

# UNC Request Workgroup 0646R Minutes

## Review of the Offtake Arrangements Document

Wednesday 24 October 2018

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

### Attendees

Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Arran Poad*	(AP)	Northern Gas Networks
Chris Warner	(CW)	Cadent
Darren Dunkley	(DD)	Cadent
David Mitchell*	(DM)	SGN
Eddie Blackburn	(EB)	National Grid
Louise McGoldrick	(LM)	National Grid
Stephen Ruane	(SR)	National Grid
Steve Docherty*	(SD)	Northern Gas Networks

\*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0646/241018>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 December 2018.

## 1. Introduction and Status Review

### 1.1. Approval of Minutes (26 September 2018)

The minutes from the previous meeting were approved.

DD noted that in response to the Next Steps at last month's meeting, he had submitted some slides for discussion on planning. It was agreed this would be discussed under item 5.

## 2. Review of Site Drawings

SR referred to Action 0802 and confirmed the intention to organise a Site Drawing Workshop. He confirmed a request had been issued to find a suitable date, and responses were awaited.

SR requested assistance in drafting the agenda and encouraged the DNs to provide items for discussion. He anticipated the agenda would initially need to cover: Documentation; Data Transfer; and Software Compatibility.

It was agreed an update from the workshop would be provided to this Workgroup.

## 3. Review of Redundant Assets

DD provided an updated version of the OAD Process flow diagram for requesting the removal of redundant assets. He summarised the changes made which included removing the terms SO Site User and Site Operator and referring to Operator A and Operator B instead to better reflect which party can remove redundant assets. DD clarified that the content/guidelines behind the flow diagram needs to be produced to support the process.

DD referred to the economic test which needed to be undertaken when assessing the cost allocation of removal of assets and the subsequent process for dealing with the response to the economic test, along with an ability to dispute the outcome.

EB enquired about the decision process and criteria for deciding if an asset is redundant. DD explained that each box within the flow diagram will need to be defined, in particular the criteria of what a redundant asset is, to ensure it is met.

EB challenged whether the definition of a redundant asset should be the starting point of the process. He suggested the initial trigger for the process should be to enable a request to be submitted for the removal of an asset. Then the test as to whether the asset is redundant should be considered at the next stage. This would enable a request to be submitted to remove an asset and avoid a situation where there has to be a test for an asset to be redundant before a request can be submitted. He suggested in summary the process should be: Request – Review – Respond. EB suggested this would also provide the operator the ability to provide a response to demonstrate redundancy or not and to allow ample time to find an amicable solution before entering into any formal dispute stage.

EB suggested that it may also be prudent not to refer to an economic test as this has ramifications and would require a supporting methodology. He suggested the test was a more simple consideration of the proportion/contribution for cost recovery, it was more about a cost recovery split agreement. EB suggested that Operator B should provide an offer of a cost contribution for removing an asset. If it passes the test of redundancy then the cost of removal needs to be considered along with how these costs should be split.

DM concurred that there shouldn't be a reference to an economic test as this type of test is used within the Connections process, with a methodology and it may cause confusion.

It was agreed that the process flow diagram needed to be updated further before providing any supporting documentation/definitions. It was suggested that EB and DD work offline to develop the process flow diagram and for DD to liaise with the other DNs to further develop the process. DD agreed to update the process following the meeting and provide the flow diagram ahead of the next meeting to allow ample time for all parties to consider. EB offered to provide some guidance notes which would support the flow diagram.

**Action 1001: Cadent (DD) to liaise with other DNs and National Grid to further develop the OAD Process Flow Diagram for the Removal of Assets and present at next meeting.**

**Post meeting note:** DD has provided an updated Process flow diagram (v3.0) to all parties present by email on 26 October 2018 and this updated document is also available on the webpage for the next meeting so that all parties can provide view ahead of the next meeting: <https://www.gasgovernance.co.uk/0646/211118>

**Action 1002: National Grid (EB) to formulate guidance notes for the Removal of Assets including; the cost split and two-step agreement process**

DD enquired how this would be incorporated into Offtake Arrangements Document (OAD).

