
UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Wednesday 03 February 2016
31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andy Miller	(AMi)	Xoserve
Angela Love*	(AL)	Scottish Power
Anne Jackson	(AJ)	SSE
Charles Wood	(CWo)	Dentons
Chris Warner	(CWa)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
David Watson	(DW)	Centrica
Ed Hunter	(EH)	RWE npower
Gethyn Howard	(GH)	Brookfield Utilities UK
Hilary Chapman	(HCh)	Xoserve
Joanne Hoad	(JH)	E.ON
Julie Cox	(JC)	Energy UK
Richard Pomroy	(RP)	West & West Utilities
Ruth Cresswell	(RC)	National Grid Distribution
Sean McGoldrick	(SMc)	National Grid NTS
Steve Mulinganie	(SMu)	Gazprom
Sue Hillbourne	(SH)	Scotia Gas Networks

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/030216>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 October 2016.

1.0 Introduction and Status Review

1.1. Approval of Minutes

Minutes approved.

1.2. Actions

1203: Scottish Power to examine the Dentons Discussion Paper published in October to consider if there is are any feasible alternative options to the route described in the current modification.

Update: AL agreed this action could be closed and would raise any concerns once she has considered the paper. **Closed.**

Action 0101: National Grid to update and provide the Risk / Issue Log for further consideration.

Update: See item 5.0. All parties have been requested to submit additional risks / issues to be added to the register. **Closed.**

Action 0102: Timeline/Workplan to be developed.

Update: An initial timeline had been provided for further development. **Carried Forward.**

2.0 Proposed Licence Change Overview

Ofgem was not available to provide an update on the informal consultation that took place in January. It was understood a statutory consultation was aimed for commencement in early February.

DW asked if there was any information from Ofgem on the informal and formal licence consultations. SMC confirmed that there has been nothing from Ofgem with regards to the informal consultation.

3.0 Scope of UNC Obligations

Item deferred. The Workgroup acknowledged the need to better understand the scope and interactions with the FGO Programme Board.

4.0 Legal Drafting Overview

CWa confirmed that the modification had been amended to address some concerns tabled at the previous meeting by including the DSC within scope and that CWo from Dentons had attended the Workgroup to provide an overview of how the legal drafting would work. CWo provided a replacement outline of TPD Section V6.5.

SMu enquired about the engagement of the CDSP and the semantics of the CDSP being appointed – is it all UNC parties or just Transporters? CWo explained that the Transporters licence condition nominates the CDSP and the UNC will create the function for all parties to contract with the CDSP for the provision of its services.

CB enquired about the separation of Xoserve recognising some core transporter agency activities would still need to be undertaken. CWo envisaged there would be some issues to consider regarding the separation of some of the activities but this was a high level example to show the process could be achieved.

SMu welcomed the creation of the concept of the CDSP but highlighted in the future this doesn't have to be Xoserve. He enquired about the possibility of wording the UNC to avoid the CDSP having to be a single party as he would prefer the option for them to be one or more parties as and when required.

CWo explained that the description will be put in the Code and rather than having a multi party example this could be included at a later date. He explained there will still need to be a contract. The UNC will need to stipulate that parties will not be able to sign up to the UNC unless they have also signed up to the CDSP.

CB wanted assurance from the start that the CDSP won't be restricted to one particular organisation and that more than one could be appointed at any time to gain the benefit of competition by being able to access the market. Currently no Code parties were appointed to offer services such as the AUGE and these were not restricted to one party.

AL agreed, as can be seen with the implementation of Modification 0506V, there is an appetite both within the industry and Ofgem to see competitive services adopted where possible.

DWo suggested if at some point the industry wanted to split out services provided by the DCSP service provider and allow the existence of a multi-party CDSP this would probably require a further UNC modification.

SMu highlighted at the moment parties are only able to use Xoserve and they have no risk or incentive to be better or offer different services.

SMc believed at present Ofgem are not suggesting there would a multiple party approach to CDSP as the suggestion is for a single entity as this option had been brought forward to give Shippers more access to the operation of Xoserve. He suggested the industry would only want to take services elsewhere if this made commercial sense. However, Transporters are not suggesting that parties need to remain with Xoserve. SMu wanted to facilitate flexibility from the outset to allow another party, or consider the CDSP being multiple parties and suggested the legal text should take this into account.

SMu suggested an action should be taken for Ofgem to consider the concept of a multi service provider CDSP.

