

UNC Governance Workgroup Minutes

Monday 22 May 2023

via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DM)	SGN
Edd Green	(EG)	E.ON
Ellie Rogers	(ER)	Xoserve
Helen Chandler	(HC)	Northern Gas Networks
James Madge	(JM)	Xoserve
James Rigby	(JR)	Xoserve
James Spicer	(JS)	Xoserve
Jayne McGlone	(JMc)	Xoserve
Kathryn Adeseye	(KA)	Xoserve
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Gas Transmission
Rebecca Hailes	(RH)	Joint Office
Richard Pomroy	(RP)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks
Sally Hardman	(SH)	SGN

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: www.gasgovernance.co.uk/Gov/220523

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed all parties to the meeting and confirmed the meeting to be quorate.

1.1. Approval of minutes (17 April 2022)

The minutes from 17 April 2023 were approved.

1.2. Approval of Late Papers

None to approve.

1.3. Review of outstanding Actions & Issues Log

No actions were outstanding.

1.4. Modification(s) with Ofgem

KE referred Workgroup to the Ofgem Expected publication dates timetable at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable> dated 25 April 2023 and noted the most recent update provided to UNC Modification Panel on 22 May 2023:

Modification	Estimated Decision Date
0761 - Arrangements for Interconnectors with additional Storage capability	TBC
0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers	20 July 2023

1.5. Pre-Modification Discussions

None discussed.

2.0 Workgroups

2.1. Modification 0839 – Revision of the Modification Panel Membership Cessation Provisions

(Report to Panel 15 June 2023)

<https://www.gasgovernance.co.uk/0839>

2.2. Modification 0841 – Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes

(Report to Panel 15 June 2023)

<https://www.gasgovernance.co.uk/0841>

3.0 New Issues

No new issues were raised.

4.0 Any Other Business

None raised

5.0 Diary Planning

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Wednesday 21 June 2023	5pm Tuesday 13 June 2023	Microsoft Teams	Standard Agenda

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Action Table (as at 22 May 2023)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
No actions outstanding					

UNC Workgroup 0839 Minutes
Revision of the Modification Panel Membership Cessation Provisions
Monday 22 May 2023
via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DM)	SGN
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James Rigby	(JR)	Xoserve
James Spicer	(JS)	Xoserve
Jayne McGlone	(JMc)	Xoserve
Kathryn Adeseye	(KA)	Xoserve
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Rebecca Hailes	(RH)	Joint Office
Richard Pomroy	(RP)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks
Sally Hardman	(SH)	SGN
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023</i></p> <p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>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: www.gasgovernance.co.uk/0839/220523</i></p>		

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed everyone to the meeting.

1.1. Approval of minutes (17 April 2022)

The minutes from the meeting held on 17 April 2023 were approved.

1.2. Approval of Late Papers

None to approve.

1.3. Review of Outstanding Actions

Action 0401: Proposer (PL) will revisit the wording in 4.4.1 d) and add in 'seeking verification'.
Update: An amendment to the Legal Text has been completed as explained in agenda item 2.0.
Closed

2.0 Amended Modification

The Modification has not been amended and is currently v2.0 dated 21 March 2023.

Legal Text amendments

KE noted an amendment to the Legal Text and invited Phil Lucas (PL) to provide Workgroup with an update:

PL advised that to add clarity, a sentence has been added to paragraph (d) to note that when information is received that a member has ceased to be employed by the entity which employed the member at the time of the member's nomination, the secretary will take reasonable steps to ensure the accuracy of the information being provided.

Workgroup agreed the Legal Text meets the intent of the Modification.

3.0 Completion of Workgroup Report

In undertaking a detailed onscreen review of the draft Workgroup Report, KE completed amendments in-line with feedback provided by those Workgroup participants in attendance.

A high-level summary of the most notable updates to the document undertaken being:

Workgroup agreed the Workgroup Assessment is a fair reflection of Workgroup discussions held on 20 March 2023 and 17 April 2023.

The Proposer, PL, clarified that this Modification does not include the competency of a member and confirmed that the Modification is limited to the objective questions of whether the member is still employed/engaged by the same entity as at the time of nomination. PL added, for clarity, that the competency or otherwise of a member is a subjective opinion hence he does not wish to include it in the proposal.

Workgroup agreed that the Modification Rules specify what is required of Panel Members under paragraph 3.2.2 and that this Modification does not change that or go any further than what is captured in paragraph 3.2.2.

Post Meeting Note:

The final Workgroup Report and Legal Text have now been published here: <https://www.gasgovernance.co.uk/0839>.

