

**UNC Request Workgroup 0646R Minutes
Review of the Offtake Arrangements Document
Wednesday 03 February 2021
Via Teleconference**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	SGN
Leteria Beccano	(LB)	Wales & West Utilities
Louise McGoldrick	(LMc)	National Grid NTS
Shiv Singh	(SS)	Cadent
Stephen Ruane	(SR)	National Grid NTS

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0646/030221>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 April 2021.

1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting.

1.1. Approval of Minutes (06 January 2021)

The minutes from the previous meeting were approved.

1.2. Review of Outstanding Actions

0101: All Distribution Network Operators to review their current site lease arrangements to ensure there are no conflicts with the proposed legal text drafting.

Update: BF noted that each Distribution Network Operator (DNO) should continue to monitor this action. Darren Dunkley (DD) explained that the DNOs need to clarify their position and identify whether there would be any significant conflicts between their current lease arrangements and the proposed legal text and added that each DNO should be managing this risk themselves. **Closed.**

0102: National Grid (LMc) to review the following related to the redundant assets process: a) if National Grid seeks funding at the next price control for a project whether it will be based on a 50-50 funding split, and b) what would happen if Ofgem does not allow the additional funding?

Update: Louise McGoldrick (LMc) explained that she has advised Cadent of the following: a) when creating a business plan parties would need to liaise directly with each other and with Ofgem to agree a funding split, and b) if Ofgem did not approve additional funding, National Grid would not carry out any further works. The Workgroup accepted this explanation. **Closed.**

0103: DD to confirm/add the additional agreed critical items and update the Supplemental Agreements before assets go live.

Update: DD confirmed this had information been provided and would be discussed under agenda item 4. **Closed.**

0104: All parties to consider the proposed Business Rules for cost recovery to discuss next month.

Update: This will be covered under agenda item 5. **Closed.**

2. Removal of Redundant Assets

Shiv Singh (SS) provided an update on the Removal of Redundant Assets proposal and noted that the Modification for this topic had not yet been raised. SS explained that the Modification was currently being redrafted in light of additional information provided by National Grid, which needed to be analysed before it could be incorporated into the Modification.

LMc explained that National Grid were currently carrying out due diligence checks for the Modification and had identified several documents related to the Network Sale process which they believe should be considered to develop it further. National Grid had shared these documents with Cadent as well as continuing to review them internally.

Stephen Ruane (SR) confirmed this position and added that it would be beneficial if Cadent also considered these documents and identified any potential conflicts for themselves.

DD advised that Cadent are currently reviewing these documents, but the process may be protracted to allow Cadent to fully analyse them and understand any implications as they were not previously aware of the documents.

BF noted that this topic would therefore need to continue to be monitored. National Grid and Cadent are due to discuss the documents and the outputs with an aim of providing an update at the next Workgroup in March.

3. Site Drawings Update

SR confirmed that National Grid have been liaising with Northern Gas Networks (NGN) on Site Drawings and NGN had indicated they were satisfied with the explanations provided.

SR explained the outputs from these discussions have been included in the subsidiary document which is currently being circulated to the Workgroup participants to be reviewed. He added that National Grid will also be arranging bilateral discussions to develop the document further.

BF noted that this topic will continue to be monitored with a further update awaited in March.

Dave Mitchell (DM) asked SR to send him a copy of the subsidiary document.

New Action 0201: DD to send DM a copy of the updated Site Drawings subsidiary document.
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4. Updating Supplemental Agreement

DD advised that at the January Workgroup meeting, he had been asked to produce a process map within the Supplemental Agreement guidance document. He confirmed this had now been produced and circulated to the Workgroup for consideration.

DD presented the updated Supplemental Agreement to the Workgroup and highlighted the changes made, which specifically included updates to Sections 1 and 2 and the Principles. He added that the updated document also includes the points arising from the Workgroup discussions, which should inform the development of the Modification Proposal.

The Workgroup then reviewed and discussed the amendments made to the Supplemental Agreement document. Some of the key points discussed were:

- LMc asked for clarification of the term 'go live' in the agreement. DD explained that the Supplemental Agreement would need to be agreed and implemented before the assets could 'go live' (clause 2.8).
- LMc and DD discussed the wording of the agreement in general. LMc noted that any variations to the appendices of the Offtake Arrangements Document (OAD) needs to be reflected in the Supplemental Agreement. DD confirmed he would review this with a view to align both documents.

New Action 0202: DD to review the OAD and Supplemental Agreement document to ensure any wording changes are aligned.

