

**UNC Request Workgroup 0683S Minutes
Offtake Arrangements Document (OAD) Review Updates – Phase 1**

Thursday 09 May 2019

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

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(KJMB)	Joint Office
Arran Poad*	(AP)	Northern Gas Networks
Ben Hanley*	(BH)	Northern Gas Networks
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	SGN
Leteria Beccano	(LB)	Wales & West Utilities
Louise McGoldrick	(LM)	National Grid NTS
Shiv Singh	(SS)	Cadent
Stevie Docherty*	(SD)	Northern Gas Networks
Stephen Ruane	(SR)	National Grid NTS

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0683/090519>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 July 2019.

1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting and explained that this Workgroup meeting would run in conjunction with Workgroup 0646R.

1.1. Approval of Minutes (11 April 2019)

The minutes from the previous meeting were approved.

2. Consideration of Amended Modification

SS provided an overview of the latest version of the modification (v2.0, dated 01 May 2019) during which the focus of attention was centred on Section 5 – Solution.

The main points of an extensive Workgroup discussion are presented (by exception), as follows:

- Inclusion of a statement to clarify that the Site Services Party (SSP) views would be limited to site services agreement only aspects;

New Action 0501: Reference Site Services Agreements - Cadent (SS) to ensure a statement is added within the modification to cover off 'SSP views'.

- Land ownership (including leases) aspects also need consideration as they may also include site owners elements – not a view universally supported by all Workgroup participants present as some parties believe that if Cadent are sufficiently concerned about this matter they should ensure it is included within the Tri-partite area of the modification;

- It was noted that care is needed to avoid confusing site owner and site user responsibilities and processes (including modification and notice processes) – need to examine supplemental agreements to see what is included already. Although it is noted that shared sites may cause complications;
- It was suggested that adoption of a simple caveat might be all that is needed on the grounds that the majority of site services providers are the site owners – it was suggested that it might be prudent for Cadent to double check their current provisions;
- During a brief discussion around current (SGN and WWU) lease agreements it was suggested that perhaps this matter would benefit from some offline discussions outside of this Workgroup meeting – a view disputed by DD on the grounds that there are instances where more than one lease agreement is required, such as a site subject to Tri-partite agreement;
 - LM provided a brief outline on how National Grid NTS would expect the process to operate;
 - It was recognised that whilst a lease agreement would ‘normally’ exist between two parties, it is the tri-partite requirements that need consideration;
 - SR suggested that as the issue seems to only relate to the two sites (Wigfield and Ross-on-Wye), then perhaps Cadent should look to consider how best to ‘cover off’ these specific concerns;
 - In essence, National Grid NTS are of the view that it is a business as usual discussion between interested parties (i.e. site owner / site user) and that (property) parties would need to discuss how proactively they would like the process to work, and possibly look to include this within a further iteration of the modification.
 - Responding, DD explained what is covered by the inclusion statement;
- Supplemental Agreement Template
 - When asked, DD confirmed that the subsidiary document would cover NTS to LDZ and LDZ to LDZ offtakes although he did question why National Grid NTS appears to be concerned about recitals;
 - LM suggested that care would be needed to avoid inadvertently ‘stripping out’ recitals and accidentally losing sight of them – a point acknowledged by DD who would look to discuss with DM outside of the meeting;
 - It was suggested that any solution would need to be user friendly and easy for users to understand and that perhaps there are a couple of feasible options;
 - Retain the one template proposal (as a result of the OAD two templates might be more beneficial) and/or
 - Copy and paste into the subsidiary document;

New Action 0502: Reference an LDZ to LDZ Recitals Template - Cadent (DD) to look to create a new LDZ to LDZ Recitals Template for consideration at the next Workgroup meeting.

- In considering OAD Section D, LM suggested that there would be benefit in examining the appendix in respect of any instantaneous energy flow rate aspects in order to consider how best to refine the existing provisions;
 - It was suggested that it might be prudent to also look to consider ultrasonic metering requirements rather than simply orifice plate measurement aspects;

- It was requested that DD considers removing any legacy statements and other elements from within Section 4 of the supplemental agreement document, as it is believed by some parties present that all that is needed is a simple link back to OAD Section D;

New Action 0503: Reference Supplemental Agreement Document Section 4 amendments – Cadent (DD) to consider what changes might be required to the document in light of Workgroup discussions and feedback.

