove Annex B2 entirely as the requirements are covered in the revised Supplemental Agreement template.

Update: LM expressed a preference to leave electrical in Annex B1. LM enquired if there could be an instance where a site could have its own electrical supply. DD clarified that each offtake has an electrical supply, but the site will only have one feed. DD challenged if Annex B1 or B2 was still required if this is now included in the Supplemental Agreement. EB questioned if this is taken out of Annex B1 and B2 would there be another reference of what is mandatory. EB challenged why it was necessary to take it out and suggested that the electrical site service as a mandatory service can be captured with a simpler change. It was agreed appropriate text would be added to the quick win modification. DD clarified that the non-mandatory site services are water, telecoms, standby power, site drainage and welfare facilities. **Closed.**

1104: Cadent (DD) to consider a process for suggested changes to Supplemental Agreements and the need to formulate a high-level process to outline the process steps for consistency.

Update: DD agreed to put a process together of how to update the Supplemental Agreement, ie if the downstream operator is requesting an update. **Carried Forward.**

1105: National Grid and Cadent to consider the consequential impacts and whether they are material from Section B (telemetry and SCADA impacts) Section N and Section B.

Update: LM explained that this relates to the coordination of Communication/IS changes and the potential impact of outages. DD enquired if Section N needs a change to clarify the requirements for communications relating to system outages. DD believed that any impact to electrical and/or telemetry would need an OAD notice. DD believed OAD may not be specific enough. EB questioned if a half an hour outage is material and whether the real question is, if the party would prefer to know that telemetry will be off for half an hour, so they understand the outage is only for half an hour. EB wanted to understand the materiality of the outage. DD believed any telemetry/SCADA outage has a material impact, regardless of the duration. EB believed that this could be captured in the quick win modification to address the definition of material impact. It was agreed that this needed to be captured within the draft modification and National Grid NTS should review the guidelines. **Closed.**

1106: National Grid (LM) to consider the definition for the Closed NTS/LDZ offtake and any consequential impacts associated with the suggested change, i.e. Section L Liabilities

Update: LM provided a presentation to provide an update for NTS and LDZ Shared Sites, and confirmed that National Grid NTS have been asked to draft some business rules for NTS and LDZ Shared sites, closed sites and bi-directional Shared Sites. LM confirmed that Shared Sites are not an offtake as set out in UNC TPD for example. RP challenged if the definition was clear, and whether the definition should state that Shared Sites are not considered as an Offtake. DD confirmed as part of the quick wins spreadsheet it was recommended a number of definitions were updated to ensure they are sufficiently clear. EB suggested that the Offtake definition was clear, however there may be a need to consider a new definition for Shared Sites and Closed Offtakes. EB enquired if there was a need for a bi-directional site definition which he believed could be applied to every point on the system. He explained that closed sites can be opened in exceptional circumstances and was keen to find a solution which allowed flexibility. SS enquired about exceptional circumstances and flowing gas for In Line Inspection (ILI) runs, where gas can flow the other way. DA enquired about pressure management and modelling the network for Bi-Directional NTS offtakes. DA also enquired if a blanket agreement is required. EB believed if the industry could get the right definition for OAD for the concept that all sites are bi-directional in exceptional circumstances (agreed by all parties) it should open up more flexibility. EB summarised that there are three categories: Offtakes, Closed Offtakes, Non-Offtakes (Shared Sites), and that a Bi-directional site definition could apply to all of them. It was agreed to capture this within the quick wins modification. **Closed.**

1107: Cadent (DD) to brief the CNI forum of the current issues/concerns with roles and responsibilities and identify which elements need to be codified.

Update: See item 6.0. Short term change to be incorporated in OAD. **Closed.**

8. Next Steps

Draft Modification to be updated and circulated for comment ahead of the January meeting.

9. Any Other Business

None raised.

10. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
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10:00 Friday 25 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Workgroup 0646R <ul style="list-style-type: none"> • Draft Modification • Removal of Assets • Site Drawings • CNI • Metering Section • Maintenance • OAD Notices • Point of Offtake
10:00 Thursday 14 February 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Workgroup 0646R
10:00 Thursday 14 March 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Workgroup 0646R
10:00 Thursday 11 April 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Workgroup 0646R
10:00 Thursday 09 May 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	Workgroup 0646R

Action Table (as at 05 December 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0802	21/08/18	2.	<i>Reference Site Drawing Workshop</i> – All DNOs to provide contact details to SR in order to facilitate action 0801.	All DNs	Closed
0803	21/08/18	3.	<i>Reference Redundant Assets</i> – All DNOs to check their respective lease agreements with their company lawyers and look to provide a view on whether in their opinion the lease agreements take precedent over OAD provisions (or vice versa).	All DNs	Closed
0806	21/08/18	5.	<i>Reference Issues Spreadsheet</i> – All parties to review the spreadsheet and provide suitable feedback for consideration at the next Workgroup meeting.	All parties	Carried forward

1003	24/10/18	3.0	Cadent (CW) to consider the ability to transpose the Removal of Assets process directly into OAD.	Cadent (CW)	Closed
1006	24/10/18	5.0	Joint Office / Cadent to consider re-instating the Offtake Arrangement Workgroup.	Joint Office (RH) Cadent (CW)	Closed
1101	22/11/18	2.0	Cadent to review the use of Lease Agreements.	Cadent (DD)	Closed
1102	22/11/18	2.0	All DNs to review the provisions within the current lease, and what the provisions are for removing redundant assets	All DNs	Closed
1103	22/11/18	5.0	Parties to consider the options for B5.3.1 and changes to Annex B2 - Option 1 include electrical as a mandatory site service in Part 1 of Annex B2 or remove Annex B2 entirely as the requirements are covered in the revised Supplemental Agreement template.	All	Closed
1104	22/11/18	5.0	Cadent (DD) to consider a process for suggested changes to Supplemental Agreements and the need to formulate a high-level process to outline the process steps for consistency.	Cadent (DD)	Carried Forward
1105	22/11/18	5.0	National Grid and Cadent to consider the consequential impacts and whether they are material from Section B (telemetry and SCADA impacts) Section N and Section B.	National Grid (LM) Cadent (DD)	Closed
1106	22/11/18	6.0	National Grid (LM) to consider the definition for the Closed NTS/LDZ offtake and any consequential impacts associated with the suggested change, i.e. Section L Liabilities	National Grid (LM)	Closed
1107	22/11/18	10.0	Cadent (DD) to brief the CNI forum of the current issues/concerns with roles and responsibilities and identify which elements need to be codified.	Cadent (DD)	Closed
1201	05/12/18	2.0	NGN (AP) to articulate concerns about changing Lease Agreements for Asset Removal.	NGN (AP)	Pending
1202	05/12/18	2.0	National Grid NTS (EB) to consider what detail would be required in OAD for Asset Removal.	National Grid (EB)	Pending
1203	05/12/18	5.0	National Grid NTS (EB) to provide business rules for tri-partite agreements	National Grid (EB)	Pending
1204	05/12/18	6.0	Current Draft Modification to include – an update to OAD to reflect that the default for site security is the site owner unless it is agreed otherwise.	Cadent (CW/SS)	Pending