- DD confirmed that the critical items discussed at the January Workgroup meeting had now been highlighted in the Supplemental Agreement document.
- LMc noted that she was seeking further clarity on National Grid's position on clause 2.8.4. She advised the Workgroup she would raise this internally and revert with an update next month.
- LMc was concerned about the wording of clause 2.9 as she did not think it reflected the discussions the Workgroup had been having. DD clarified that the intent of the wording was that the execution will be undertaken by National Grid, whilst the drafting could be undertaken by either party.
- LMc queried clause 2.11 as she understood it meant that National Grid could only execute where they are site owners. DD clarified this was not the case and confirmed that National Grid could execute any National Transmission System (NTS) or Local Distribution Zone (LDZ) site as well as any shared sites where National Grid was the site owner. LMc was satisfied with this explanation.
- LMc suggested that any drafting changes and the execution should take place in parallel so any issues with the execution process could be addressed in the drafting changes at the same time.

DD also presented the process flow map he had produced to the Workgroup and highlighted the timings of various stages of the process. The Workgroup proceeded to discuss this, and the following key points were raised:

- LMc queried if the wording and intent of the OAD would be reflected in the Supplemental Agreement and the process map. DD confirmed that would be possible.
- DD highlighted the timescales allocated for the drafting stage. LMc and Leteria Beccano (LB) noted that utilising the new templates being rolled out had impacted on the time taken to start the drafting process for a number of organisations. DD clarified that the process map was in regards to the enduring process rather than the transition period when the new template was being introduced and existing documents were being updated where appropriate.

DD asked the Workgroup to consider the timescales for when a change was being implemented, at what point would the amendment of the Supplemental Agreement would start. LMc suggested that as the OAD had an obligation on parties to keep the Supplemental Agreement updated and aligned, this should start as soon as possible. DD pointed out that none of the Distribution Network Operators (DNOs) had been following this clause.

DD proposed that the changing party needed to have an obligation to start the process and the OAD and subsidiary documents should include this. DM and LB agreed with this suggestion.

LMc noted that whilst she agreed the process should not be delayed, she was unsure of this could be implemented in practice. SR agreed with this view.

DD asked if this obligation could be applicable after the migration process for a DNO had already been completed and the DNO had been set up. SR confirmed this would be feasible.

LMc asked how DD would be including these rules in the documents. DD advised that he would add a caveat in the draft Modification to clarify this process would not be part of the transition but would be an enduring process.

DD proposed he would collate the discussion around this topic and include his explanations for the Workgroup to review and discuss further at the next meeting.

New Action 0203: DD to collate the discussion around the drafting changes to the Supplemental Agreement document and his explanation for the Workgroup to review at the March Workgroup meeting.

- The Workgroup also discussed the critical items added to agreement further to January's meeting. There was a discussion around whether the point of offtake would be considered a critical item. LMc advised she would clarify this.

New Action 0204: LMc to clarify whether the point of offtake was a critical item in the Supplemental Agreement.

5. Cost Recovery

DD presented a paper on the proposed amendments to the Business Rules under section L2 to reflect the discussions held by the Workgroup. The Workgroup reviewed and discussed the proposed changes. Some of the key points raised are as follows:

- DM asked when a Site Owner decided to do a site rebuild, whether they be able to charge the Site User for it. DD confirmed they would be able to do so where there had been a relocation of an asset.
- LMc added that the Site User should give notice before any relocation but the Site Owner would be responsible for moving the facilities.
- DM noted that the rules around the process could be made clearer.
- LMc advised that she had found a number of the clauses in the Cost Recovery section were unclear and that she was concerned the wording did not reflect the wording in the OAD.
DD asked LMc to flag the clauses which needed to be reviewed and was informed that all of the clauses should be reviewed.
- The Workgroup discussed the various notices mentioned in the section and there some concern about the meaning for each of them and how they were linked to an OAD notice.

New Action 0205: DD to review the clauses in the Cost Recovery section and identify each instance where a 'notice' is mentioned and clarify the meaning and intent of the wording for the clause i.e. what type of notice is being referred to.

- DD explained that whenever any changes are made to a site, an OAD notice needs to be issued, followed by the impacted party providing a quotation for the works required. This needs to be followed by raising a purchase order within the specified timescales in order to ensure that costs can be recovered.
- LMc asked if a notice is not issued or a quotation is not provided immediately whether a party would still be able to recover the costs at a later time. DD clarified that this would not be possible as there are strict time limits on the cost recovery process.
- BF asked whether costs not being recovered could be a breach of Licence Conditions. DD noted that he did not believe this was an issue.
- DD added that the Cost Recovery process would start when an OAD notice was issued. However, without a notice, work could still be carried out but the cost for these may not be recovered. LMc advised she would review this internally to clarify National Grid's position.
- LMc requested DD to articulate his view of the OAD notices and the Loss of Liability criteria to her in an email so she was clear in her understanding of how the process currently works. LB asked to be copied into this email as well.