- Critical National Infrastructure
 - When asked what ‘transferred’ means in this context, DD explained that it is related to CNI site owner, site user and site management including funding – in short, it is about site security responsibilities, especially where fences (and suitable security barriers) are concerned and provided by the site user inside the site owners boundary;
 - When it was suggested that this feels akin to an all or nothing type of statement, DD reiterated that it simply seeks to focus on CNI site aspects;
- An ‘Affected Party’
 - A discussion was undertaken as to whether or not, seasonal aspects are already covered by maintenance planning and Non Routine Operational (NRO) processes;
 - Examples provided of instances where gas flow related matters have impacted upon Cadent’s ability to undertake work – in short DD believes the NRO stage is too late in the process in these instances where downstream works could impact upstream or vice versa if these are not understood in advance;
 - Noting that National Grid NTS had already amended their templates, SR believed that from a practicable basis, the proposals are basically sound;
 - In noting that matters could be left ‘as-are’, DD suggested that this might result in a need to raise more OAD notices in future;
 - In essence, the issue potentially relates to the smaller seasonal offtakes, especially where some are already switched off during the summer months, and perhaps consideration should be given to ‘tweaking’ the statements the potential impact on other parties;
 - Some parties believe that the current wording should suffice;
 - Some parties remained of the opinion that matters such as these should be addressed as part of the wider maintenance planning stage (or even site modification) discussions and not necessarily result in a change to the OAD notices;
 - Responding, DD quoted OAD Section B2.2.3 at which point SR acknowledged that perhaps the Workgroup needs to ensure that all aspects are ‘covered off’;
 - DD highlighted his concerns regarding flow and pressure related elements (i.e. where no physical site changes are involved);
 - Some parties were of the view that this relates to a physical alteration at the offtake whereby these types of flow related considerations are ‘covered off’ under the NRO provisions;

- Referencing the 'impact of gas flow from operator to operator' bullet, DD quoted how a late notice could / would necessarily be accommodated by DNOs (i.e. a timing related issue). Responding, LM reminded everyone that OAD notices only need to include an indicative date – it was suggested that perhaps this is a specific operational matter that would benefit from offline discussions after the meeting;
- In acknowledging DD's concerns (and underlying principle) some parties felt that the industry has to recognise that there might always be some timing tensions involved in the process, and these issues are not always the fault of National Grid NTS – in short, they cannot cover all eventualities and it boils down to risk management;
 - A brief discussion around how none planned operational elements should be managed under the NRO process was undertaken;
- In the end the Workgroup consensus was to remove the afore mentioned bullet point and look to reposition it at an appropriate point (i.e. maintenance) within OAD Section G, even if this means the 'Maintenance Group' would then have to consider adoption of a yearly process supported by 6 month notifications – to be considered in more detail under the most appropriate forum(s);

New Action 0504: Reference An 'Affected Party' – Cadent (DD) to consider removing bullet 5 relating to any impact to the gas flow from operator to operator from within the Modification.

- Asset Removal Process
 - Further clarification required as currently the modification solution does not make reference to the subsidiary document;
 - Responding, SS indicated that he would amend the modification to ensure that it is made clearer that the subsidiary document would be published alongside the modification – for the avoidance of doubt, the modification proposal outlines the changes to the OAD and references the subsidiary (guidance) document;
 - Associated timescales and service level agreements (SLAs) to be considered in due course;
 - During a brief onscreen review of the 'OAD Offtake Subsidiary Document - Asset Removal Process' document, BF enquired whether it is still the intention of the Workgroup to report back to the June 2019 Panel, especially when bearing in mind that it is always preferable to have any guidance document residing alongside the Draft Modification Report when this is issued to consultation;
 - When asked, BF provided an explanation behind how previous guidance documentation had been developed (including process flow map aspects where appropriate) via the modification process – in short, there is no defined process and it is down to the Workgroup to consider what is achievable and manageable going forwards and to set this out in the modification;
 - It was acknowledged that the subsidiary (guidance) document as provided (by DD), forms the basis for a reasonable starting point, although it could benefit from some additional clarification statements to aid the reader;
 - National Grid NTS have some issues with the various statements contained in the 'Contents Page' section as they appear inconsistent with the current OAD provisions;

