
UNC Workgroup 0565 Minutes
Central Data Service Provider: General framework and obligations
Wednesday 06 January 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	(AM)	Xoserve
Anne Jackson	(AJ)	SSE
Azeem Khan	(AK)	RWE npower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
David Watson	(DW)	Centrica
Gethyn Howard	(GH)	Brookfield Utilities UK
Lorna Lewin	(LL)	DONG Energy
Joanna Ferguson	(JF)	Northern Gas Networks
Justin Goonesinghe	(JG)	National Grid NTS
Michelle Toussant-Bourne*	(MTB)	Ofgem
Richard Pomroy*	(RP)	West & West Utilities
Steve Mulinganie*	(SM)	Gazprom

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0565/060116>

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

1201: National Grid (CW/SM) to clarify the expected target date for finalising the wording for the GT licence conditions.

Update: JF understood there had been some additional revisions made to the licence conditions. MTB confirmed that Ofgem had issued a consultation on the draft licence conditions in November. Following the consultation some further revisions had been made to the licence to add clarity on the key points, which were being communicated via an informal consultation. This will be issued in the next few weeks followed by a statutory consultation at the beginning of February. MTB clarified there were no fundamental changes to the proposed principles. **Closed.**

1202: National Grid to provide the Workgroup a summary of the issues, risks, elements that have outstanding decisions to allow tracking and monitoring.

Update: CW confirmed a log and presentation had been provided. **Closed.**

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

Update: CW confirmed the discussion paper had been published. Item deferred. **Carried Forward.**

2.0 Proposed Licence Change Overview

See Action update 1201. An informal consultation will take place in January and a statutory consultation aimed for commencement in early February.

3.0 Scope of UNC Obligations

CW provided a presentation on the General Framework and Obligations. He confirmed work is being undertaken with Denton's to look at the potential UNC impacts and identify the next steps. He confirmed that the proposed UNC framework, will need to be aligned to the Licence conditions and service lines mirrored in the Data Services Contract.

CW further explained that there would be services undertaken by Xoserve that will not be defined as Central Data Service Provider (CDSP) activities. The modification will need to address the processes, governance and charging arrangements associated with the CDSP and a Data Services Contract (DSC) and identify responsibilities. There will be a mandatory requirement for parties to sign onto and comply with the DSC. CW clarified the content of the DSC is to be developed in an industry Workgroup facilitated by Xoserve. A number of parties expressed the need for all associated Workgroups to work in parallel with some expressing a view that DSC discussion and development should be with the UNC workgroup.

AM explained that there are a number of outstanding matters that need to be established such as the finalisation of the Licence Conditions, which will feed into the development of the contract and whether the services should be for profit or not. He clarified that Xoserve need to provide traceability and demonstrate why clauses will exist in the DSC, as the Licence conditions and UNC should point to the relevant sections in the DSC. AM believed that the contract would have a natural flow, some work had started in preparation for its development as the general principles were understood..

AM confirmed that every party will be contacted about the development plan and will be kept informed on the development. He confirmed that all the GTs, Shippers and iGTs will have to sign the contract and that the DSC needs to be completed and approved with time allowed for the signatory process. This may mean that not all parties end up with an agreement they want but that it would provide the services currently defined under UNC post Project Nexus.

SM asked if the contract would be an ancillary or related document to UNC. The Workgroup discussed the governance of an ancillary document and the possible contract governance. SM expected the DSC to be an ancillary document. If the DSC is not an ancillary document it was recognised some other form of governance and visibility would need to be considered with regulatory oversight. It was agreed to log the governance of the DSC framework as an issue for further consideration.

DW asked about elements, which are not part of the FGO programme and the process for development. DW enquired what the DSC Workgroup would look like, how it would operate and how issues would be addressed. AM explained that the development of the DSC would track back to the licence and UNC, the decision process for the DSC will be a best fit contract, as he recognised that it would be difficult to word the contract so that all parties agree to the actual wording used, due to differing views and styles. SM expressed his concern about the DSC contract being rushed, as this is a critical contract for the provision of services going forward. CB expressed that the contract needs to be fully understood and complete to provide parties with certainty in the management of services before they were requested to sign on to the agreement. AM stressed that Xoserve are leading the process and this would be based on the relevant Licence Conditions and UNC framework. He

anticipated that the service, service provision and UK Link manual will for the most part remain unchanged and will where possible be lifted and shifted. He acknowledged that the contract has to be developed by a certain point in time and he reassured parties that Xoserve will consult with the GT, iGTs and Shippers before it is issued to Ofgem for approval. AM however emphasised that the purpose of this Workgroup will not be to negotiate DSC terms, as it will need to focus on defining services that will have to be reassigned. He explained the Licence Conditions and UNC Code structure would provide an indication of what will need to be in the DSC.

