

UNC Governance Workgroup Minutes

Wednesday 21 June 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
Ellie Rogers	(ER)	Xoserve
Gregory Edwards	(GE)	Centrica
Guv Dosanjh	(GD)	Cadent
James Rigby	(JRi)	Xoserve
Jayne McGlone	(JMc)	Xoserve
Jenny Rawlinson	(JR)	BU-UK
Kathryn Adeseye	(KA)	Xoserve
Kirsty Ingham	(KI)	Centrica
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Oorlagh Chapman	(OC)	Centrica
Rebecca Hales	(RH)	Joint Office
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/210623

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 (22 May 2022)

The minutes from 22 May 2023 were approved.

1.2. Approval of Late Papers

When KE confirmed the Request for item 1.5.1 on the agenda was received late, Workgroup accepted the paper.

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 24 May 2023 and noted the most recent update provided to UNC Modification Panel on 15 June 2023:

Modification	Estimated Decision Date
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs	29 September 2023
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
0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	22 December 2023

1.5. Pre-Modification Discussions

1.5.1. Review of governance processes within the Data Service Contract (DSC)

Oorlagh Chapman (OC) was invited to provide an overview of the Request which proposes a review of the governance procedures and processes for change under the Data Services Contract.

OC explained this Request is connected to Modification 0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes, www.gasgovernance.co.uk/0841, where, following a full review and feedback from Workgroup, this element has now been removed from Modification 0841 as greater discussion and wider industry engagement is required and it will need to be industry-led rather than Centrica led.

It is proposed that the Workgroups and Committees which responsible for elements of the DSC services will be identified during the review.

OC provided a brief overview of the Scope of the Request, which is:

Scope

1. *Review the current change processes, how do these currently work in practice?*
2. *Do the current arrangements meet the requirements for how the change processes and procedures are currently drafted?*
3. *Are there additional procedure changes that would be beneficial? I.e. moving responsibility for amending the CDSP Services Description from the Change Management Procedures to the Contract Management Arrangements.*

OC confirmed that it is not envisaged there will be any system changes required as an output from this review and that it should be issued to Workgroup for a minimum of 6 months.

2.0 Workgroups

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

(Report to Panel 21 September 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 26 July 2023	5pm Tuesday 18 July 2023	Microsoft Teams	Standard Agenda
10:00 Tuesday 22 August 2023	5pm Monday 14 August 2023	Microsoft Teams	Standard Agenda
10:00 Tuesday 19 September 2023	5pm Monday 11 September 2023	Microsoft Teams	Standard Agenda

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

Governance Workgroup Action Table					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
No actions outstanding					

UNC Workgroup 0841 Minutes

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

Wednesday 21 June 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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Jenny Rawlinson	(JR)	BU-UK
Kathryn Adeseye	(KA)	Xoserve
Kirsty Ingham	(KI)	Centrica
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Oorlagh Chapman	(OC)	Centrica
Rebecca Hailes	(RH)	Joint Office
Sally Hardman	(SH)	SGN

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 September 2023, however, an extension request will be submitted to the July 2023 UNC Modification Panel for a further 1 month.

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/210623

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed everyone to the meeting.

1.1. Approval of minutes (22 May 2022)

It was noted that James Spicer was referred to as James Spencer, this has been amended and a change-marked version of the minutes has been published.

The minutes from 22 May 2023 were approved.

1.2. Approval of Late Papers

KE noted there were no late papers for consideration.

1.3. Review of outstanding Actions

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: Legal Text is currently being drafted. Action is to be kept open until the Legal Text review is carried out. **Carried Forward**

2.0 Amended Modification

The Modification has been amended and is v3.0 dated 14 June 2023.

The Proposer, Oorlagh Chapman (OC), provided a presentation, which outlines the process illustration for the application of the business plan rules, and Centrica's comments to Xoserve addressing their concerns from the 22 May 2023 Workgroup meeting. The presentation is published here: www.gasgovernance.co.uk/0841/210623.

OC provided an overview of the existing conditions within the Uniform Network Code and the Budget & Charging Methodology, the new proposed conditions/rules, and which document they will be included in.

OC clarified there is no change proposed to the current Principles and Approach for the Budget & Charging Methodology.

