

**UNC Workgroup 0506 0506A Minutes  
Gas Performance Assurance Framework and Governance  
Arrangements**

**Wednesday 09 September 2015**

**31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Andrew Margan	(AMa)	British Gas
Andy Miller	(AMi)	Xoserve
Angela Love	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter	(EH)	RWE npower
Jon Dixon*	(JD)	Ofgem
John Welch	(JC)	RWE npower
Mark Jones	(MoJ)	SSE
Matt Jackson	(MJa)	British Gas
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy	(RP)	Wales & West Utilities

\*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0506/090915>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 October 2015

**1.0 Review of Minutes and Actions**

**1.1. Minutes (25 August 2015)**

AL requested the following amendments to the 25 August 2015 minutes:

**0506 0504:** *Reference the Options paper discussion document on contracting model - ScottishPower (AL) to look to canvass Shipper views on the most suitable option for the contracting model.*

**Update:** Having had further discussions at Energy UK, AL confirmed that she would [consider which way to go](#). ~~keep with the existing model.~~ **Closed**

**Section 2.1 – Second Paragraph**

The proposed changes to the User Pays section were then explained and reviewed. AL had looked at other modifications to assist in formulating her view and in particular those specifically associated with Nexus [and queried if Nexus funding could be used similar to other modifications](#). A discussion ensued. Noting that Performance Assurance was not set as part of the Nexus Business Requirements or allowed funding for system replacement and challenged whether the association was appropriate, in the DNs' view the modification is seen as User Pays (using Xoserve services). AL pointed out that the DNs were not limited to using Xoserve, [to determine such points, as the provider of the services](#) as they could use the ENA, for example.

**Section 2.1 – Fourth Paragraph**

AMi explained the tendering process; [AL highlighted that user pays was used 0513 where National Grid contracted](#), comparisons were made with the AUGE process. CW indicated

the DNs would be likely to approach Xoserve as the successful tried and tested route, noting that a proper funding mechanism also exists.

The minutes of the previous meeting were then approved.

## 1.2. Actions

**0506 0601:** SSE (MJ), Xoserve (AMi) and Scottish Power (AL) to liaise offline and prepare a one page 'up front' clarification summary document (identifying the various supporting documentation interactions) for inclusion in the Workgroup Report solution section.

**Update:** AMi confirmed that once the modifications are stabilised this will be produced to help readers when they are considering their consultation responses. **Carried forward**

## 2.0 Consideration of Modifications 0506 and 0506A

### 2.1. Consider Amended Modification(s)

AL provided a summary of the changes submitted for Modification 0506, which include a number of changes to references and some amendments to the User Pays section.

AL suggested that Transporters should not consider Xoserve as the only option for undertaking the tendering process to appoint a Performance Assurance Framework Administrator, they should consider what is the best option for the industry and allow Xoserve to bid for the role should they wish to.

AL asked for views from parties about the options and a request for Transporters not to discharge their obligations to Xoserve as other parties could be considered. RP expressed it would be unusual for Shippers to stipulate a request to the Transporters not to discharge their obligations to a party of their own choosing. He challenged that Shippers should not be able to define how obligations are discharged and provided a comparison where Transporters insisted on Shippers using a certain MAM or MAMs. RP was also concerned about the consequences and efficiencies of precluding Xoserve from managing the tender process as they have experience in this role and there are established processes to do so.

CB suggested that Transporters should not exclude other parties from managing the tendering process as this could potentially limit parties that could provide an equally valuable service, while allowing Xoserve to offer services and experience in the PAFA role.

The Workgroup considered the administration of the tender exercise and whether parties should, as ENA, run the tender. CW suggested another option maybe for the Shippers to consider having the obligation to undertake the tendering process.

AL expressed a wish to obtain wider views from the industry on the use of other parties to manage the tender process and capturing this either in the Workgroup Report or Consultation process. BF explained that as the requirement or obligation is not currently part of the modification solution it would be difficult to incorporate an assessment regarding the use of other parties without amending the modification. It may be possible to add a comment to the impact section or request that Panel seek views during consultation.