Action 0201: Ofgem to consider the concept of a multi service provider CDSP.

The Workgroup discussed the executive membership of Xoserve it was suggested that non-executive directors would be appointed to represent the interests of Shippers. However, there were concerns raised that appointment was not going to be on a constituency basis and may not be representative of the industry.

CWo explained that the service definitions of the CDSP would not be included in the UNC, placing any detailed service definition within the UNC would add unnecessary complications and a level of detail not currently reflected. There were other existing related documents that would form the basis of the service definitions.

CWo understood that the licence refers to central services but it doesn't state in detail what they were. He acknowledged there are some questions to be considered to get the architecture right, however the main purpose of the outline provided was to show what the UNC would look like. He envisaged each section having an explanation of the CDSP function to recognise the existence of the CDSP and the activities it undertakes. He acknowledged there would be some functions such as Theft of Gas and SPAA, which were not considered core CDSP activities.

JCx enquired how parties would be made to sign up to the DSC and she also wanted to understand if parties would be made aware of the cost implications. DW explained that there is a programme of work to ensure parties are aware of the changes and to encourage engagement. JCx asked about the costs and interactions to ensure all parties are aware of the consequences of this modification. It was explained that legally when the UNC changes the Authority directs the Code to change, therefore parties will need to understand this obligations to sign the DSC at that time. CWo explained the process adopted for Network Sales and that all parties would need to sign the DSC to obtain the services they require, the current assumption is that all parties to the UNC will need to sign the DSC otherwise they will no longer be able to use services defined in the UNC.

CWo explained the role and status of the CDSP. The DSC will need to state that the CDSP will do those activities required under Code. The Code will set out the high level functions and obligations of the CDSP, however the CDSP will not be a party to the Code. The DSC is to provide the detail to operate and the CDSP is to perform the functions assigned to it under the UNC/DSC.

JCx asked why the CDSP could not be recognised as a party to the UNC. CWo explained that making the CDSP a party to the UNC would add further complications as it would be difficult to define which parties obligations were being undertaken, it would make the governance structure very difficult to define and operate.

CWo didn't see any new obligations being created; some rules will stay in the UNC although the legal characterisation may change. Every section of the Code needs to be reviewed to consider how the CDSP will change the process.

SMu asked about the carve outs and the ability to make changes to the DSC, where would the governance sit. He wanted the industry to use the opportunity and see the efficiency gains and unless there was a benefit to making this change he couldn't see the reason for

creating the CDSP. SMu expressed concern that the change is creating a perception of competition when in effect there wouldn't be. He suggested that a change that does not create competition is a waste of the industry's time.

SMu enquired about the iGTs and how these changes will impact the the iGT UNC. GH believed there would need to be a review of the iGT UNC as the process is for the iGT UNC to point at the relevant sections of UNC so they need to understand if this is sufficient. Introductory paragraphs may be required or sufficient to demonstrate how the process will work.

CWo explained that the CDSP should enable the Transporters to comply with the UNC and for them to undertake their licence condition obligations.

SMu asked about service levels within the DSC, will they mirror those in the UNC. CWo explained that in new world the CDSP will need to undertake processes to make the DSC work, the underlining obligations will still exist in UNC, however detailed service levels should be established in the DSC.

The Workgroup considered the outline structure, content and governance diagram. The diagram illustrated the governance process, which elements would require a UNC modification and what would in effect be controlled by DSC governance. It was envisaged that the DSC and high level operational processes, would be controlled by the existing UNC governance process. However, the DSC itself would have its own governance process established.

The Workgroup considered the current governance of the UNC, referenced documents and change management. CWo believed the UNC would need to set the boundaries and set out the requirements for managing subsidiary provisions.

CWo believed the industry wouldn't want to create an arrangement where every party would need to give their agreement to a change, as it just wouldn't happen. Nevertheless the change management and contract management principles need to be understood. CWo explained that parties who sign onto the agreement would need to comply with it through a framework agreement.

AL was concerned how changes would be managed and the visibility maintained, referring to the non-code User Pays contract, which is not governed under the UNC, and how this contract exists outside the structure as not all parties were signed up to it. CWo explained that there would be a mandatory condition to sign up to the DSC and those who refuse to sign could not be considered a UNC party and in theory would have to be terminated as a User. JCx suggested this approach may offer a get out clause / opportunity for some parties to exit the market without meeting their obligations for exit. CWo felt this was unlikely and would be restricted to a one off event as the DSC is established, he suggested transition rules could be put in place to ensure parties were managed through any exit process. CWo suggested there would be two options for DSC; signing the DSC would be mandatory or optional. However, to obtain services the DSC would have to be signed on to.