4.7.2 Principles & Approach:

- *(by 30 June) CDSP provide to the Committee and each Customer a draft Statement of Planning Principles*
- *Discuss the draft with the Committee*
- *Take into account, as it considers appropriate, the views of the Committee in finalising the Statement of Planning Principles*
- *(by 31 July) CDSP send the final Statement of Planning Principles to the Committee and each Customer*

OC advised that when the final Statement is ready, paragraph 4.7.3 some changes are proposed to this section which are highlighted in red below:

4.7.3 Sets out the steps that CDSP will take:

- By 31 October in CDSP Year Y-1, prepare and provide to the Committee and each Customer a draft CDSP Budget*
- Identify each instance in which the draft CDSP Budget is not compliant with the information requirements under the Business Plan Information Rules; explain the reason(s) for the non-compliance; and describe the step(s) it will take, in so far as practicable, to ensure each subsequent draft CDSP Budget is fully compliant;*
- Discuss the draft and the instances of non-compliance with the Committee;*
- Provide to the Committee and each Customer such further information as the Committee may reasonably require in connection with its review of the draft CDSP Budget;*
- Notwithstanding (b), take into account, as it considers appropriate, the views of the Committee in finalising the CDSP Budget, including the views of the Committee on the instances of non-compliance, and provide to the Committee a report that outlines the actions taken in response to the views of the Committee*
- by the end of January, send the final CDSP Budget to the Committee and each Customer.*

OC advised that clauses **b) c)** and d) allow CDSP to provide further budget drafts to the committee before finalising and sending the CDSP Budget under clause f).

OC advised that clause 4.7.4 within the Budget & Charging Methodology sets out the duties of the Committee.

4.7.4 Sets out the duties of the Committee which is to review and provide feedback to support the CDSP in further drafts of the Budget:

- after the CDSP has provided to the Committee and each Customer a draft CDSP Budget, provide to the CDSP views on the draft CDSP Budget;
- assess whether the draft CDSP Budget is compliant with the rules;
- specify the action(s) the CDSP will need to take to make the draft CDSP Budget fully compliant with the rules.

Business Plan Process in summary



OC explained the production of a Compliance Report that sits alongside the Draft Budget will explain any non-compliance. She highlighted that as long as there is an explanation for the non-compliance, it would make the Draft Budget compliant.

Workgroup considered the Compliance Report and sought further clarification from OC who advised that the Compliance Report allows CDSP to provide reasons and justifications for non-compliance so that it is transparent, clear, and concise. She went on to further note that CDSP has said that there are items that they will not be able to provide, for example, 3rd party contractual arrangements, therefore, once the CDSP specify the justification as to why it cannot be provided, the justification makes that part of the Budget, compliant.

ER noted that being non-compliant, and providing justification is then seen as being compliant is not actually stipulated in the Business Rules and feels it should be documented as such. Sally Hardman (SH) supported this view.

When Mark Cockayne (MC) suggested pre-agreeing the types of things that CDSP would not be able to share, (commercially sensitive items), OC advised that could make it too restricted/prescriptive.

MC noted that some of the statements in paragraph 4.7.3 are conflicting and confusing as they are requiring CDSP to be fully compliant but under clause e) CDSP can provide information that they deem to be appropriate.

In response, OC advised that if CDSP explains why something is not being provided, there is no loop back in the process.

MC noted that creating a non-compliant Budget could then go to an Appeal. Kirsty Ingham (KI) clarified that part of this Modification is future-proofing an enduring set of Business Plan Information Rules and said that some years, the CDSP will provide information and some years it will not be able to. She suggested that 3rd party contracts will not last forever, and understands

information in those contracts cannot be shared, but if the rules are clear, it may encourage CDSP to review the information that is set in their contracts to ensure transparency in the future.

OC clarified that the justification is what it is, any party can then decide if they are happy or not with the justification and raise an Appeal or not. OC also confirmed that the right of Appeal is not being changed as part of this Modification. MC noted that the likelihood of an Appeal could be increased.

When Jenny Rawlinson (JR) asked, OC clarified that the intention is that the draft Budget goes to the Committee before it is published.

Gregory Edwards (GE) noted that in terms of the drafted Modification, there are 2 topics, publicly facing information on the Xoserve website and commercially sensitive information. He said that commercially sensitive information can be kept for just the Committee to see and this is built into the Modification. A non-confidential and confidential version of the Budget is shared with the Committee.

Jayne McGlone (JMc) raised a concern that the information would not be allowed to be shared with their Company by the Committee members and therefore how could they socialise it with their constituency.

MC noted this would be an issue of confidentiality, and CDSP might want to look for some level of assurance from Committee members that the commercially sensitive information is not shared.

How to control and ensure that information is not going to be shared and utilised for a purpose that it is not intended may need further consideration, KE provided an example that the Performance Assurance Committee members have to sign confidentiality agreements, to which GE noted that is sensible and a good example.

It was mentioned that one of the principles of the Funding, Governance and Ownership (FGO) Project was that what Xoserve does, and how much it costs, would be scrutinised by a group of people so that it cannot check its own work. The situation now is that the principle has been bent. That is why it is relevant to have confidentiality agreements.

When James Rigby (JRi) highlighted that Xoserve has a Board and an Audit Committee, MC suggested there might be value for Xoserve to provide an overview of the governance in place.

