

UNC Request Workgroup 0646R Minutes
Review of the Offtake Arrangements Document
Tuesday 21 August 2018
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Chris Warner	(CW)	Cadent
Darren Dunkley	(DD)	Cadent
Dave Mitchell	(DM)	SGN
Eddie Blackburn	(EB)	National Grid NTS
Leteria Beccano	(LB)	Wales & West Utilities
Stephen Ruane	(SR)	National Grid NTS
Stevie Docherty*	(SD)	Northern Gas Networks

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0646/210818>

1. Introduction and Status Review**1.1. Approval of Minutes (13 July 2018)**

The minutes from the previous meeting were approved.

2. Site Drawings

DD provided a brief overview of the 'Proposal for Updating Site Owner Drawings' presentation during which he confirmed that once the user had updated a drawing (i.e. execution and amendments etc.), this would then be sent to the site owner for approval. Furthermore, whoever has completed the update(s) would then also update the Supplemental document (in a change marked version of the 'master').

When SR outlined concerns around potentially issuing the 'master' Supplemental document file(s), DD explained that it would simply be a copy of the master that would be in circulation, and definitely not the original master file. SR highlighted a recent example whereby LB had provided a change marked copy of the Supplemental document master to National Grid, which they then validated after which any changes were adopted.

EB reminded those present that introduction of a new supplemental document would require a new UNC Modification being raised.

In considering a workshop based approach within which each operator could look to agree a way forwards including development of any necessary process documentation, SR agreed to take a new action looking to liaise with interested parties with a view to setting up a workshop; establish a high level Terms of Reference and scope; and to initially identify the various drawing platforms in use today. It was also requested that all DNOs provide suitable contact details to SR to enable the setting up of the workshop.

New Action 0801: Reference Site Drawing Workshop – National Grid (SR) to liaise with interested parties with a view to setting up a workshop; establish a high-level Terms of Reference and scope; and to initially identify the various drawing platforms in use today.

New Action 0802: Reference Site Drawing Workshop – All DNOs to provide contact details to SR in order to facilitate action 0801.**3. Redundant Assets**

In providing an overview of the *'Proposal for Redundant Assets'* presentation, DD explained that this now contains additional items added after the previous Workgroup discussions.

In discussing the dispute escalation process proposals, DD confirmed that this mirrors the OAD process. However, he believes that it should be undertaken by an independent 3rd party.

Both EB and SR felt that more detail is needed around these proposals, especially key aspects such as the economic test etc.

In considering bullet point four covering *"the site owner requires the re-use of land or property, where space is of a premium and assets that are currently in place have been seen to be non-operational for 12 months or more"*, discussions centred around how other DNs utilise a lease agreement based approach, in preference to Cadent's OAD obligation based one.

It was noted that in some cases the lease agreements include surrender clauses and also favour a 24 month window. Some DN representatives agreed to double check how they manage their respective lease agreements for offtake sites, in order to ascertain what inconsistencies might be present. When LB provided a brief explanation behind the Wales & West Utilities 24 month window aspects (i.e. how the landlord can request a response from a tenant), DD voiced his concern that this might not be inline with OAD provisions. Some parties favoured avoiding stipulating an actual period in terms of a number.

New Action 0803: Reference Redundant Assets – All DNOs to check their respective lease agreements with their company lawyers and look to provide a view on whether in their opinion the lease agreements take precedent over OAD provisions (or visa versa).

When DM highlighted that some sites could be more difficult to extract from, due in part to the complexities involved, EB suggested that aspects such as these are 'covered off' under the 'reasonableness provisions'. When DD suggested that a key element is the commencement of engagement with the various impacted parties, EB suggested that it would be beneficial if Cadent could provide a flow diagram to help highlight the rules and process steps involved, especially around a 12/24 month provision.

Moving on, when EB advised that where no gas has been seen to flow for 12 months, National Grid would look for confirmation that gas would be expected to flow within the next 12 month period, BF remarked that the issue seems to be finding a suitable balance between the time period and economic test requirements.

It was suggested that the Workgroup needs to also consider how we would agree that a site is operationally redundant, and where this exceeds 12 months, what should be expected to happen and what level of evidence would be deemed appropriate. He then went on to suggest that perhaps a 12 month period would work on the grounds that 'a request' can be made at any time, but if no gas has flowed for 12 months, the site user has to provide suitable evidence as to why not – in periods involving less than 12 months, the user can decline to satisfy the request.