EB suggested there are fundamentally two options; firstly to incorporate into the UNC with appropriate legal text or secondly to use a subsidiary document. He suggested it would be best to seek advice on whether this could be incorporated into the UNC OAD as part of the Workgroup Assessment once the modification has been articulated and the business rules are available.

LM highlighted there are examples of other processes that are incorporated in OAD without the need for subsidiary documents. The Workgroup considered the options further. CW suggested he would examine the ability to incorporate the process directly into OAD.

**Action 1003: Cadent (CW) to consider the ability to transpose the Removal of Assets process directly into OAD.**

**Action 1004: Cadent (CW/DD) to produce a draft modification for the Removal of Assets.**

#### 4. Supplemental Agreement Update

DD confirmed that at the last meeting the Workgroup had agreed the template for Supplemental Agreements, and he had subsequently provided a blank template, and two examples of a populated template, one of which was a light touch example to demonstrate how the template would be completed where particular sections did not apply.

ST asked how the template was going to be referenced in OAD and whether this would be 'in the form of' using headings or by incorporating the actual template.

EB highlighted at the last meeting there was expressed concern about creating an overly onerous process which was too prescriptive. DD explained that the examples provided illustrate how the template could be completed. He explained that each box would need to be populated, however in certain circumstances this needn't be a comprehensive comment, it may simply be a light touch comment confirming which elements are not applicable. He referenced the light touch example given.

The Workgroup considered how to manage designated sites. It was agreed to add an extra section at the end of the template.

LM asked about some of the embedded tables within OAD, for example the telemetry table. SR also enquired about the format of the paragraph references (for legal text) being used and whether these should be numbers or letters to be consistent and to consider any other generic references already being used in OAD and referred to in other documentation. The Workgroup acknowledged the need to be mindful of the use of consistent references and that the modification would need to identify any linking references. Cadent colleagues agreed there would be a need to look at all the specific references as part of the modification.

The transition arrangements for using the new Supplemental Agreement was considered. It was agreed there would not be a requirement to move all current Supplemental Agreements to the new template; it was deemed appropriate to have a phased process, where any changes or new agreements would use the new template.

LM confirmed that National Grid are also looking for a more efficient process for the amendment and restatement deeds. She provided a proposed draft document for the amendment and restatement deed relating to supplemental agreements. It was clarified that the intention was not to use the existing amendment and restatement deeds process. The proposed document would be used instead as a revised recital for terminating the original Supplemental Agreement. LM confirmed that the clause which terminates any previous Supplemental Agreement will need to be re-worked for the recital process.

**Action 1005: National Grid (LM) to rework the recital clause that terminates any previous Supplemental Agreement.**

## 5. Issues Spreadsheet 'Quick Wins' Review

DD confirmed that consideration of the Quick Wins spreadsheet had been deferred last month to allow time for a full review. He confirmed that Action 0806 had been logged for parties to review and provided feedback.

The Proposed OAD Changes Spreadsheet Version 3.0 was briefly discussed. DD encouraged responses from all parties to enable a consolidated review to be recorded. DD confirmed feedback had been provided from National Grid and Wales & West Utilities (WWU), however feedback was awaited from Northern Gas Networks (NGN) and Scotia Gas Networks (SGN).

RHa encouraged NGN and SGN to provide feedback to the proposals to enable these to move forward. It was agreed that if NGN and SGN have not provided a response by 13 November the proposals would move forward as they are (without NGN nor SGN input) .

It was suggested that Cadent could draft a modification based on the proposals presented to date. The Workgroup discussed the potential of raising a single modification or a series of modifications. Reverse Flows was discussed and how elements could hang together. DD believed for certain areas within the spreadsheet there was more work to be undertaken, however some of the quick wins could be taken forward.

EB suggested that the modifications and business rules could be formulated for the quick wins, to enable the legal text drafting. He suggested elements are treated as modules and consideration should be given to raising a series of modifications.