It was further clarified that the governance set in the FGO project is set in place. For more detail on the FGO project, please follow this link: www.gasgovernance.co.uk/FGOWG/.

JMc advised Workgroup that the Contract Assurance Audit process reports to the DSC Contract Committee every quarter and that the audits are not all carried out by Xoserve, a 3rd party carries out some of the audits.

Amended Mod:

OC was invited to provide an update to the Workgroup on the amendments that have been made to the Modification. A change-marked version of the Modification is published here: www.gasgovernance.co.uk/0841/210623. The discussions that took place are summarised as follows:

- In the How section, MC noted the use of words *efficient*, *economic* and *effective* are not used consistently. OC clarified that Workgroup did not feel efficiency needed to be defined and they are standard accepted words.
- MC asked if lack of transparency can be a reason for an Appeal to be raised. OC advised no changes are being made to the Appeals process as part of this Modification.

KE clarified that if any party feels there is a requirement for the Appeals process to be amended, they can raise a Modification. GE further noted that the Appeal Rights are in the Gas Transporter Licences, if they are changed, it would require a Licence change also.

Solution

- There is a proposed change to the Cost Allocation Methodology in terms of structure, it is proposed this will now form part of the Budget & Charging Methodology, which will change the documents hierarchy.
- OC clarified the intention is to have a very structured set of rules so that the CDSP can provide an overview to the industry about what should be shared, with clear obligations that the CDSP follow, to be able to provide transparency to the industry. These rules will need sufficient governance so that they cannot be easily changed.
- Andy Clasper (AC) advised that the Legal Text providers, Dentons, have suggested the Business Plan Information document be made a UNC Related Document instead and the Budget & Charging Methodology references the document.
- When concerns were raised around the governance of the Business Plan Information document, AC summarised that if it is made a UNC Related Document, there could be a robust process put in place before it is submitted to UNCC for approval of any changes to those business rules.
- When Rebecca Hailes (RH) asked if a UNC Related Document can have something in it that specifies the change process, AC clarified there is nothing to stop the proposer from noting what they would like the lawyers to consider, such as a standard CDSP consultation process, review the results at the DSC Contract Committee, who then provide a recommendation to UNCC, and then pass to UNCC for approval. OC confirmed she will consider this and may include a separate statement in the Modification.
- When MC noted that he has been unable to map risk uncertainty and assurance back to the schedule, GE clarified that it may not be in the schedule as a separate header, but it is referred to.

Business Plan Information Rules

GE provided an overview of the Business Plan Information Rules drafted document which is published here: www.gasgovernance.co.uk/0841/210623.

Purpose

GE advised the purpose of this document is to specify the information requirements that the CDSP shall ensure are satisfied in the draft and final versions of the CDSP Budget, and that the Committee shall use to assess whether the draft and final versions of the CDSP Budget are compliant.

Process for amending this document

GE noted that any change proposed to this document would require a consultation and for the DSC Contract Committee to approve the change, the text within the document largely reflects updates based on feedback received.

Transparency

The CDSP shall use its best endeavours to ensure transparency concerning the development and content of the CDSP Budget. The CDSP shall ensure the minimum level of transparency that DSC Parties and other interested stakeholders require in order to meaningfully scrutinise the draft and final versions of the CDSP Budget.

When JRi asked if the level of detail should be in the Business Rules, GE advised this was a specific request based on feedback.

MC said that the minimum level of transparency needs to be defined and GE confirmed it would be agreed by the Committee upfront at the start of the process and it can be reviewed.

GE clarified that transparency is not just about publishing the documents, it is the level of detail in the document.

Jri asked GE to explain why the document does not describe the level of detail required for transparency, GE advised the document includes what information should be in the Business Plan and the statement makes clear, the expectation for the rest of the document.

When reviewing the document, JRi wished to highlight that several of the items listed are already expected to be included in BP24 which, he hopes, underlines CDSP's intent to provide the information that will be required going forward.

MC asked if there is an opportunity to carry out a Lessons Learnt exercise on this year's BP process to get some real-time feedback.

JRi noted the launch of the Principles & Approach on 05 July will include new clauses that CDSP are looking to incorporate into BP24.

JRi noted, with regards to compliance and non-compliance, and the wording of transparent/robust/stretching, he is concerned that non-compliance will be decided based on a subjective view. When asked to expand his thoughts, JRi said that he sees compliance as being applied to things that are objective, not something that is 'stretching' as that can be construed by different members of the Committee.

Kirsty Ingham (KI) clarified the Business Rules are creating a framework that allows adequate guidance, information and scrutiny. The Committee represent the wider industry, there will be a set of rules, and the Committee will consider if the CDSP have provided the information.