DW was uncomfortable with the risk of creating dual governance and that the process may fail due to a lack of joined up development. This is likely to create risks against the overall FGO programme due to that fact that oversight is not there. He was comfortable with an approach based on either the UNC or FGO providing oversight of UNC/DSC development but was not prepared to allow for 3 independent work streams to manage development in isolation of each other as this is likely to lead to significant risk. There needed to be control and the ability for parties to have a say into what goes into the contract without having to attend 3 different workstreams. Shippers were concerned about the development of the DSC and looked for reassurance that the risks associated with the establishment of a new contract would be managed.

CB enquired if the obligations in the UNC would have a corresponding condition in the contract and how dual governance would be managed. AM explained if there were a future change in the number of objections days, for example, the DSC contract would have to mirror the UNC. There would be a need to understand what the changes in obligations are and a change process to effect such changes. However, AM explained he did not have all the answers yet as to how the governance framework for making changes to the DSC would work, particularly for changes that may only affect certain constituencies i.e. only affect Shippers. Xoserve recognised the change in contract management did need more thought recognising there may need to be regulatory oversight.

It was requested if links to the Licence and UNC framework could be published in the minutes.

Links to the CDSP Licence Conditions and Framework:

Informal consultation on changes to Standard Special Condition A15 (Agency) of the Gas Transporters Licence - (<https://www.ofgem.gov.uk/publications-and-updates/informal-consultation-changes-standard-special-condition-a15-agency-gas-transporters-licence>)

Xoserve's Funding, Governance and Ownership (FGO) Programme - (<http://www.xoserve.com/index.php/our-change-programme/xoserves-funding-governance-and-ownership-fgo-programme>)

UNC Framework – (<http://www.gasgovernance.co.uk/0565>)

DW enquired what would need to change for the development of the DSC to be developed within the UNC Workgroup. CW was open about considering the DSC as having some sort of UNC governance and treated as an ancillary document. He explained that the DSC would have to be referred to the UNC in some form and this would need to be considered as part of the development process. He explained that there could be several options to develop the contract either under FGO, Joint Office or Xoserve.

DW wished to understand what the consultation process would be for industry input and about the ability to appeal or raise concerns with Ofgem. SM emphasised that the production, oversight and future management of the DSC has become more important and that Shippers want an input. SM wished to see the DSC being developed as part of the modification. CW agreed to reflect on today's discussions with Xoserve and Ofgem and provide a view on the way forward.

CW proceeded with the presentation and the areas, which needed to be considered as part of the modification. He anticipated that TPD Section V6.5 would need to be rewritten and breaches to the DSC would also need to be considered and made robust.

DW enquired if there would be any instances where Xoserve would remain the Agency for Transporters. JF clarified that the Transporter agency will still be required for invoicing. CW explained that Xoserve as CDSP will be contracting as "Principal" not as the Transporter Agency, and the UNC will need to reflect the change in the legal status of Xoserve in providing UK Link services.

SM raised a concern about the changes and transitional arrangements in the restructuring for historical liabilities between previous parties in the contract. CW agreed to add this second item to the issue log.

CW explained it would no longer be the Transporter's sole responsibility for providing systems to support the UNC services. However, he explained that essentially the way processes are managed such as confirmations, were not likely to change as part of this process. References to the Transporter in the UNC will need to be changed to the CDSP to reflect that it will be Xoserve who will operate and handle data flows.

SM challenged who would ultimately be responsible for failures if the UNC removes the direct obligation from Transporters to the CDSP. DW believed there would be a shared liability within the UNC to ensure the CDSP does not fail. AM explained that ultimately Xoserve will have incentives not to fail and that its board and customers would review its performance. SM believed that the constitution of the entity would change and this needs to be suitably robust.

SM also asked for clarity around the routes for communicating directly with the CDSP rather than the Transporters. CW agreed to add this item to the issue log for further consideration with the lawyers.

CW provided some examples of the approach to the UNC changes for process obligations under the UNC. SM challenged some of the positions where Transporters would step back from their current obligations. JF explained some elements will remain the primary responsibility of the Transporters such as discharging licence obligations and ensuring Shippers are acceding to the UNC. Where there is an accession agreement the Transporter will be silent with some processes such as the registration of supply points. It was recognised some elements such as the change of supplier process and the contractual arrangements for this were not something Transporters would need to be responsible for or have any jurisdiction, there will be an appropriate obligation in the UNC for the responsible parties.