- The Workgroup consensus was that the layout of the document is essentially fine (down to paragraph 12.4.2 on page 3) and that 'scope' and 'principles' should be retained, although it is recognised that the 'scope' should be expanded to include a background statement;
- The Workgroup consensus also suggests that the 'Process Flow' map and 'Process Steps' are fit for purpose;
- DD indicated that he would now utilise the basic layout for development of future documents of this nature;
- When BF suggested that care is needed around potential cross subsidy related issues, DD acknowledged that the wording within paragraph 2.2 could be improved;
 - SR made reference to the previous days teleconference call between National Grid NTS and Cadent during which National Grid raised concerns relating to the funding aspects – having previously agreed the premise for this matter the (internal) National Grid Governance Board would struggle to support any move away from previous agreements;
 - In noting that at the March 2019 meeting the Workgroup had agreed that the Health & Safety process would be considered as a separate matter, LM queried its inclusion here, to which DD responded explaining that in his view it relates to redundant asset removals that potentially have a H&S element;
- DD advised that '*the site owner requires.....to be non-operational for 12 months or more*' bullet point in paragraph 2.4 would now be moved/repositioned within another process such as Health & Safety;
- National Grid NTS representatives advised that they would need to reconsider the March 2019 meeting minutes before being able to provide a 'final' view on this matter;
- SR suggested that paragraph 2.6 once again raises concerns around the funding aspects which he believes would need to be considered in due course;
- During a review of the Process Flow map in section 3, DD acknowledged the feedback provided and advised that it would be amended to ensure that the redundant assets / removal of assets aspects are better catered for;
 - It was suggested that any relocation of asset associated costs would be covered 100% by the requesting party, whilst costs associated with redundant / removed assets should be recouped on a shared cost basis (i.e. a fairer approach);
 - It was noted that some redundant assets have a financial value (especially the larger scale items) and parties should therefore be responsible for managing such assets;
 - It was noted that identification of cost contribution mechanisms and factors could prove to be the difficult bit;

- In suggesting that it is not possible to cater for all potential scenarios, some parties also believed that the current OAD provisions already provide a suitable (high) level of flexibility;
- DD remained of the opinion that identifying the various variable factors would be nigh on impossible which is why he favours a 50:50 cost split based approach;
- It was acknowledged by those in attendance that what is needed is a fair process that protects consumer interests;
- BF suggested that what is needed is a set of rules that stipulate that where there is a clear Health & Safety risk, as this falls outside this process;
- When SR voiced his concerns relating to leases for land (where assets currently reside) aspects and the potential impact of site operator/owner requests for asset removal, BF suggested that matters such as these really boil down to the efficient management of assets;
 - DD questioned why a redundant asset that is potentially posing a H&S issue would invoke a lease change, especially when considering that currently the OAD does not have a provision that allows a site user to approach the site owner requesting the removal of assets;
 - BF suggested that care is needed in order to clarify redundant assets and whether there are any lease changes involved, and what costs if any, are to be apportioned fairly – it was noted that there are also potential commercial sensitivity aspects to consider as well;
 - In providing an example of an operator to operator redundant asset removal process, DD explained how the costs could / should be apportioned;
 - Whilst in general agreement with the principle, BH noted that there are potential 'hidden' cost benefits and care would be needed to avoid incentivising 'tactical' removals – in short, this matter is actually more complex than first envisaged;
 - Accepting the feedback being provided, DD remained of the opinion that the proposed process relates more to instances where all other design options have been explored and exhausted;
 - Concerns remained that as presented, there is potential for parties to manipulate the proposed process and therefore perhaps what is needed is a 'challenge and validation' support process, especially where there are H&S aspects involved;
 - BF remained convinced that H&S aspects should be excluded from the proposed process on the grounds that the focus should be on commercially driven processes;
 - Responding, DD advised that for him the issue stems from the decommissioning of assets where the asset is left in situ (especially items such as wiring and equipment etc.);

- BF suggested that the discussions would indicate that what is really needed is a commercial framework for site management related matters supported by a better definition of 'decommissioning' – in essence, this begs the question as to whether this should really be an OAD related matter;
- When DD acknowledged that some elements should / could be removed from the modification so long as the Workgroup could agreed a new H&S specific process, BF noted that the only grey area could involve where maintenance is prevented from taking place due to an asset (still) being in situ (i.e. an access style issue).

In looking to summarise the discussions, DD indicated that Cadent would now look to rename the document title to now read as the 'Redundant Assets Process' and remove the superfluous bullet points from within the document and amend the process flow map inline with the feedback kindly provided.

New Action 0505: Reference Asset Removal Process – Cadent (SS) and (DD) to review all sections of the Modification and Subsidiary Document to ensure the process reads as the 'Redundant Asset Process' and remove bullet points and references to health, safety and credible risk.