AL suggested Shippers would want the Workgroup Report to consider the impacts of Transporters using Xoserve to undertake the tender process. AL simply wanted a view on the use of other parties for the tender process without the automatic selection of Xoserve on the grounds that it is the easiest option but may not have the long-term industry benefits.

AL agreed to consider with Scottish Power if the modification solution should be amended to require Transporters to use or consider using other parties for the tender management process.

AL explained the amendments to the User Pays section of Modification 0506 and enquired how Modification 0513 - UK Link Programme (Project Nexus) - independent

project assurance for Users, managed the User Pays costs, as it appeared to set a precedent. It was explained that a tripartite agreement was entered and Ofgem undertook the procurement for Modification 0513 and funded the tender process and that the Transporters agency paid the costs for the provision of the report and this was recovered via User Pays. AL could not see why this option could not be used again to fund Modification 0506. Ami was concerned that a one off exercise to put in place an exercise on project assurance was being used to establish a charging methodology for cost recovery for establishing PAFA services – they were totally different processes and the procurement was managed through Ofgems contract process. For Modification 0506 to utilise this route the cost of the procurement exercise would have to be covered by the Transporters and the actual service costs would be rechargeable through User Pays.

AL asked JD how the three-way contract with Xoserve, Ofgem and Baringa Partners worked for Modification 0513. JD explained that Ofgem covered the cost of the procurement process and didn't recover this element. JD believed a specific provision existed in the contract allowed the service costs to be passed to Xoserve for payment. He suggested that Modification 0513 was very much different to Modification 0506 as it was part of Nexus delivery, which the industry was already funded to do. However, AL suggested the funding arrangements for Modification 0513 could be seen to set a precedent for other modifications.

JD explained that User Pays allows Transporters to recover central agency costs, nothing prevents the Transporters from establishing something new to recover costs, but this would take longer to assess as it may impact established charging methodologies. CW believed this option would require a lot of issues to be examined. JD explained that a new charging schedule would make the change more complicated. CW also highlighted that licence requirements would also need to be looked at. AL summarised that the intent of the modification seems hamstrung by the current arrangements and she would like to ensure that the Panel are aware of this.

CB expressed that this was an interesting option to think about in the future and something the Funding, Governance and Ownership (FGO) Programme may have to address as well. It was explained that if this were an FGO modification, benefiting one constituency group, that group would procure a service itself or utilise a central agency service provider. It was also suggested if a party is conducting the tender process that party cannot enter a bid in the tender exercise.

JD suggested the modification could construct an obligation on Transporters to test the market and for them to appoint the Central Agency if a favourable party is not found, he felt something similar applied to BSC. It was agreed that any tender should be competitive.

BF suggested the Workgroup try to focus on the modification as it stands now and to allow Scottish Power to consider if they want to change the solution to place an obligation on Transporters to appoint a different party to Xoserve to manage the tender process. The Workgroup agreed to capture the different views of participants. It was agreed that the impacts section of the Workgroup Report should highlight if the Transporters use Xoserve for procurement, that Xoserve would not be able to tender for the PAFA role.

### **3.0 Consideration of Legal Text**

RP provided the legal text commentary and text for both Modifications 0506 and 0506A. RP explained that all the business rules have been captured within the legal text and set out in the commentary.

RP highlighted the difficulties created by overlaps for text production for Modification 0506 and 0520, within section 16. The text 0506 and 0520 assumes the other has not been implemented and the use of footnotes within the text to capture the need for paragraph renumbering should both be implemented. This is not an issue for Modification 0506A as it amends the transition text.

It was noted that text for 0506A Section 19.4 User Pays Change needed to be removed.

AL also highlighted the need for both sets of legal text to mirror each regarding the requirement of guidelines. RP agreed to review the text in respect of the guidelines.

