

## UNC Workgroup 0841 Minutes

### Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes

Monday 17 April 2023

via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Clare Manning	(CM)	E.ON
Ellie Rogers	(ER)	CDSP
Gregory Edwards	(GE)	Centrica
Guv Dosanjh	(GD)	Cadent
Helen Chandler	(HCh)	Northern Gas Networks
James Rigby	(JRi)	CDSP
Jenny Rawlinson	(JR)	BU-UK
Kathryn Adeseye	(KA)	CDSP
Kirsty Ingham	(KI)	Centrica
Milly Nyeko	(MN)	Centrica
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Gas Transmission
Rebecca Hailes	(RH)	Joint Office
Sally Hardman	(SH)	SGN
Steve Mulinganie	(SM)	SEFE Energy Ltd

*The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023.*

*This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.*

*Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <http://www.gasgovernance.co.uk/0841/170423>*

#### 1.0 Introduction and Status Review

Kate Elleman (KE) welcomed everyone to the meeting.

##### 1.1. Approval of minutes (20 March 2022)

KE noted the proposed changes to the minutes from the previous meeting which were considered approved.

##### 1.2. Approval of Late Papers

None to approve.

##### 1.3. Review of outstanding Actions

**Action 0301:** Centrica (GE/OC) to provide an overview, in the Solution, of the list of documents that the Modification is changing.

**Update:** The Modification has been updated. **Closed**

**Action 0302:** *Changes to 3.1.4 The CDSP Service Documents* – CDSP (JMc/JRi) to provide an explanation of why the proposed changes quoted in paragraph c would be more appropriately moved to paragraph b.

**Update:** James Rigby (JRi) provided the following update:

The service description changes go to the DSC Change Management Committee for information only and go to DSC Contract Management Committee for approval, therefore, the rationale is that this should be in clause b and not c. Service Description changes are just for information only, they sit in the Contract Comm for approval.

Workgroup agreed that the items in **UNC – General Terms Section D – CDSP and UK Link, 3 Data Services Contract, 3.1.4 The CDSP Service Documents**, clause c) CDSP Service Description and Third Party and Additional Services should move to clause b) to align with the current process. **Closed**

**Action 0303:** CDSP (JRi) will check and forward the appropriate documentation for the Cost Allocation Methodology and Cost Allocation Model.

**Update:** JRi provided the following update:

JRi confirmed he has shared the Cost Allocation Methodology and Description and clarified that the Model is a database that carries out the actual allocation that is described in the Methodology. Centrica would like to see the actual model, but due to commercially sensitive information, it can only be shared without any data in it. The Xoserve Finance Team will share this by 16 May 2023 in time for the next meeting.

Gregory Edwards (GE) noted that the Cost Allocation Methodology and Description document that has been shared only describes the methodology as a summary and requested that the full methodology is shared. JRi advised he will find out if that document is available.

JRi clarified that if this Modification is implemented, the DSC Contract Management Committee will suggest if the Model needs to be changed and if so, to what degree.

GE confirmed that the only change to the Model will be to insert a cover page with some suggested wording to explain what the Model is used for, beyond that, any changes to the Model will not impact this Modification, any changes that are required to the Model will require a DSC Change Proposal to be raised.

Steve Mulinganie (SM) asked why the Model cannot be seen with the data in it because the Model contains financing data of a company that is funded by the industry. SM also noted it would be very helpful to have a demonstration of the Model in real time to aid understanding of how it works.

**New Action 0401:** JRi to see if the model can be shared with the Workgroup within the concept of a Non-Disclosure Agreement (NDA).

GE confirmed it is impossible to understand how costs are allocated by using the Cost Allocation Methodology and Description document.

JRi will liaise with the Finance Team and possibly bring them to the next meeting.

JRi provided the Cost Allocation Methodology and Description document which is published here: [www.gasgovernance.co.uk/0841/170423](http://www.gasgovernance.co.uk/0841/170423).

## 2.0 Amended Modification

Kirsty Ingham (KI) introduced the changes to the Modification, v2.0 dated 11 April 2023 and advised:

- Clarification that the proposed changes to the UNC will lead to changes to the DSC suite of documents.
- All of the documents that are impacted by this change are now listed in the Modification including *Modification 0813 - Revision of Virtual Last Resort User and Contingent*

*Procurement of Supplier Demand Event Triggers and Modification 0666 (Urgent) - Establishment of a CSS Bid Group for CDSP central switching system bid activities.*

- Solution: making it clear that it will be necessary to include terms to the DSC to render the UNC changes and cross-reference between the two documents.

For a detailed view of the amendments, please refer to the amended Modification published here: <https://www.gasgovernance.co.uk/0841>.