SR felt that there would be benefit in the Workgroup also considering various economic test scenarios including items such as economic decommission v's (continued) operational cost considerations (i.e. asset cost v's cost to decommission etc.). EB also pointed out that in his opinion there are various considerations around the cost to remove assets and whether parties have an element of funding, including assessment of the 'do nothing' option costs, that the Workgroup needs to undertake – in short, the Workgroup has an opportunity to consider how costs are applied as well as establishing a set of supporting rules (i.e. hidden benefits and incentives to remove assets, plus identify suitable economic test triggers and any cost splitting options). Having said that, EB warned that care would be needed in order to avoid being over prescriptive and thereby restricting flexibility. However, in his opinion the crux of the matter relates to provision of evidence to justify the proposals.

Responding, DD pointed out that leaving assets in place where removal costs are prohibitive, is recognised as a cost effective solution, especially where there are no space restrictions involved. He then went on to explain that materiality aspects can have a significant impact on considerations and he believes that where parties cannot agree (via the economic test provisions etc.), the matter should be referred to arbitration for an independent view – the Workgroup acknowledged that this is a viable proposal.

EB then provided an overview of a possible economic test based around regulatory arrangements including funding and potential avoided costs balance based approach. He went on to suggest that where funding is provided within the Price Control provisions, decommissioning of any assets is 100% of costs, however where no funding is available, then a contribution (i.e. circa 20%) from parties involved should be invoked, based on a reasonable estimation. EB believes that the disputes process could look at evidence provided in order to substantiate either option. In noting that Cadent prefers a contribution based solution DD reiterated that he would look to provide a flow diagram to help highlight the rules and process steps involved (including enhanced economic test details), especially around adoption of a 12/24 month (or no specified number) provision.

DD advised that he would now look to amend the proposals inline with the discussions and feedback provided.

New Action 0804: Reference Redundant Assets – Cadent (DD) to provide a flow diagram to help highlight the rules and process steps involved (including enhanced economic test details), especially around a 12/24 month (or no specified number) provision.

DD advised that he would now look to amend the proposals inline with the discussions and feedback provided.

National Grid were requested to identify a potential disputes process to discuss in more detail going forwards.

New Action 0805: Reference Redundant Assets – National Grid (EB/SR) to look to identify a potential disputes process for consideration at the next Workgroup meeting.

When BF suggested that there appears to be two possible approaches, one based around lease agreements and the other based around the Cadent OAD based model, EB responded by suggesting that the ‘industry’ should be able to work with both variances.

4. Minimum Requirements for the Supplemental Agreement

When SR highlighted his previous concerns relating to outstanding action 0701, DM explained that he had only received one broadly supportive constituency comment on the Cadent proposals, whilst LB explained that she has also discussed the matter with her Wales & West Utilities colleagues R Pomroy and Grant Rogers who have voiced some site ownership and user kiosk related concerns.

Responding, DD suggested that care is needed to correctly highlight kiosk and building (site) ownership aspects, especially where multiple building are involved – *reference paragraph 2.4 in the Cadent UNC Supplemental Agreement template.*

DD then moved on to enquire what the Workgroup believe is actually meant by the term ‘minimum requirements’, at which point EB responded by suggesting that it boils down to what elements could potentially impact on other DNs (i.e. obligations to be applied where parties opt out of the OAD for instance). It was debated whether the minimum requirements actually reflect what the OAD currently specifies (i.e. shared barrier loops; ownership considerations such as who owns what asset on the site etc.).

SR explained that he has unfortunately been unable to discuss the matter with his National Grid colleagues, due to their various holiday commitments and therefore responses have been limited so far.

When BF enquired whether or not the intention is to have (another) draft document prepared for the Workgroup to consider, SR indicated that perhaps all that is needed is to have simple headings within the Cadent template that parties could then fill in with appropriate supporting text - the National Grid view being that the template is basically sound as it is. DD indicated that Cadent would be happy to allow parties to 'tailor' the template to suit their own requirements by either including or excluding the tables, so long as the main headings are retained.