DW wished to understand and be provided with a list of what (and what not) Shippers will be responsible for. AM referred to the ASA, Schedule 2 part 1 and part 2. JF explained Xoserve will not stop doing something they already do. AM explained there may be gap where processes are currently enacted on behalf of Transporters which may need to be considered against which will be the transacting Parties.

CW explained that existing Transporter SPAA obligations are predicated as singular entity, there is a one to many relationship. He confirmed that it is not legally sustainable for requirements to fall on a collection of Shippers or Transporters, where the UNC recognised a collection of obligations it has to be the CDSP. The reference to the CDSP it makes it clear who is involved in the communication process. CW explained there will still be some collective Transporter obligations.

The Workgroup considered the payment and funding of services. GH confirmed that service allocations have been considered by the FGO. CW expected this to feed into the DSC but this was part of the FGO programme. Ultimately if a party takes a service the party will pay for the service, the budget is not expected to increase just simply move.

CW provided some examples of realigning obligations to the CDSP. He recognised that consideration still needs to be made with regards to possible breaches.

CW confirmed Section H would need to be considered against Demand Estimation requirements and obligations and Section U would need to be considered, along with the liabilities and responsibilities of the DESC and UK Link Committees.

SM suggested the Workgroup undertake a gap analysis to ensure all elements have been identified and assigned appropriately.

CW confirmed that the arrangements would need to be realigned against the Project Nexus arrangements. It was clarified that the KMPG have created a timeline, which monitors to ensure all aspects/services are aligned.

SM suggested that the intellectual ownership of data and where this would reside particularly when the CDSP could change in the future should be added to the issue log. CW confirmed this has already been logged as an item for consideration.

CW explained that the UNC changes are primarily 'legal' in nature and will drive the rest of the framework, ie. how the code requirements will align to the licence.

CW aspired to bring Denton's to future meetings to outline the framework for UNC changes, explain the legal ramifications, and justify the approaches taken for example the existence of the CDSP being in the UNC. CW anticipated that March/April may be a reasonable target for the first trawl of the UNC and some drafting may be available by then.

AM reiterated that the licence drafting and structure of the UNC and what will be aligned to the CDSP will drive the DSC. DW anticipated the DSC taking up most of the time so he was keen to start work as soon as possible on the DSC. AM assured parties Xoserve will engage parties as soon as possible on the DSC when there is clear guidance to.

AM explained the that CDSP charging statement outlining the licence conditions needs to be bottomed out, the DSC cannot be completed until there is certainty on the licence conditions. The 'Boiler Plate' will be dependent on licence conditions and Code.

4.0 High Level impact Assessment (fundamental changes and approach to legal drafting)

Expected March /April.

5.0 Risk / Issues Log

The Workgroup identified a number of potential risks and issues to be recorded and considered. These included the risk of: the delayed licence condition approval; delays to project Nexus; and lack of industry engagement; and the issues around; DSC governance; transitional arrangements and historical liabilities; direct routes to CDSP; and the intellectual ownership of data.

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

6.0 Workplan for future meetings

The Workgroup considered formulating a high-level Workplan to monitor and ensure development remains on track and ensure sufficient meetings are scheduled. It was anticipated that the February meeting might need to be delayed by a week.

The Workgroup initially outlined the following key considerations:

February: Outline of legal structure (Denton's), Ofgem statutory consultation on licence conditions, consideration of iGT modification.

March: UNC Workgroup legal drafting, Xoserve DSC development.

October: Nexus and UNC 0440 live

April 2017 – CDSP live

Action 0102: Timeline/Workplan to be developed.

7.0 Any Other Business

None.

8.0 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
10:30 Wednesday 03 February 2016	31 Homer Road, Solihull, B91 3LT	Proposed Licence Change Overview Scope of UNC obligations Legal Drafting Overview Risk / Issues Log Timeline / Workplan
10:30 Wednesday 02 March 2016	31 Homer Road, Solihull, B91 3LT	TBC
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 06 January 2016

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1201	01/12/15	2.0	National Grid (CW/SM) to clarify the expected target date for finalising the wording for the GT licence conditions.	National Grid (CW)	Closed
1202	01/12/15	2.1	National Grid to provide the Workgroup a summary of the issues, risks, elements that have outstanding decisions to allow tracking and monitoring.	National Grid (CW)	Closed
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)	Carried Forward

Action Table 06 January 2016

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	06/01/16	5.0	National Grid to update and provide the Risk / Issue Log for further consideration.	National Grid (CW)	Pending
0102	06/01/16	3.0	Timeline/Workplan to be developed	National Grid (CW)	Pending