### **Legal Text Review:**

Following on from the meeting held in March 2023, GE continued his detailed review of Legal Text which sees changes to the following documents:

### **UNC – General Terms Section D – CDSP and UK Link**

**1.2.2 (ii)** notes a suggested housekeeping change. RH raised a concern that the way this housekeeping change is mentioned could result in confusion by the legal text provider.

Andy Clasper (AC) advised he is comfortable with the approach noting there is little other choice as to how this could be picked up.

**3.1.4** making it clear the UK Link manual is in scope.

**3.6** Third-party has moved from 3.5. to 3.6.

### **Third-Party and Additional Services Policy**

**1.3** outlines the change from Change Management Procedures to Contract Management Arrangements.

### **Change Management Procedures**

**1.4.1** in terms of the current rules, all Modifications to the CDSP Service Documents are changed according to the procedures set out in the Change Management Procedures.

**4.15** relates to the instances where a change needs to be made to multiple documents.

### **Contract Management Arrangements**

**1.5.1** sets out the documents that can be changed. It was noted that this list includes the Cost Allocation Methodology and the Cost Allocation Model. When Workgroup highlighted that the Cost Allocation Methodology is a summary document and not an actual methodology, GE clarified that the current rules in the Budget and Charging Methodology state that these documents should exist and in terms of the progression of the Modification, it would be used as a baseline.

GE also confirmed he is aiming to do the same to the methodology as to the model and provide a cover page which will state what it is supposed to do and how it can be changed.

OC provided the following clause from the Budget and Charging Methodology:

#### **3.2 Cost Allocation Model**

*3.2.1 The CDSP will establish and keep under review and may from time to time revise:*  
*(a) a methodology (**Cost Allocation Methodology**) which allocates (by attributing or otherwise allocating) Costs or a resulting Charge Base to activities of the CDSP; and*  
*(b) in relation to General Services and Specific Services, a model (**Cost Allocation Model**) which provides for the allocation (on the basis of the **Cost Allocation Methodology**) of Service Costs:*  
*(i) in relation to General Services, to different Service Areas; and*  
*(ii) in relation to Specific Services, to different Service Lines; on the basis of the input costs used to establish the CDSP Budget.*

3.2.2 *The CDSP shall make available to the Committee and each Customer details of the **Cost Allocation Methodology** and the **Cost Allocation Model** and each revision thereof.*

3.1 housekeeping change

3.5.3 shows that the Cost Allocation Methodology and the Model are linked to the Budget and Charging Methodology.

4.1.3 sees a movement from the Change Management Procedures to the Contract Management Arrangements.

4.7.5 GE agreed to check the wording of this clause.

7 Amendment of CDSP Service Documents is a whole new section and replicates the existing change process.

OC advised she will amend the Modification to include the instruction to allow the housekeeping changes highlighted throughout the documentation.

### **Budget and Charging Methodology**

JRi raised some questions that CDSP require clarification on:

**New Section 11** – Information that must be included in the CDSP Budget

11.3.1 GE advised, based on feedback received that what was being asked for was too stringent or impossible, the wording of this clause has been amended accordingly.

11.3.2 same as above.

11.3.3 provides CDSP with an exclusion – by exception. JRi asked what information would apply in this section. GE clarified it is recognised there may be information that is sensitive that may not be able to be provided.

11.3.4 CDSP have to explain why something has been excluded, because of 11.3.3. Reference to clause 11.3.3 should be inserted here.

JRi noted he is trying to consider how each of the individual clauses can be satisfied as some of the projects may not even be scoped. It was clarified that this is for CDSP to use.

SM noted this may need a 'for the avoidance of doubt statement' that says the Committee get to see everything without redaction.

When GE noted that there are very few rules in terms of developing the Business Plan, JRi disagreed and said there is a process that is followed in terms of pulling the information together.

JRi confirmed that a Rough Order of Magnitude is currently being worked on which will include a gap analysis.

11.6.3 JRi asked for clause c), who determines what 'stretching' is, would that be the DSC Contract Committee to determine?

Helen Chandler (HCh) noted that clauses a), b) and c) are quite subjective.

GE advised, in principle, this is attempting to get CDSP to explain to us what it plans to do with the money it receives. What are we paying for, what are you going to do and why?

The Workgroup debated how best to word the clause and agreed to change the wording to 'continuous improvement' as this is less subjective.

### **11.7 Investment proposals**

When JRi asked how CDSP would comply with everything for this section for all of the projects, it was confirmed that this refers to new Investments only.

GE suggested noting that 11.8.2 lists what Xoserve currently does.