There then followed another short debate during which the following key points were captured:

- National Grid NTS remain concerned around some lease aspects and wondered what SGNs potential view was, at which point DM pointed out that the SGN concern is mainly focused on potential dual governance aspects;
 - Acknowledging the points being raised and mindful of the discussions elsewhere in the meeting, SS advised that they would reconsider whether the modification requires amendment and what form any changes should take - DD suggested that only the cost contribution aspects would need to be considered;
 - When DM enquired as to what costs would be apportioned for potentially exhausted and obsolete asset removals (i.e. old equipment coming to the end of its useful life), BF suggested that whilst this adds a layer of complexity, the matter comes back to the previous point(s) raised by BH and debated earlier in the meeting;
 - When SR raised a question around the potential Cadent (RIIO submission) ad-hoc funding requests and whether there is a mechanism that the Workgroup could explore for funding purposes going forwards, DD responded in the negative and suggested that any ad-hoc matters should be 'covered' under the OAD provisions whereupon Cadent could look to whether it had suitable (internal) funding in place to support the work;
 - When asked whether there are any potential CNI (funding) impacts, DD explained the site security aspects and how Ofgem potentially view funding – in short, the question is would we leave assets in place or look to remove them;
 - DD advised that are several sites that have both a CNI and boundary fence in place;
 - DD then suggested that Cadent would consider whether they wish to include a suitable process in their modification going forwards;
 - It was suggested that funding (i.e. cost contribution) aspects would need to be considered in due course;
- When asked whether the 'implementation driver' for the modification relates to satisfying a specific Gas Year requirement, DD responded by explaining that whilst the majority of the

modification aspects could be implemented immediately, the supplemental agreements could always be introduced on a phased approach – in essence a combination of ‘hard’ and ‘soft’ landings;

- Responding, BF suggested that if there are no artificial implementation dates involved, then the Workgroup could always seek an extension to the Panel reporting date to ensure that we can reach agreement (i.e. a consensus view) on the modification by the end of September 2019 – please note in order to achieve this target, the Workgroup Report would need to be concluded and submitted to the 15 August 2019 Panel meeting whereupon it could be issued out to consultation, with the aim being an effective implementation towards the end of 2019;
- When asked when legal text would be available in support of the modification, BF pointed out that the Proposer could always provide (draft) legal text for consideration by the Workgroup before Panel formally requests its provision;
 - SS advised that he is hoping to have draft legal text available in time for consideration at the next Workgroup meeting;
- BF advised that National Grid NTS need to consider their position in respect of cost contributions whilst Cadent also need to consider their 50:50 cost split based approach proposals;
 - DD indicated that he remains concerned that there is a lack of transparency around National Grid NTS cost contribution methodology, wondering whether National Grid NTS believe they need a level of complexity around redundant assets. Responding, SR agreed that this is a difficult question to answer and involves many factors such as assessment of benefits versus risks etc.

3. Consideration of Business Rules

Consideration deferred.

4. Consideration of Lease Agreements and other options

Please refer to discussions on item 2. above for more details.

5. OAD Process: Updating Supplemental Agreements (SAs)

Please refer to discussions on item 2. above for more details.

6. Review of Impacts and Costs

Consideration deferred.

7. Review of Outstanding Actions

Action 0401: Cadent (SS) to consider amending the Modification to make it explicit that an existing lease agreement takes precedence over UNC OAD.

Update: The Workgroup consensus was that this matter had been resolved at the previous Workgroup meeting and the action could therefore be closed. **Closed**

Action 0402: National Grid (SR) to check if common templates were used to set up the lease agreements.

Update: When LM confirmed that common templates had been utilised when setting up the lease agreements, the Workgroup participants agreed the action could be closed. **Closed**

Action 0403: Cadent (SS) to check with lawyers if legal text can be drafted based on criterion 3 of Section B3.1.1 and B3.6 in relation to the Request for Removal of Assets.

Update: When DD explained that Dentons lawyers are considering this matter and that he hopes to be able to provide a definitive view at the next meeting, the Workgroup participants agreed the action should be carried forwards. **Carried Forward**

Action 0404: All DNOs to review the OAD Refresh Spreadsheet to check Clauses B1.5.3 and 1.5.4 and confirm whether the date can be set at the point of signature or if it can be an earlier date or the date it takes effect. DNOs to provide views at the next meeting.