New Action 0206: DD to email LMc and LB an overview of the OAD notices and the Loss of Liability criteria.

- Additionally, LMc asked whether the estimated costs submitted for the works would be considered binding. The Workgroup discussed that a quotation submitted at the beginning of the process may not be an accurate reflection of the costs incurred by the end of the project. DD explained that the estimates would need to have a degree of transparency and the parties would need to have informed discussions around the works required before a quotation was submitted.
- The Workgroup asked DD to collate an overview of the discussions held around this topic and circulate to the rest of the Workgroup.

New Action 0207: DD to collate the Workgroup discussions around OAD notices and Cost Recovery and circulate to the Workgroup participants.

- The Workgroup agreed that some of the cost recovery issues could be addressed in a separate meeting to discuss what options were open to the parties and to liaise on the communication requirements. DD suggested an upcoming Expert Group meeting as the forum to have these discussions, which the other Workgroup participants accepted.
- LB noted that in the previous discussions around Site Drawings, the cost recovery process was not mentioned. DD advised that Cadent and National Grid had identified that this would need to be addressed as well. The Workgroup discussed the implications around this and SR and LMc agreed they would review this further before updating the Workgroup.

New Action 0208: SR to collate the position on the principles of Site Drawings and circulate to the Workgroup.

- The Workgroup also discussed a permission clause in relation to providing an additional works quotation within a 30 day period for unexpected works. DNO participants of the Workgroup agreed to consider this internally.

New Action 0209: All DNO participants to consider the permission clause in relation to providing additional works quotations within a 30 day period.

- DD asked the Workgroup if this document needed to be updated any further. BF suggested that the Workgroup participants review the document internally and have the Expert Group meeting before deciding on whether this document needed to be updated. The Workgroup accepted this suggestion.

6. Outstanding items form Issues Log

DD informed the group that there were no further updates on the Issues Log as there were no updates for the Workgroup.

7. Identification of any new OAD items or issues

No new issues were raised.

8. Next Steps

BF suggested that the next meeting on 03 March 2021 will include a:

- Review of the Removal of Redundant Assets Pre-Modification
- Site Drawings Update
- Discussion on Updating Supplemental Agreements
- Cost Recovery Legal Text Update

BF added that it was likely that the Workgroup would require an extension as it is currently meant to be reporting to the April 2021 UNC Modification Panel. The Workgroup agreed and it was suggested that a six month extension on the reporting date would be sought at the February Modification Panel.

9. Any Other Business

No other business was raised.

10. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 03 March 2020	Teleconference	Finalise Request Workgroup Report

Action Table (as at 03 February 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	06/01/21	2	All Distribution Network Operators to review their current site lease arrangements to ensure there are no conflicts with the proposed legal text drafting.	DNOs	Closed
0102	06/01/21	2	National Grid (LMc) to review the following related to the redundant assets process: a) if National Grid seeks funding at the next price control for a project whether it will be based on a 50-50 funding split, and b) what would happen if Ofgem does not allow the additional funding?	National Grid (LMc)	Closed
0103	06/01/21	4	DD to confirm/add the additional agreed critical items and update the Supplemental Agreements before assets go live.	Cadent (DD)	Closed
0104	06/01/21	5	All parties to consider the proposed Business Rules for cost recovery to discuss next month.	All	Closed
0201	03/02/21	3	DD to send DM a copy of the updated Site Drawings subsidiary document.	Cadent (DD)	Pending
0202	03/02/21	4	DD to review the OAD and Supplemental Agreements to ensure any wording changes are aligned.	Cadent (DD)	Pending
0203	03/02/21	4	DD to collate the discussion around the drafting changes to the Supplemental Agreement document and his explanation for the Workgroup to review at the March Workgroup meeting.	Cadent (DD)	Pending
0204	03/02/21	4	LMc to clarify whether the point of offtake was a critical item in the Supplemental Agreement.	National Grid (LMc)	Pending
0205	03/02/21	5	DD to review the clauses in the Cost Recovery section and identify each instance where a 'notice' is mentioned and clarify the meaning and	Cadent (DD)	Pending

			intent of the wording for the clause i.e. what type of notice is being referred to.		
0206	03/02/21	5	DD to email LMc and LB an overview of the OAD notices and the Loss of Liability criteria.	Cadent (DD)	Pending
0207	03/02/21	5	DD to collate the Workgroup discussions around OAD notices and Cost Recovery and circulate to the Workgroup participants.	Cadent (DD)	Pending
0208	03/02/21	5	SR to collate the position on the principles of Site Drawings and circulate to the Workgroup.	National Grid (SR)	Pending
0209	03/02/21	5	All DNO participants to consider the permission clause in relation to providing additional works quotations within a 30 day period.	DNOs	Pending