When EB observed that as the current template resides within the OAD, we can either leave 'as-is' or alternatively formally remove it from the OAD and thereafter include it as a subsidiary document and develop the necessary supporting rules for managing it. It was noted that regardless of which route is adopted, care would be needed in agreeing the minimum requirements.

In pointing out that Section 4 (of the draft document template) is already part of the OAD, DD advised that Section 5 is also reflective of UNC Modification 0389VS 'Simplification of points of telemetry' provisions.

EB believes that the matter boils down to how much flexibility parties believe they want/need. Furthermore, he is mindful that this should not simply be National Grid's view being imposed on the industry.

Moving the discussions forward, EB indicated that he believes that the establishing the appropriate governance associated with any compliance and supplemental agreement change processes would be of paramount importance before confirming that he is reasonably happy to adopt a supplemental document based approach in order to avoid having to raise a UNC Modification each and every time an amendment is needed.

EB noted that a new UNC Modification would be needed however in order to outline the new principles and provide a draft of the (new) supplemental document for the wider industry to consider. DD pointed out that the majority of offtake configurations follow a consistent model.

In outlining what needs to be done next, DD advised that he would now look to amend the draft template (document) to include a flow weighted average element within Section 2 and once the Workgroup are happy with the proposals he would blank out the example template for inclusion within a new UNC Modification (including definition in subsidiary document and consideration of how we identify supplemental agreements) to be raised in due course.

5. Issues Spreadsheet

In referring to outstanding action 0708, DD explained that, to date he has received no feedback.

DD then provided a brief explanation behind the various colour coding elements contained within the spreadsheet, before suggesting that he is looking for the Workgroup to identify (and agree) some possible 'quick wins'.

New Action 0806: Reference Issues Spreadsheet – All parties to review the spreadsheet and provide suitable feedback for consideration at the next Workgroup meeting.

6. CNI/Site Drawings deferred to September meeting

Consideration deferred until the September meeting.

7. Shared Sites

In providing a brief overview of the '*Proposal for Shared Sites*' presentation, DD responded to a question around whether or not the driver is to address the Illy run issue, by explaining that that aspect is covered off under the 'bi-directional' site (bullet) information.

When DD went on to explain that the indemnity aspects have been a concern for Cadent over the last 12 months, EB advised that his only concern relates to how we (the industry) would actually achieve this (i.e. do we look to change the offtake definition, and/or review the whole OAD in order to identify where the term 'offtake' occurs). In referring to the two possible approaches, DD suggested that whilst a universal definition might appear a nice option on the surface, he prefers retention of individual definitions.

When EB suggested that this ‘feels’ like a significant piece of work, both DD and DM responded by suggesting that for LDZ / LDZ purposes, it is simply a supplemental agreement related impact.

EB then went on to suggest that care would be needed in considering various definitions such as users; shipper users; DNO users etc., in order to avoid unintended consequences - to this end, there maybe value in reviewing the OAD and examining how best to re-define various aspects. Responding, DD acknowledged that the bi-directional elements need careful consideration and management.

It was noted that there is value in the Workgroup undertaking the initial OAD review in order to avoid incurring significant legal costs, should lawyers become involved. EB agreed to take an action to provide a high-level assessment of the potential OAD related impacts and to provide a tabulated view for consideration at the next meeting.

New Action 0807: Reference Shared Sites – National Grid (EB) to provide a high-level assessment of the potential OAD related impacts and to provide a tabulated view for consideration at the next meeting.

When DD explained that the main drivers behind the proposals relate to indemnity, site access and sharing maintenance related concerns, EB suggested that perhaps what is needed is a supplemental agreement for these types of site that is supported by OAD changes to ‘cover off’ the various site access concerns. DD advised that for the 5 affected Cadent sites, he is unsure whether there are specific site access aspects or not, although he is focusing on what might be the best vehicle for managing these sites. When DD advised that for one of these sites (Churchover) a supplemental agreement already exists, EB suggested that care would be needed around governance aspects.

Concluding discussions, DD explained that he would look to provide a ‘change marked’ version of the document for consideration at the next Workgroup meeting.

8. Review of other Outstanding Actions

0604: All Parties to review the suggested grounds/triggers for asset removal, and where there is a cost of removing an asset, the cost apportionment and economical benefit test.