DD provided the OAD Refresh Presentation - Planning for Future Modifications and the Workgroup considered the possibility of a phased approach. The Workgroup believed a number of quick win modifications could be progressed by the end of the year with a second phase of modifications in the New Year. It was suggested that the more complex site drawing and maintenance process modifications can be managed within the second phase.

The Workgroup considered whether extending the Request Group beyond December was necessary and discussed the most efficient way to progress the necessary modifications. EB suggested that the Request Workgroup could be closed down and suggested instead that the standard Offtake Arrangement Workgroup reinstated to assess all the required modifications identified by the 0646R Request Group. It was unclear if this would be a more efficient way of managing the modifications rather than extending the 0646R Request Workgroup.

DD suggested as a way forward that the Workgroup request an extension until March 2019 to progress the quick wins, with a recommendation of raising a further suite of modifications to address the more complex areas such as the Critical National Infrastructure (CNI).

It was agreed that the quick win modifications would be drafted for discussion by the Workgroup. CW confirmed that S Singh will help formulate the modifications, with a view to bringing initial drafts to November's 0646R meeting. The aim will then be to present the formal modification to the UNC Panel in either December 2018 or January 2019.

NGN and SGN were encouraged again to provide their comments in relation to Acton 0806 by 13 November to allow a consolidated view to be presented at next month's meeting.

LM mentioned the Safe Control Operations (SCO) interface documents will also need to be considered. DD also suggested that the Non Routine Operation (NROs) should be reviewed. EB highlighted there is an obligation to undertake a review of certain documents including the SCO. CW suggested these particular documents should be managed under the Offtake Arrangements Workgroup, as these should be considered business as usual.

It was agreed that Cadent and the Joint Office would consider re-instating the Offtake Arrangements Workgroup.

**Action 1006: Joint Office / Cadent to consider the best forum for collectively managing OAD changes going forward**

## 6. Review of proposed OAD review changes

See item 5.0. No further points raised.

## 7. Drafting of Request Workgroup Report

The Workgroup considered the numerous elements which would require modifications. It was acknowledged that all the appropriate definitions would also need to be considered. These included:

- Tri-partite Arrangements;
- Shared Sites with no Offtake;
- Asset Removal Process;
- Supplemental Agreement Templates, including recitals (governed by subsidiary document);
- Any other quick wins identified;
- Critical National Infrastructure (CNI) – ISS/PSUP;
- Site Drawings;
- OAD Notices including Maintenance, Processes, Templates and subsequent processes (clarity of 12-month notice periods);
- Definition of the Point of Offtake (demarcation line);
- Review of OAD Section D - Measurements (metering);
- SCO documents (Transporters have obligation to review);
- Reverse Flow Offtakes (bi-dimensional LDZ to LDZ terms);
- Closed Offtakes (NTS/LDZ);

- Clarity on impact assessments (definition of significant impacts);

## 8. Development of Draft Modification

It was agreed that for Phase 1 the first Modification would need to cover:

- Tripartite arrangements;
- Shared sites (including the definitions: for bi-directional/reverse flow; closed sites NTS/LDZ; and shared sites);
- Asset removal process;
- Supplemental Agreement template;
- Any other quick wins identified.

It was anticipated that a draft modification would be produced for review on the 21 November 2018. If deemed necessary, the modification could be split into separate modifications.

Further Phase 2 Modifications were expected in the New Year to cover:

- Critical National Infrastructure (ISS/PSUP);
- Maintenance (and clarity on impact assessments/threshold for OAD notices “significant impact” Section G);
- Site drawings;
- OAD notices;
- Point of Offtake.

The Workgroup also recognised that additional areas for related Offtakes Arrangements work in 2019:

- Section D of OAD
- SCO interface documents.

## 9. Outstanding Actions

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

**Update:** See item 2.0. **Carried forward**

**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 vice versa).

**Update:** See item 3.0. NGN and SGN confirmed they are both awaiting a response from lawyers. LM explained the complications of decommissioning and that the lease agreements may not cover elements that are in OAD they may sit along-side. **Carried forward**

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

**Update:** NGN and SGN to respond by 13 November. **Carried forward**

**0901: Cadent (DD) to refresh the Redundant Assets document to reflect workgroup discussion; background, arbitration, health and safety, process flow diagram changes, funding and non funding from an economic test perspective and the 12 month period.**

**Update:** See item 3.0. **Closed**

**0902:** National Grid NTS (LM) to produce examples of reinstatement options for discussion at the next meeting in October.