KE summarised the process:

- CDSP agree on the level of detail with the DSC Contract Committee;
- CDSP provides the information;
- The Committee consider if the information is compliant and within the level of agreed detail;
- If not compliant, the CDSP provide a statement of justification as to why;
- The statement of justification is considered by the DSC Contract Committee which may request more detail or agree the BP can be submitted.

JMc wondered if the wording of *compliant* and *non-compliant* could be *requirement met* and *requirement not met* with justification as to why.

Suggestions of replacement wording for non-compliance were made as follows:

- 'in accordance with the intent of';
- non-deviant from the BP information rules rather than compliant;
- requirement met/not met with justification as to why it could not be met.

New Action 0601: Centrica (KI/OC) to consider the wording for non-compliance and compliance.

JRi noted that part of the approach will be to make sure opinion is registered, OC noted that if only one customer is giving feedback, this has not been considered previously as it was seen as insufficient support. JRi clarified that CDSP has to balance and find an acceptable way forward for everyone and that individual opinion is important.

When MC asked, if only one party's feedback is being considered, and changes are made in accordance with that one party and their feedback, how do CDSP demonstrate efficiency, economic, and effective? GE advised the distinction between what goes in the plan and what is delivered whereas efficiency and economical are generally how the CDSP should operate.

The Workgroup considered what should happen when there are conflicting views across the customer base; The DSC Contract Committee would need to make a decision and explain why

that decision is the one that was reached. The Business Plan relates to the level of detail, and it is unlikely that all customers will have the same information needs.

GE suggested it would be a really good approach for CDSP to explain the costs of making improvements in the draft Principles & Approach document.

Workgroup discussed, if only the Committee see the full Business Plan, assuming it contains confidential information, and the Committee members are unable to share the information with their wider constituents, how will confidentiality be managed as there are no confidentiality agreements in place for DSC meetings.

Revised Modification – KE suggested that Centrica bring the draft for Workgroup review before it is processed as an amended Modification.

New Action 0602: Centrica (OC) to consider DSC Contract Committee confidentiality and how that will be managed. (PAC sign a confidentiality agreement).

3.0 Development of Workgroup Report

4.0 Next Steps

KE confirmed the next steps as being:

Next Steps

- A full review of the Business Rules, as a group.
- Consider a Business Rule within the Solution to ratify the House Keeping changes that have been recognised.
- Consideration of Charging related Change Proposals.
- 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.
- Workgroup Report development.
- Proposer to provide a view of which documents require amendment and who will amend them.
- An extension to the October UNC Modification Panel will be requested.
- Potential parallel run against BP24 will be arranged.
- Produce a Schedule of Work for the remaining Workgroup meetings, similar to that used in Modification 0674 Workgroups.

In the interest of running an efficient Workgroup, all of the Workgroup are asked to thoroughly review the Business Rules and submit any questions ahead of the July 2023 Workgroup meeting.

New Action 0603: Workgroup to thoroughly review the Business Rules and submit any questions ahead of the July 2023 Workgroup meeting.

AC asked, for the Cost Allocation Methodology, if this is to sit within the Budget and Charging Methodology (BCM), it will require clear Business Rules. He suggested it could sit as a UNC Related Document which would then just require a reference in the BCM.

GE clarified that, in principle, the methodology should be provided by Xoserve, which then provides an appendix to the BCM. AC noted that it has to be legally draftable.

When KI mentioned that Workgroup needs to be mindful of not discussing issues already covered in previous Workgroups, KE said there is a need to make sure the Final Modification Report includes the discussions and the issues, and any out-of-scope items need to be clearly defined.

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 26 July 2023	5pm Tuesday 18 July 2023	Microsoft Teams	<ul style="list-style-type: none"> Amended Modification
10:00 Tuesday 22 August 2023	5pm Monday 14 August 2023	Microsoft Teams	<ul style="list-style-type: none"> TBC
10:00 Wednesday 19 September 2023	5pm Tuesday 08 September 2023	Microsoft Teams	<ul style="list-style-type: none"> Completion of Workgroup Report

0841 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0402	17/04/23	2.0	<i>Budget and Charging Methodology</i> 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....'.	May 2023 June 2023 July 2023	Proposer (OC) and Legal Text provider (AC)	Carried Forward
0601	21/06/23	2.0	Centrica (KI/OC) to consider the wording for non-compliance and compliance.	July 2023	Centrica (KI/OC)	Pending
0602	21/06/23	2.0	Centrica (OC) to consider DSC Contract Committee confidentiality and how that will be managed. (PAC sign a confidentiality agreement).	July 2023	TBC	Pending

0841 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0603	21/06/23	2.0	Workgroup to thoroughly review the Business Rules and submit any questions ahead of the July 2023 Workgroup meeting	July 2023	Workgroup	Pending