4.0 Next Steps

- UNC Modification Panel consideration

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
No further meetings for this Workgroup			

Action Table (as at 22 May 2023)						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0401	17/04/23	3.0	Proposer (PL) will revisit the wording in 4.4.1 d) and add in 'seeking verification'.	May 2023	Proposer (PL)	Closed

UNC Workgroup 0841 Minutes

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

Monday 22 May 2023

via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU-UK
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Helen Chandler	(HC)	Northern Gas Networks
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James Rigby	(JR)	Xoserve
James Spicer	(JS)	Xoserve
Jayne McGlone	(JMc)	Xoserve
Kathryn Adeseye	(KA)	Xoserve
Kirsty Ingham	(KI)	Centrica
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Milly Nyeko	(MN)	Centrica
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Gas Transmission
Rebecca Hailes	(RH)	Joint Office
Richard Pomroy	(RP)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks
Sally Hardman	(SH)	SGN
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 20 July 2023.</i></p> <p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>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: www.gasgovernance.co.uk/0841/220523</i></p>		

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed everyone to the meeting.

1.1. Approval of minutes (17 April 2022)

The minutes from 17 April 2023 were approved.

1.2. Approval of Late Papers

KE noted the following material provided late by Xoserve for the meeting:

- ROM Response;
- Initial Response;
- Cost Allocation Model, and
- Cost Allocation Methodology.

Workgroup agreed to accept the late papers.

1.3. Review of outstanding Actions

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

Update: JRi provided the following update:

The Cost Allocation Model and Methodology have now been provided and are published here: www.gasgovernance.co.uk/0841/220523.

Oorlagh Chapman (OC) thanked Xoserve for sharing the material and noted that when using the methodology, as shared, Centrica should be able to replicate the way that the funding works, but Centrica have been unable to do this.

When James Spencer (JS) sought clarification, Gregory Edwards (GE) said that the methodology should be the rules for completing the cost allocation and advised it has been recognised that the document provided is not sufficiently detailed to allow beginning-to-end replication and that Data Service Contract (DSC) requires the methodology, but what has been provided is not sufficiently detailed.

James Rigby (JR) noted that reference to the quality of the methodology may be a question to propose to the DSC Contract Committee rather than Workgroup.

When KE asked if this would prevent the Modification from progressing, OC advised it would not, the Modification requires demonstration that the document exists, and its content can be reviewed.

OC added that she will provide comments to the next DSC Contract Committee.

Closed

Action 0401: *Linked to outstanding Action 0303:* Xoserve (JRi) to see if the model can be shared with the Workgroup within the concept of a Non-Disclosure Agreement (NDA).

Update: JR advised that the level of information that is in the Cost Allocation Model, in its current guise, and a current non-disclosure agreement, prevents Xoserve from sharing more than they already have and noted there is currently a realignment of the Xoserve Cost Base ongoing at the moment.

GE highlighted the obligation of Xoserve to make this info available upon request and that the DSC does not mention anything about redacting information.

JR clarified that Xoserve has individual contracts with service providers and would be in breach of contracts if they provided commercially sensitive information.

GE advised the original intent of the clause is for customers to be able to understand how their charges are made and the DSC does not specify to what degree the information is provided in detail, but it does need to be sufficiently detailed in order to understand it.

Closed

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....'.

Update: To be considered at the next meeting in June 2023. **Carried Forward**

2.0 Amended Modification

The Modification has not been amended and remains as v2.0 dated 11 April 2023.

When Rebecca Hailes (RH) asked, in terms of the Legal Text production, if the Budget and Charging Methodology need to be updated for the Modification, who would do that, it was clarified that Modification approval will approve the proposed changes to the documents listed in the Modification.

It was suggested that a table is placed in the Modification to include the following information:

1. Each document that requires updating.
2. Who is responsible for updating each document.
3. When the amendment will be reviewed by Workgroup.

It was clarified that the Budget and Charging Methodology is a Xoserve Service Document and within that document, the Cost Allocation Model and Methodology are referenced. The Modification proposes to make the Cost Allocation Model and Methodology Xoserve Service Documents.

OC confirmed she has had a discussion with Legal Text providers Cadent and Dentons on how the changes will progress, in her next meeting Dentons will provide their opinion on how it progresses. Dentons will also be assessing all the changes within all of the documents.

Andy Clasper, (AC) confirmed, as Legal Text provider, he will amend the documents that are identified within the solution.