SMc asked about core functions and systems and management of separate services, such as bespoke services under separate agreements. CWo explained something would be needed for Xoserve to offer bespoke services and this needs to be part of the core (i.e. what goes where), the principles of this could be within the UNC.

CWo provided a drafting timetable for Modification 0565. DW enquired about the drafting of the DSC as this was omitted from the timetable. SMc asked for a line to be added for the DSC for parties to understand this element of the Workplan. CWo explained that the UNC architecture would be drafted to set out the principles. CWa was keen to start work on the drafting of the DSC as soon as possible and clarified that the drafting of the UNC text should not hold up work commencing the drafting of the DSC.

CWo suggested that a page turning exercise would need to be undertaken for UNC Sections G, H and M, and understanding the principles. It was agreed to hold separate Legal Text

Workshops with interested parties to facilitate this piece of work. A meeting was agreed on 15 February 2016.

5.0 Risk / Issues Log

The Workgroup briefly considered a number of potential risks and issues to be recorded and considered. These included:

Risks: delayed approval of the licence condition; delays to project Nexus; the function of the FGO being overtaken by Workgroup 0565 developments, the outcomes of the FGO maybe over scrutinised by the 0565 Workgroup, duplication of effort, the failure to sign to CDSP could result in terminations.

Issues: DSC governance; intellectual ownership of data, single entity of CDSP.

Action 0202: All parties to consider and articulate risks and issues for inclusion on the Risk and Issues log.

6.0 Timeline / Workplan

An initial timeline had been provided along with a request to include the DSC development work to monitor and ensure progress remains on track and appropriate meetings are scheduled.

CWa wanted to make sure there was some dual co-ordination and confirmed that he would liaise with Paul Rogers, National Grid Distribution to ensure there is joined up thinking.

SMu asked the industry to consider the outcomes of KMPG and ensure broader industry oversight as he believed the KMPG was limited to a small group.

JCx wished to utilise the work undertaken by the KMPG and avoid duplication, however it was recognised further scrutiny may be required where it was deemed necessary.

The Workgroup acknowledged there was a risk that the function of the KMPG FGO programme could be and overtaken by this Workgroup.

AL asked for confirmation when aspects of the FGO programme sub groups would be handed over to this UNC Workgroup to consider the impacts on Code.

7.0 Next Steps

DW believed the Workgroup needed to establish the scope this Workgroup didn't overstep the terms of reference leading to misalignment and duplication of effort.

An interim Legal Text Workshop was initially planned, with further details to be communicated for 15 February 2016.

BF confirmed a further Workgroup Meeting would take place on the 02 March 2016 to obtain an update from Ofgem on the Licence Changes, receive an update on the Legal drafting and consider the interactions with the FGO and work required for the DSC.

8.0 Any Other Business

None.

9.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
Monday 15	Venue to be confirmed	Section G Legal Drafting Workshop

February 2016		
10:30 Wednesday 02 March 2016	31 Homer Road, Solihull, B91 3LT	Proposed Licence Change Overview Legal Drafting Update Interactions with other FGO groups DSC Contract Risk / Issues Log Timeline / Workplan
10:30 Wednesday 06 April 2016	31 Homer Road, Solihull, B91 3LT	TBC
10:30 Wednesday 04 May 2016	31 Homer Road, Solihull, B91 3LT	TBC

Action Table 03 February 2016

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1203	01/12/15	3.0	Scottish Power to examine the Denton's Discussion Paper published in October to consider if there is any feasible alternative options to the route described in the current modification.	Scottish Power (AL)	Closed
0101	06/01/16	5.0	National Grid to update and provide the Risk / Issue Log for further consideration.	National Grid (CW)	Closed
0102	06/01/16	3.0	Timeline/Workplan to be developed	National Grid (CW)	Carried Forward
0201	03/02/16	4.0	Ofgem to consider the concept of a multi service provider CDSP.	Ofgem	Pending
0202	03/02/16	5.0	All parties to consider and articulate risks and issues for inclusion on the Risk and Issues log.	All	Pending