

UNC Governance Workgroup Minutes

Friday 08 February 2019

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

Attendees

| | | |
|-----------------------------|-------|------------------------|
| Chris Shanley (Chair) | (CS) | Joint Office |
| Mike Berrisford (Secretary) | (MiB) | Joint Office |
| Alex Travell* | (AT) | BUUK |
| Clare Cattle-Jones* | (CCJ) | SSE |
| Dan Fittock* | (DF) | Corona |
| David Mitchell | (DM) | SGN |
| Gareth Evans* | (GE) | Waters Wye Associates |
| Kate Mulvany* | (KM) | Centrica |
| Kirsty Dudley* | (KD) | E.ON UK |
| Linda Whitcroft | (LW) | Xoserve |
| Martin Baker | (MB) | Xoserve |
| Penny Garner | (PG) | Joint Office |
| Richard Pomroy | (RP) | Wales & West Utilities |
| Roberta Fernie* | (RF) | Ofgem |
| Sasha Pearce* | (SP) | npower |
| Shiv Singh* | (SS) | Cadent |
| Steve Mulliganie | (SM) | Gazprom |
| Teresa Thompson | (TT) | National Grid |
| Tracey Saunders | (TS) | NGN |

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/gov/080219>

1. Introduction and Status Review

In welcoming everyone to the meeting, CS explained the aims of the meeting namely to focus on the development of UNC Modification 0676R.

1.1. Approval of Minutes (04 October 2018)

The minutes from the previous meetings were approved.

1.2. Modifications with Ofgem

None.

1.3. Pre-Modification Discussions

None.

2. Workgroups

2.1. 0676R – Review of Gas Transporter Joint Office Arrangements

(Report to Panel 21 June 2019)

<https://www.gasgovernance.co.uk/0676>

3. BEIS/Ofgem Energy Codes Governance Review

PG advised that she and a colleague (C Shanley) from the Joint Office had attended the recent BEIS/Ofgem meeting (Monday 04 February 2019) on behalf of the Joint Office in its role as Code Administrator during which several industry parties had provided presentations on aspects they believed should be considered as part of the review

PG highlighted that the meeting had been well attended and then went on to provide a brief summary of the key elements of the meeting, during which the Workgroup debated and noted the following key aspects:

- There seemed to be little clear BEIS/Ofgem strategy at this stage;
- BEIS are considering a range of potential changes;
 - Process and Code 'Best Practice' improvements;
 - Potential reform/consolidation of the existing eleven (11) Codes – Elexon proposed as part of their presentation that the industry could go down to three (3) Codes (retail, wholesale and networks);
 - Making Code Administrators into Code Managers that would be able to raise Modifications and/or have responsibility for performance assurance;
 - Radical (fundamental) move toward a principle based Code process (similar to the Australian market model);
- BEIS/Ofgem consultation to commence from May 2019;
- Initial 'feel' suggests that the meeting was electricity market centric with a lack of clarity around what is actually wrong with the UK Gas Market (i.e. why the need for change?);
 - The Workgroup notes that the perception is that the gas arena is complicated which whilst possibly correct, it is not necessarily something that could be easily improved;
 - The Workgroup wondered whether a move to a contract/principles led regulatory approach might be preferable – however, it was also noted that this could potentially lead to a lack of regulation supported by over bearing guidance;
- The Code Administrators Code of Practice group was not referred to and could play a key/new role in relation to code process improvements and sharing of best practice;
- Recognition that adopting a principle driven regulation approach for a new Code (i.e. similar to the 28 page REC Code) is easier than attempting to change the UNC processes, especially baring in mind that the current UNC (the Code) is circa 800+ pages;
 - The Workgroup recognised that whilst improvements could be made to the current UNC processes, care would be needed to avoid ending up with an inferior position for the UK Gas Market;
- The Workgroup recognises that whilst a more commercial based process would work in theory, in practice the Gas Market is working adequately as is and the industry could always make further enhancements going forwards;
- It was noted that Denton Lawyers had an interesting view on the BEIS/Ofgem proposals at the meeting;
 - Questions raised (which remain to be answered), over who is the ultimate arbitrator of Code legal text changes;
- In noting that the Elexon presentation was helpful the majority of other presentations lacked substance and clarity around where the industry goes from here;

- In observing that Ofgem believe the workshop had been useful to allow industry participants to share ideas and highlight areas for potential improvement, RF advised that she would feedback today's discussions to her Ofgem colleagues, and
- The next BEIS/Ofgem Workshop is scheduled to take place on Monday 18 February 2019 and a Webinar will also be available to anyone who could not attend either of the two sessions.

New Action 0201: Reference BEIS/Ofgem Workshop - Ofgem (RF) to provide a link to the 04 February 2019 workshop material for inclusion within the 08 February 2019 Governance Workgroup meeting minutes.

4. Review and Development of Issues Log

Consideration deferred.

5. Review of Outstanding Actions

None to consider.

6. Next Steps

CS briefly summarised the next steps as being:

- Continue to monitor the BEIS/Ofgem Energy Codes Governance Review developments and proposals, and
- Continued development of 0676R Workgroup proposals.

7. Any Other Business

None.

8. 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 |
|-------------------------------|---|---|
| 10:30 Friday 08 March 2019 | Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA | Standard Workgroup Agenda, plus <ul style="list-style-type: none">• BEIS/Ofgem Update• Consideration of 0676R Workgroup proposals. |

Action Table (as at 08 February 2019)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|---|------------|----------------|
| 0201 | 08/02/19 | 3. | <i>Reference BEIS/Ofgem Workshop - Ofgem (RF) to provide a link to the 04 February 2019 workshop material for inclusion within the 08 February 2019 Governance Workgroup meeting minutes.</i> | Ofgem (RF) | Pending |