Update: It was agreed that this action has been completed. **Closed**

0605: National Grid (SR) to circulate the Site Owner Drawings process to enable the process to be considered and agreed.

Update: It was agreed that this action has been completed. **Closed**

0701: National Grid (LM/SR) to review the minimum requirements for the Supplemental Agreements and propose changes if needed.

Update: When SR suggested that it appears that we now have a way forwards, DD explained that this matter has been suitable ‘covered off’ by the various template discussions. It was then agreed that this action has been completed. **Closed**

0702: NGN (AP/SD), SGN (DM) & WWU (LB) to confirm what Lease Agreements they have in place and if these have specific arrangements to manage redundant assets.

Update: Whilst recognising that there are still some issues to be resolved in respect of which document (OAD or lease agreement) takes precedent, BF suggested that this action has been completed. **Closed**

0703: Cadent (DD) to update the Redundant Assets proposals paper based on the feedback received.

Update: It was agreed that this action has been completed. **Closed**

0704: All Parties to find out supporting governance arrangements for policy documents – is there a collective policy of how you would change things.

Update: DD explained that he has discussed this matter with his Policy Team colleagues who have concluded that there is not a universal compliance standard for drawings, although there are some requirements laid down in PSR. It was suggested that perhaps IGEM could assist in providing a view.

When the attendees noted that there are potentially some GSMR and ISO aspects, EB suggested that if it is not clearly outlined in either PSR or GSMR then they probably do not exist. When BF suggested that maybe HSE aspects cascade down, DD observed that updating drawings and the standards around such undertakings remain unclear.

Moving on, BF suggested that individual companies would be expected to have their own internal processes and standards, although collective aspects such as these may need agreement at industry level for the standards associated with technical documents. However, he remains of the view that care is needed to avoid including technical drawings within the OAD. When EB suggested the management of such documents could be via a subsidiary document based approach, BF wondered whether or not this could be undertaken via some form of Energy Networks Association (ENA) involvement/participation.

When EB enquired whether or not IGEM provisions could/should be expanded to include technical drawing requirements, DD agreed to investigate further.

SR advised that he would look to discuss the matter with his National Grid drawing office colleagues in due course. **Carried Forward**

0705: Cadent (DD) to put the asset records process in to the proposal for the next meeting.

Update: It was agreed that this action has been completed. **Closed**

0706: National Grid (LM/SR) to investigate as to whether OAD should have a paragraph pointing to what document the User should be following, e.g. section 1.6 in OAD

Update: In questioning what is actually required under this action, SR advised that he has not received an update from his colleague LM at this time. However, he is of the opinion that this matter will be covered off under forthcoming CNI Workshop investigations. It was agreed that this action has been completed. **Closed**

0707: Cadent (DD) to check Closed Sites references in OAD. Also, check if the LDZ will be relevant to an NTS closed offtake. Business rules will be created as a part of this exercise.

Update: In referring to the new action assigned earlier, DD explained that this matter would be considered further as part of the ongoing Shared Sites work. It was agreed that this action has been completed. **Closed**

0708: Cadent (DD) to update the issues spreadsheet: Align each line to a category; Add an Outcome to date column; Add an Action required column; Add a Comments column.

Update: As this item is largely superseded by the new on all parties to review issues, it was agreed that this action has been completed. **Closed**

9. Next Steps

To identify any potential 'quick wins' from the issues spreadsheet and to identify where possible, if any (or all) would be suitable for inclusion within a potential self-governance modification going forwards. It was agreed that a review of the issues spreadsheet at the next meeting would be beneficial.

It was noted that the aim is for the Request Workgroup Report to be submitted to the 20 December 2018 Panel, that could potentially identify what elements might/might not be suitable for progression.

10. Any Other Business

10.1. September Maintenance Workshop

DD advised that the forthcoming maintenance workshop to be held on Monday 24 September is likely to be held at the Cadent Coventry offices.

10.2. NRO's (offtakes)

In respect of the standard network operator's template, DD wondered whether it would be appropriate to have a mandatory tick box to record the fact that OAD aspects have been considered, which can then be utilised as an early trigger mechanism. Whilst acknowledging that we should always have an OAD Notice before the NRO is raised, DD pointed out that this is not always the case. BF suggested that whilst the general principle behind such a solution is sound, the question remains whether or not this is too complex for codification purposes.