JRi explained there are two types of projects, multiyear detailed projects, then there are budgets for projects that have not yet been scoped. The ones that are not yet scoped out, would not be compliant with 11.7.2.

GE advised, within the changes that are being proposed, where CDSP cannot comply, it should explain why it cannot.

JRi clarified CDSP is producing a ROM to support this Modification which will include the impact on costs, timeframes, and a GAP analysis of the requirements of what would need to be provided for BP24.

HCh noted, as long as everybody agrees on the understanding, everything needs to be documented rather than expressed verbally.

SH agreed with HCh and commented that clause 4.7.3 it says, 'it will take' and suggested this could be changed to 'it can take'.

**New Action 0402: Budget and Charging Methodology 4.7.3:** Proposer and Legal Text provider to agree on specific wording for clause 4.7.3 b) which requires to be re-worded to say, 'sometimes non-compliance will be....'

SM commented that CDSP should use all reasonable endeavours to be compliant with 4.7.3 b) in that they have to comply and if they have taken all reasonable steps should be able to demonstrate why something cannot be done.

GE agreed to consider this approach to the wording.

OC noted that the intention is to get to a point where Centrica does not feel the need to have to appeal the CDSP Budget, this Modification is making it clear what the expectations are to avoid an appeal.

GE highlighted; it is key to understand that Centrica is not asking CDSP to do things differently, just to fully document what they already do.

SM noted that documenting what CDSP are currently doing should not be a big piece of work and he does not understand what the concern is.

KE clarified, as the next Workgroup meeting is on 22 May and is after the May 2023 UNC Modification Panel meeting, without any Legal Text or ROM to date, a 1-month extension request will be made at UNC Modification Panel on Thursday 20 April 2023.

This concluded the Workgroup discussions.

### 3.0 Development of Workgroup Report

Development of the Workgroup Report will commence at the next meeting to be held on 22 May 2023, however, a draft Workgroup Report for consideration has been published which can be found here: [www.gasgovernance.co.uk/0841/170423](http://www.gasgovernance.co.uk/0841/170423).

### 4.0 Next Steps

KE confirmed the next steps as being:

- Proposer to provide an amended Modification to include the house-keeping Legal Text changes
- Gregory Edwards to make the agreed changes in the suite of documents as agreed
- Legal Text Provider (Cadent) to provide a view of the Legal Text
- CDSP to provide the full Cost Allocation Methodology and Model
- CDSP to provide the Rough Order of Magnitude
- CDSP to provide the results from the Gap Analysis (ROM)

- Joint Office to request a 1-month extension at the UNC Modification Panel meeting on Thursday 20 April 2023.

**5.0 Any Other Business**

None.

**6.0 Diary Planning**

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Monday 22 May 2023	5 pm Friday 12 May 2023	Microsoft Teams	Detail planned agenda items. <ul style="list-style-type: none"> <li>• Amended Modification.</li> <li>• Review of the Rough Order of Magnitude.</li> <li>• Review the agreed changes in the suite of documents as agreed.</li> <li>• Review the Legal Text.</li> <li>• Development of the Workgroup Report.</li> </ul>

**Action Table (as of 17 April 2023)**

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0301	20/03/23	1.0	Centrica (GE/OC) to provide an overview, in the Solution, of the list of documents that the Modification is changing	April 2023	Centrica (GE/OC)	Closed
0302	20/03/23	1.0	Changes to 3.1.4 The CDSP Service Documents – CDSP (JMc/JRi) to provide an explanation why the proposed changes quoted in paragraph c would be more appropriately moved to paragraph b.	April 2023	CDSP (JMc/JRi)	Closed

<b>Action Table (as of 17 April 2023)</b>						
<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Reporting Month</b>	<b>Owner</b>	<b>Status Update</b>
<b>0303</b>	20/03/23	1.0	CDSP (JRi) will check and forward the appropriate documentation for the Cost Allocation Methodology and Cost Allocation Model.	<del>April 2023</del> May 2023	CDSP (JRi)	<b>Carried Forward</b>
<b>0401</b>	17/04/23	1.3	<i>Linked to outstanding Action 0303:</i> CDSP (JRi) to see if the model can be shared with the Workgroup within the concept of a Non-Disclosure Agreement (NDA).	May 2023	CDSP (JRi)	<b>Pending</b>
<b>0401</b>	17/04/23	2.0	<i>Budget and Charging Methodology 4.7.3:</i> Proposer and Legal Text provider to agree on specific wording for clause 4.7.3 b) which requires to be re-worded to say, 'sometimes non-compliance will be....'.	May 2023	Proposer (OC) and Legal Text provider (AC)	<b>Pending</b>