**Update:** See item 4 and New Action 1005. **Closed**

**0903:** Cadent (DD) and National Grid NTS (EB) to investigate the definitions required for the different types of Offtakes and make a recommendation for discussion at the next meeting.

**Update:** See item 8.0. The 3 definitions were: Bi-directional/Reverse Flow at offtakes (in exceptional circumstances); Closed sites NTS/LDZ; and Shared Sites that are not offtakes. **Closed**

## 10. Next Steps

It was agreed that the Request Group should be extended until March 2019 to allow time to consider the anticipated Modifications.

## 11. Any Other Business

None Raised.

## 12. 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 21 November 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<ul style="list-style-type: none"> <li>• Removal of Assets</li> <li>• Site Drawings</li> <li>• Supplemental Agreement Update (recitals)</li> <li>• 'Quick Wins' Spreadsheet Review</li> <li>• Proposed Modifications</li> <li>• Review of Outstanding Actions</li> </ul>
11:00 Wednesday 05 December 2018	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<ul style="list-style-type: none"> <li>• Development of Draft Modifications</li> <li>• Drafting of Request Workgroup Report</li> <li>• CNI (ISS/PSUP) Update</li> <li>• Review of Outstanding Actions</li> </ul>
10:00 Tuesday 22 January 2019	Radcliffe House, Blenheim Court Warwick Road Solihull B91 2AA	<ul style="list-style-type: none"> <li>• Metering Section</li> <li>• Maintenance</li> <li>• OAD Notices</li> <li>• Point of Offtake</li> </ul>

**Action Table (as at 24 October 2018)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0802	21/08/18	2.	Reference Site Drawing Workshop – All DNOs to provide contact details to SR in order to facilitate action 0801.	All DNs	<b>Carried forward</b>

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 vice versa).	All DNs	<b>Carried forward</b>
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	<b>Carried forward</b> <b>Update from SGN and NGN expected 21/11/18</b>
0901	26/09/18	3.0	Cadent (DD) to refresh the Redundant Assets document to reflect workgroup discussion; background, arbitration, health and safety, process flow diagram changes, funding and non funding from an economic test perspective and the 12 month period.	Cadent (DD)	<b>Closed</b>
0902	26/09/18	4.0	National Grid (LM) to produce examples of reinstatement options for discussion at the next meeting in October.	National Grid (LM)	<b>Closed</b>
0903	26/09/18	8.0	Cadent (DD) and National Grid (EB) to investigate the definitions required for the different types of Offtakes and make a recommendation for discussion at the next meeting.	Cadent (DD) and National Grid (EB)	<b>Closed</b>
1001	24/10/18	3.0	Cadent (DD) to liaise with other DNs and National Grid to further develop the OAD Process Flow Diagram for the Removal of Assets and present at next meeting.	Cadent (DD)	<b>Pending</b>
1002	24/10/18	3.0	National Grid (EB) to formulate guidance notes for the Removal of Assets including; the cost split and two-step agreement process	National Grid (EB)	<b>Pending</b>
1003	24/10/18	3.0	Cadent (CW) to consider the ability to transpose the Removal of Assets process directly into OAD.	Cadent (CW)	<b>Pending</b>
1004	24/10/18	3.0	Cadent (CW/DD) to produce a draft modification for the Removal of Assets.	Cadent (CW/DD)	<b>Pending</b>
1005	24/10/18	4.0	National Grid (LM) to rework the recital clause that terminates any previous Supplemental Agreement.	National Grid (LM)	<b>Pending</b>
1006	24/10/18	5.0	Joint Office / Cadent to consider the best forum for collectively managing OAD changes going forward	Joint Office (RH/BF) and Cadent (CW)	<b>Pending</b>