OC agreed to provide feedback on Denton's approach at the next meeting.

3.0 Development of Workgroup Report

KE noted that Xoserve have submitted an Initial Response to the Modification which is published here: www.gasgovernance.co.uk/0841.

ROM Response:

JR presented the Rough Order of Magnitude (ROM), (v1.0 dated 15 May 2023), and noted the Overview of impacts; High-Level Costs and Timescales.

When Kirsty Ingham (KI) asked for more information on the allocation of changes in roles and allocation of hours and what the baseline is for the costing estimation, JR agreed to update the ROM.

JR noted he is considering how best to annotate ongoing costings and agreed to update the ROM with a rough estimate. Ellie Rogers (ER) added that ongoing costs are usually a result of the Detailed Design phase.

Initial Representation:

JR was invited to update Workgroup with information from the Xoserve Initial Representation and provided a summary presentation.

It should be noted that Workgroup did not have sight of the presentation before the meeting and that 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: www.gasgovernance.co.uk/0841/220523.

The presentation summarises:

- The perceived intent, approach, and potential issues
- Potential alternative approach and rationale
- Comparison Table (Modification intent; Proposed 0841 approach and Proposed 0841 alternative approach)

Comparison Table – Slide 4

JR provided a view of an alternative approach to the intentions of Modification 0841 which was articulated in a Comparison Table as follows:

Modification 0841 intent	Proposed Modification 0841 approach	Proposed Modification 0841 alternative approach
Introduce a list of items that should be included in Xoserve BP for customers to assess value for money	<ul style="list-style-type: none"> Update the Budget and Change Methodology with 100+ clauses that become obligations on Xoserve to comply with 	<ul style="list-style-type: none"> Use the majority of 0841 BCM updates to create a 'Guideline' document which describes best practices for the Business Plan process and content. Codify the requirement for efficiency in the UNC Codify the requirement for an annual/periodic Efficiency Review
Enhance the DSC Contract Committee's influence on the Business Plan process	<ul style="list-style-type: none"> Introduce a new obligation on CoMC to arbitrate on compliance and steer resolution over non-compliance 	<ul style="list-style-type: none"> Enhanced CoMC engagement via specific BP day events (pre/post-drafts) that allow customer input as to priorities and consultation questions. To include Xoserve Board engagement
Enhance transparency over cost allocation	<ul style="list-style-type: none"> Change Cost Allocation Model & Methodology into service documents 	<ul style="list-style-type: none"> Convert the Methodology and (blanked) Model into a service document
Focus Change Management Committee on technical aspects of change moving all commercial decisions to CoMC	<ul style="list-style-type: none"> Update Change and Contract Management Committee Arrangement docs to move commercial decision making regarding change to Contract Management Committee 	<ul style="list-style-type: none"> Modify the Change and Contract Management Committee Arrangements to clarify that General Change related financial decisions are retained in ChMC

GE opposed the creation of a Guidance Document to mitigate the introduction of a list of items that should be included in the Xoserve Business Plan for customers to assess value for money.

The Budget and Charging Methodology is referenced within the contract which places absolute obligations on Xoserve. A Guidance Document is seen to be more of a local work instruction and would place a lesser obligation on Xoserve. JMc noted that the Guidance Document would allow the conversations to happen at the DSC Contract Committee meetings.

MC also noted the Guidance Document would allow more flexibility for Xoserve to implement.

JR highlighted that having an absolute obligation and a vote does not add any value to what a Guidance Document gives the DSC Contract Management Committee and removes the perceived risk.

Addressing the point that MC raised, GE said that having everything in a Guidance Document and relying on Xoserve to do the right thing, in principle would be good, but is not that simple.

GE mentioned, in terms of the requirements, having codified rules about how a Business Plan should be put together is not unique and is a recognised approach across the industry. Also, those parties (Gas Transporters) have found a way of interpreting the requirements set by Ofgem, and Ofgem is satisfied with this, noting that if minimum requirements are not met, they will be financially penalised.

Noting the proposed approach to codify the requirement for an annual/periodic Efficiency Review, KI said that the Efficiency Review by itself does not serve the purpose of what the Modification is addressing.

When JMc advised that getting the Business Plan right the first time each year is difficult due to the subjectivity of requirements, GE offered to share the guidance that Ofgem require the Gas Transporters have to follow for their Business Plans.

When JR asked, if the Efficiency Review shows the decision made represented value for money, what else would the Industry need to know, GE clarified it is *how* the decision is made and that being able to demonstrate full transparency is the information that is required.

