

**UNC Request Workgroup 0646R Minutes
Review of the Offtake Arrangements Document
Wednesday 06 January 2021
Via Teleconference**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Ben Hanley	(BH)	Northern Gas Networks
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/0646/060121>

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 (02 December 2020)

The minutes from the previous meeting were approved.

1.2. Review of Outstanding Actions

1201: All parties to consider the critical items required when updating Supplemental Agreements and when the review process should start in terms completing/amending the Supplemental Agreements.

Update: Darren Dunkley (DD) confirmed this action would be covered under Agenda item 4. **Closed**

1202: Cadent (DD) to review the timing elements in OAD for updating Supplemental Agreements and if they are appropriate for the process.

Update: DD explained that this action was related to updating the OAD process for amending Supplemental Agreements, in which as part of the feedback process, a party has 10 Days to review and provide comments whilst the other operator has a further 10 Days to accept these amendments. DD added that the updated Supplemental Agreement process reflects the same timescales as set out in OAD. Whilst the timing element has not yet been added to the process diagram, DD confirmed he will be doing so. Louise McGoldrick (LMc) noted that whilst she felt the process set out was sensible, she believed the process steps require further documentation to ensure they are aligned. DD agreed and advised he would be providing this going forward as he still has some minor amendments to make to the process document. **Closed**

1203: Cadent (DD) to provide proposals for OAD Section L2 in relation to ~~upfront~~ Cost Recovery to be incorporated into the next Modification.

Update: DD confirmed the proposals for the OAD had now been provided and it would be further discussed under Agenda item 5. LMc and DD debated the 'upfront' Cost Recovery as noted in this action and it was agreed the word 'upfront' would be deleted. **Closed**

2. Removal of Redundant Assets

During December's Workgroup meeting it was agreed an offline meeting would be organised between National Grid and Cadent for further dialogue to work through the proposed solution to ensure it works for both parties. This included identifying the OAD changes, legal text and cost recovery process.

Shiv Singh (SS) provided an update confirming that the meeting had taken place and it was initially being proposed that funding would be set aside for any work required under this type of project, based on a 50-50 split between the two parties. SS explained that wherever the costs exceeded the agreed limit the work to remove any assets had to be deferred until the next price control in order to establish the additional funding requirements.

LMc added that Cadent have suggested that there should be one asset removal project per geographical area, and National Grid is currently reviewing the proposal. LMc further added that National Grid have leases in place for the other Distribution Network Operators (DNOs) and this allowance is for Cadent networks only in these circumstances. She noted that National Grid's lease arrangements with the other DNOs would prevail in those instances.

Dave Mitchell (DM) agreed with this view but asked what would happen where the lease arrangements were not clear or reciprocal, he suggested the DNOs review these arrangements to ensure there is no conflict on an individual lease basis. The Workgroup discussed the circumstances where DNOs may be able to review their current leases with National Grid and it was agreed that they would seek advice from their legal teams to clarify their individual positions.

DD suggested the DNOs take an action to check the validity of their current leases. Some discussion took place around the robustness of the leases. LMc added that the legal text for this Modification would need to reflect the position on the leases for the DNOs. However, she clarified the current process is specific as it is only relevant for one project per network area for Cadent. SS clarified that Cadent has 4 networks.

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

SS wished to raise a query in relation to the proposals from National Grid on where they exceed the budget threshold for the works required. SS queried if National Grid seeks funding at the next price control, whether it will be a 50-50 split again and what would happen if Ofgem did not allow the additional funding. LMc advised she would review this and provide an update for the next meeting.

New Action 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?

SS also asked if National Grid were able to develop the Business Rules for the Modification around the proposal where the funding threshold is exceeded. Stephen Ruane (SR) noted that National Grid would like to first understand how the proposal would work before looking to develop the rules at this time.

BF asked if the discussions around leases arrangements between NG and other DNOs would involve bilateral meetings. LMc and SR suggested that these meetings should only take place once the Legal Text for the Modification was ready. DM agreed with this approach.

Additionally, DD also noted that the process will be designed in such a way that both upstream and downstream parties can raise requests for the removal of a redundant asset.

3. Site Drawings Update

SR confirmed that further to a meeting organised for Friday 18 December to review this topic, the outcomes of the session had been positive. He outlined the next steps to progress this topic and suggested informal discussions to agree the solutions would be beneficial before inserting the solutions into the OAD. SR clarified that whilst this would not constitute a standalone Modification, it could be appended to a Modification which would be aimed at progressing a number of the agreed issues set out in the issues log. SR asked for the Workgroup's views on this approach and received their agreement.

SR advised he was looking to develop the legal text for these proposals currently. In the meantime, the subsidiary document would be completed for approval. SR confirmed he would schedule discussions with various parties once the subsidiary document had been issued.

DD noted that the Workgroup would need to approve and sign of the subsidiary document before the legal text could be developed. SR agreed with this view. However, he wasn't sure if the subsidiary documents would be ready for approval by the next Workgroup meeting. SR advised that the documents would be ready to review at the March Workgroup meeting at the latest. The Workgroup agreed with this approach.

4. Updating Supplemental Agreements

The Workgroup considered the revised Supplemental Agreements and process diagrams.