It was also noted for Modification 0506A the summary of the solution had an additional element not captured in the main solution and the proposer needed to consider if the main solution required an update. It was agreed that the legal text reflected the current business rules correctly.

AMi also highlighted a rewording for 0506A paragraph 19.3.2 and the obligations with the Transporter, obligation should be on the DNOs

**Action 0901: SSE to consider amending Modification 0506A solution to ensure the main solution captures all elements within the summary.**

#### 4.0 Workgroup Report

The Workgroup considered and updated the draft Workgroup Report.

It was noted that there is a Nexus programme risk to the system delivery of Retrospective Adjustments and that a manual work around may be implemented until a system solution was developed. Some participants felt should this risk materialise, Modification 0506 would be able to put monitoring in place as the Central Agency is within scope

AMi was concerned that Xoserve have no vote or ability to be part of the Performance Assurance Committee (PAC) in Modification 0506 yet it was subject to the regime. BF explained that committees could have non-voting members. AMi highlighted that Xoserve have extensive expertise which would be of benefit to the committee and wished not to be excluded from its discussions. CB expressed concern if the PAC created a role for Xoserve, Xoserve could end up having a casting vote. AMi wished for the Workgroup Report to recognise Xoserve were to be part of the arrangements but were without voting rights.

The Workgroup considered whether Modification 0506 might need to preclude iGTs as well as National Grid NTS. RP challenged that iGTs are not defined as Transporters; CW believed that iGTs are considered separate to the DNOs. The Workgroup discussed that if something from the PAC is referred to the UNCC, iGTs and National Grid NTS being members of the UNCC would have voting rights.

The Workgroup considered the balance of voting rights under Modification 0440. Which creates a 6:6 balance for UNCC (ie 6 Shipper, 4 DNs, 1 NTS, 1 iGT). The Performance Assurance framework considered a balance of 5 Transporters (any DNOs and iGTs) and 5 Shippers.

It was agreed that if a voting matter is escalated to the UNCC further clarification would be required.

The Workgroup considered the specific panel questions, which had been referred back to the Workgroup.

The Workgroup considered the cost of the services to be provided and the provision of a cost benefit analysis.

The Workgroup considered the cost to the industry and funding of meetings. AMi explained Xoserve are already funded to attend industry meetings so in terms of meetings there wouldn't be an additional cost. AMi explained the PAC had been developed to consider the costs. AL explained that the only additional costs for Modification 0506 over Modification 0506A would be the procurement event costs.

It was considered that there would be no significant set up costs for Modification 0506A but as the Workgroup do not know what services the PAC may request, the ongoing service costs cannot be provided. AMi advised that any new service costs would have to be approved by the PAC before these were incurred. AL noted that the same arrangement could operate for Modification 0506 with a framework contract entered into and work/resource drawn down as services are required. AL noted that this could operate similar to the Ofgem framework, which delivered Modification 0513.

It was agreed that the Workgroup needed to consider further how the costs be managed.

## 5.0 Next Steps

BF summarised the next steps and the need for proposers to consider any further medication amendments, subsequent legal text amendments and what is required to enable conclusion of the Workgroup Report.

## 6.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings are scheduled to take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Thursday 01 October 2015	Room LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<ul style="list-style-type: none"> <li>• Consider any modification amendments</li> <li>• Consider any legal text amendments</li> <li>• Amended TOR</li> <li>• Review User Pays aspects/treatment</li> <li>• Complete Workgroup Report</li> </ul>

### Action Table (09 September 2015)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0601	16/06/15	4.2	To liaise offline and prepare a one page 'up front' clarification summary document (identifying the various supporting documentation interactions) for inclusion in the Workgroup Report solution section.	SSE (MJ), Xoserve (AMi) and ScottishPower (AL)	<b>Carried forward</b>
0901	09/09/15	3.0	SSE to consider amending Modification 0506A solution to ensure the main solution captures all elements within the summary	SSE (MJ)	<b>Pending</b>