JR advised his concern is the ability to articulate value for money at DSC Contract Committee, how long it will that take and that the vote does not mean anything, in terms of efficiency.

ER noted that the Transporter Business Plans that go only to Ofgem vs the Business Plan going to the DSC Contract Committee, where there are multiple parties involved in the DSC Contract Committee.

When asked, GE confirmed that the existing mechanism of majority vote will continue and clarified that every service provider across the industry adheres to the same level as Gas Transporters do for Ofgem. The approach taken is proportionate to Xoserve, but the principles are the same.

KI explained the Business Plan will be presented to the DSC Contract Committee; the DSC Contract Committee will provide suggestions for Xoserve to consider; the DSC Contract Committee will consider if Xoserve has complied or if further work is required. In practice, the Committee will go through the Business Plan line by line and vote on each aspect of it. KI also noted that the CMS Plan was presented back to the Committee several times which seemed to be the preferred approach by Xoserve.

ER noted it could be quite different in practice and that no one wants to be in a position where Xoserve is not delivering, Xoserve wants to be doing the right thing.

GE advised he has given this a lot of thought, and what we cannot do is pre-judge what the Committee will do. What the Committee thinks is required also depends on the quality of the plan that is delivered. He explained that the DSC Contract Committee's concern will be the uncertainty, what the baseline point is, and the rules. Largely, this is nothing new in terms of what Xoserve already do, it is more about documenting it within the Plan. GE provided an example of Stakeholder Engagement that is done well.

OC noted this can only be seen as a benefit, and that the DSC Contract Committee will be able to guide Xoserve very clearly as to what is expected and what is not expected, adding that this will only improve the process.

JR advised he supports the intentions it is just the approach that could be different.

A view was sought from DSC Contract Committee members in attendance:

SH agrees in principle, transparency will be useful and has similar concerns as to how this will work in practice.

RP noted there is a key concern that the Xoserve Board is not prevented from setting a budget and fulfilling their duties and there seems to be a risk of a continual loop, if so, there is a risk of the Xoserve Board not being able to set the budget.

GE clarified that what Centrica are proposing does not prevent Xoserve from setting its budget. The DSC Contract Committee has a discussion, the Committee provides some suggestions or advice to Xoserve. There is no decision from the Committee to decide if the Business Plan goes to the Board or not.

KI also clarified, in its simplest terms:

- There will be a list of requirements that Xoserve is required to conform to;

- The draft of the Business Plan goes to DSC Contract Committee;
- DSC Contract Committee provides suggestions to Xoserve.
- All discussions are documented.

If Xoserve ignores the advice, there could be an appeal, this Modification is trying to reduce the chances of an appeal being required.

JMc expressed her concern that some of the requirements create a loop, for example, if the Chair asks each member if Xoserve has been compliant, could create a loop.

GE advised that what is being proposed does not interfere with the existing governance process and that the proposal intends that everyone is working to the same baseline.

In conclusion of Workgroup discussions, KE noted the Modification is currently due to report to the July 2023 UNC Modification Panel and Workgroup agreed an extension to September 2023 is appropriate.

KE asked the Proposer to provide a plan of the approach for each Workgroup meeting up to September 2023.

4.0 Next Steps

KE confirmed the next steps as being:

- Proposer and Legal Text Provider (Cadent) to provide a view of the Legal Text progression
- Proposer to provide a view of which documents require amendment and who will amend them
- Produce a flow chart, to show the mitigation of the decision-making loop
- Revision to the ROM with more detail and breakdown of what is included in the upfront costs and a bit more information on ongoing costs.
- OC to consider whether an updated Modification is needed and whether there are things that could be broken out and delivered under separate Modifications.
- Joint Office will seek an extension to September 2023 at the June Modification Panel.

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Wednesday 21 June 2023	5pm Tuesday 13 June 2023	Microsoft Teams	<ul style="list-style-type: none"> • Amended Modification • Feedback from Dentons

Action Table (as of 22 May 2023)						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0303	20/03/23	1.0	Xoserve (JRi) will check and forward the appropriate documentation for the Cost Allocation Methodology and Cost Allocation Model.	April 2023 May 2023	Xoserve (JRi)	Carried Forward
0401	17/04/23	1.3	<i>Linked to outstanding Action 0303:</i> Xoserve (JRi) to see if the model can be shared with the Workgroup within the concept of a Non-Disclosure Agreement (NDA).	May 2023	Xoserve (JRi)	Closed
0402	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 June 2023	Proposer (OC) and Legal Text provider (AC)	Carried Forward