When SR requested DD provides an email request that he could then utilise to engage with his National Grid colleagues and LB advised that she is unable to provide an answer at this time, DD agreed to liaise with impacted parties offline in order to progress the matter.

11. 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 26 September 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda items plus <ul style="list-style-type: none"> Review of the issues spreadsheet.
10:00 Wednesday 24 October 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	<ul style="list-style-type: none"> Agenda items to be agreed
10:00 Wednesday 21 November 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	<ul style="list-style-type: none"> Agenda items to be agreed

Action Table (as at 21 August 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0604	14/06/18	2.3	Parties to review the suggested grounds/triggers for asset removal, and where there is a cost of removing an asset, the cost apportionment and economical benefit test.	All	Update provided. Closed
0605	14/06/18	2.5	To circulate the Site Owner Drawings process to enable the process to be considered and agreed.	National Grid (SR)	Update provided. Closed
0701	13/07/18	3.0	To review the minimum requirements for the Supplemental Agreements and propose changes if needed.	National Grid (LM/SR)	Update provided. Closed
0702	13/07/18	4.0	To confirm what Lease Agreements they have in place and if these have specific arrangements to manage redundant assets.	NGN (AP/SD) SGN (DM)	Update provided. Closed

				WWU (LB)	
0703	13/07/18	4.0	DD to update the Redundant Assets proposals paper based on the feedback received.	Cadent (DD)	Update provided. Closed
0704	13/07/18	5.0	To find out supporting governance arrangements for policy documents – is there a collective policy of how you would change things. <u>DD to seek a view from IGEM on whether or not their provisions could/should be expanded to include technical drawing requirements.</u>	<u>All & Cadent (DD)</u>	Carried Forward
0705	13/07/18	5.0	To put the asset records process in to the proposal for the next meeting.	Cadent (DD)	Update provided. Closed
0706	13/07/18	6.1	To investigate as to whether OAD should have a paragraph pointing to what document the User should be following, e.g. section 1.6 in OAD	National Grid (LM/SR)	Update provided. Closed
0707	13/07/18	6.2	To check Closed Sites references in OAD. Also, check if the LDZ will be relevant to an NTS closed offtake. Business rules will be created as a part of this exercise.	Cadent (DD)	Update provided. Closed
0708	13/07/18	6.4	To update the issues spreadsheet: Align each line to a category; Add an Outcome to date column; Add an Action required column; Add a Comments column.	Cadent (DD)	Update provided. Closed
0801	21/08/18	2.	<i>Reference Site Drawing Workshop</i> – National Grid (SR) to liaise with interested parties with a view to setting up a workshop; establish a high-level Terms of Reference and scope; and to initially identify the various drawing platforms in use today.	National Grid (SR)	Pending
0802	21/08/18	2.	<i>Reference Site Drawing Workshop</i> – All DNOs to provide contact details to SR in order to facilitate action 0801.	All DNOs	Pending
0803	21/08/18	3.	<i>Reference Redundant Assets</i> – All DNOs to check their respective lease agreements with their company lawyers and look to provide a view on whether in their opinion the lease agreements take precedent over OAD provisions (or visa versa).	All DNOs	Pending
0804	21/08/18	3.	<i>Reference Redundant Assets</i> – Cadent (DD) to provide a flow diagram to help highlight the rules and process steps involved (including enhanced economic test details), especially around a 12/24 month (or no specified number) provision.	Cadent (DD)	Pending
0805	21/08/18	3.	<i>Reference Redundant Assets</i> – National Grid (EB/SR) to look to identify a potential disputes process for consideration at the next Workgroup	National Grid	Pending

			meeting.	(EB/SR)	
0806	21/08/18	5.	<i>Reference Issues Spreadsheet</i> – All parties to review the spreadsheet and provide suitable feedback for consideration at the next Workgroup meeting.	All parties	Pending
0807	21/08/18	7.	<i>Reference Shared Sites</i> – National Grid (EB) to provide a high-level assessment of the potential OAD related impacts and to provide a tabulated view for consideration at the next meeting.	National Grid (EB)	Pending