Update: When BF suggested that this action should refer to ‘All Transporters’ rather than ‘All DNOs’ it was also agreed that any outstanding issues should either be closed or included within an amended modification.

Thereafter, the Workgroup participants agreed the action could be closed. **Closed**

Action 0405: Cadent (SS) to amend the Modification to remove references to custodian and drawings in Tripartite arrangements in the solution section (page 7) and to clarify the responsibility in terms of communications / notification in terms of a change taking place.

Update: When SS advised that this action had been completed, the Workgroup participants agreed the action could be closed. **Closed**

Action 0406: Cadent (DD) to update the OAD review changes spreadsheet with a new issue in relation to consider a trigger process for updating box 1 when physical work has completed.

Update: When DD advised that SGN had kindly provided a response to the reissued changes spreadsheet looking for clarification of the ‘trigger process’ aspects related to supplemental agreements, the Workgroup participants agreed the action could be closed. **Closed**

8. Next Steps

BF summarised the next steps as follows:

- Cadent to consider providing an amended Modification 0683S;
- Consideration of draft legal text;
- Further consideration of lease agreements (and other options) and updating of the supplemental agreements, and
- Development of draft Workgroup Report (including consideration of business rules and impacts and costs etc.).

9. Any Other Business

9.1. Industry Review Group (0646R) OAD Maintenance Arrangements Workshop update

During a brief progress update, DD highlighted that a response from the Wales & West representative (Grant Rogers) is desperately needed – a point noted by LB who agreed to chase GR after the meeting.

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
10:00 Wednesday 05 June 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> • Consideration of amended modification • Consideration of draft legal text • Further consideration of lease agreements and other options • Development of draft

		Workgroup Report
10:00 Wednesday 03 July 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> • Consideration of amended modification • Consideration of draft legal text • Development of draft Workgroup Report
10:00 Wednesday 31 July 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda

Action Table (as at 09 May 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	11/04/19	1.0	Cadent (SS) to consider amending the Modification to make it explicit that an existing lease agreement takes precedence over UNC OAD.	Cadent (SS)	Update provided. Closed
0402	11/04/19	1.0	National Grid (SR) to check if common templates were used to set up the lease agreements.	National Grid NTS (SR)	Update provided. Closed
0403	11/04/19	1.0	Cadent (SS) to check with lawyers if legal text can be drafted based on criterion 3 of Section B3.1.1 and B3.6 in relation to the Request for Removal of Assets.	Cadent (SS)	Carried Forward
0404	11/04/19	1.0	All DNOs to review the OAD Refresh Spreadsheet to check Clauses B1.5.3 and 1.5.4 and confirm whether the date can be set at the point of signature or if it can be an earlier date or the date it takes effect. DNOs to provide views at the next meeting.	All DNOs	Update provided. Closed
0405	11/04/19	1.0	Cadent (SS) to amend the Modification to remove references to custodian and drawings in Tripartite arrangements in the solution section (page 7) and to clarify the responsibility in terms of communications / notification in terms of a change taking place.	Cadent (SS)	Update provided. Closed
0406	11/04/19	1.0	Cadent (DD) to update the OAD review changes spreadsheet with a new issue in relation to consider a trigger process for updating box 1 when physical work has completed.	Cadent (DD)	Update provided. Closed

0501	09/05/19	2.	<i>Reference Site Services Agreements - Cadent (SS) to ensure a statement is added within the modification to cover off 'SSP views'.</i>	Cadent (SS)	Pending
0502	09/05/19	2.	<i>Reference an LDZ to LDZ Recitals Template - Cadent (DD) to look to create a new LDZ to LDZ Recitals Template for consideration at the next Workgroup meeting.</i>	Cadent (DD)	Pending
0503	09/05/19	2.	<i>Reference Supplemental Agreement Document Section 4 amendments – Cadent (DD) to consider what changes might be required to the document in light of Workgroup discussions and feedback.</i>	Cadent (DD)	Pending
0504	09/05/19	2.	<i>Reference An 'Affected Party' – Cadent (DD) to consider removing bullet 5 relating to any impact to the gas flow from operator to operator from within the Modification.</i>	Cadent (DD)	Pending
0505	09/05/19	2.	<i>Reference Asset Removal Process – Cadent (SS) and (DD) to review all sections of the Modification and Subsidiary Document to ensure the process reads as the 'Redundant Asset Process' and remove bullet points and references to health, safety and credible risk.</i>	Cadent (SS/DD)	Pending