DD presented the steps of the review process and sought views on whether the Workgroup wanted to flag any other critical data items. The following were the main points discussed by the Workgroup:

- LMc suggested Telemetry Points would perhaps need to be flagged. The Workgroup considered whether this item needed to be flagged and discussed it at length. LMc added she would seek internal views from National Grid on this point.
- LMc highlighted that the appendix with flow information might need to be flagged. DD added that Metering flows would only be flagged after the event and could not be added upfront. He noted that for upfront metering updates further calculations would be required.
- The Workgroup identified that Appendix D needed to be reviewed. However, it was agreed that this would be outside the scope of this review group. The Workgroup agreed that once the current review was complete, a further project or review group would be required to review this Appendix in detail.

LMc asked if there would be any cause for concern for the assets to go live. DD clarified that the Supplemental Agreements needed to be finalised before the assets could go live. The only way to ensure the assets could go live was to review the Supplemental Agreements and identify all critical data items. DD agreed to review this and add some wording around additional critical items to be added before updating the Supplemental Agreements.

New Action 0103: DD to confirm/add the additional agreed critical items and update the Supplemental Agreements before assets go live.
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DD asked the Workgroup to consider anything else that needed to be included in this list and flag these to him. DD noted that it was likely that some further discussion would be required before the Supplemental Agreements could be finalised.

LMc stated that National Grid was happy with review and execution process that had been mapped out but had questions about the remainder of the document, as they were not sure how it was being developed. DD explained that the subsidiary documents would now start to be build up, including process steps and explanations.

LMc had some further queries about information she believed the Supplemental Agreement should include. However, DD clarified that this was not final document and the subsidiary documents, which are yet to be developed, would include this information.

5. Cost Recovery

DD recapped that the broad consensus between DNOs was that when work was completed the costs should be recovered. There was agreement that costs should be notified and agreed upfront (where possible) to avoid disputes at a later date.

DD explained that the proposed changes to the current arrangements have now been drafted, however, these were not simple changes. He noted there were some clauses in the amendments which make the process more difficult. He highlighted the clause about raising notices 12 months in advance and noted that it would be extremely unlikely that the impacts of a piece of work could be identified in full 12 months before the works started. It was suggested that a cost estimate would perhaps be a better solution.

DD suggested that there needed to be a further clarity around articulating time limits, i.e. recovering costs 30 days after an event occurred. DD also highlighted the clause in relation to upfront notices in relation to cost recovery once an intention of recovering costs had been identified.

LMc added that she did not agree with receiving cost estimates from DNOs or providing them where the scope of works might change. DD advised the OAD allows DNOs quotations, which are required to include a minimum level of information. He confirmed that cost estimates were therefore acceptable under the current rules.

DD also presented a high level overview of the Business Rules for cost recovery. He noted that it would perhaps be best to make changes to these once the business rules were finalised. However, he welcomed any comments on them from the Workgroup in the meantime. The Workgroup requested further time to review the Business Rules.

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

BH queried the use the wording of Business Rule 2.3.1 and asked if it could be made clearer. The Workgroup discussed this and DD agreed to make the suggested changes to the wording by adding 'where possible' to identify recovery costs upfront. DD added that 2.3.1 would be further amended as per the comments arising from this meeting. DD confirmed he would make the necessary amendments and reissue this.

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. He added the below items have already been covered by other items on the agenda.

- **B1.5.2 (b) OAD Appendix References.**
- **L2.3.1 Cost Recovery.**
- **AB1.5.3. Definition of an Offtake Site/Process.**
- **N3.2.2. Supplemental Agreements.**

7. Identification of any new OAD items or issues

7.1. Cyber Security Playbook

SR explained this was currently being reviewed by the industry and it had been decided that this group would be best placed to progress any changes to OAD. He was therefore looking to give the Workgroup prior warning that this item was likely to land. DD noted that this had not yet been kicked off so it might not land that soon.

DM asked if there was any sensitive information that would be included in this piece of work which should be restricted. SR noted that there would be sensitive information in this piece of work and he wanted to check whether this could be included in the OAD.

BF clarified that the Joint Office would not be able to publish the document with restricted sections. DD added that that his understanding was that the document was unlikely to have any sensitive information, which was why it was agreed that it would sit within the OAD.

SR suggested a 'restricted appendix' to the document if there was any sensitive information and the Workgroup discussed this possibility. LMc added that there was also the possibility of not publishing the document on the Joint Office website, which BF agreed would be the best approach if there was sensitive information.

SR to discuss this further with DD to progress.

8. Next Steps

BF suggested that the next meeting on 03 February 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

9. Any Other Business

9.1. Transmission System Operator to Distribution System Operator Agreement Guidelines

BF explained that this document was discussed at the last meeting and comments have been received from National Grid, Cadent, Wales & West Utilities and SGN. BF noted NGN's comments were still outstanding, on receipt of which the guidelines could be finalised. BH confirmed he would provide these comments as soon as possible.

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 February 2020	Teleconference	Modification Assessments Consideration of outstanding Issues from Issues Log Development of Request Workgroup Report
10:00 Wednesday 03 March 2020	Teleconference	Finalise Request Workgroup Report

Action Table (as at 06 January 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1201	02/12/20	2.2	All parties to consider the critical items required when updating Supplemental Agreements and when the review process should start in terms completing/amending the Supplemental Agreements.	ALL	Closed
1202	02/12/20	2.2	Cadent (DD) to review the timing elements in OAD for updating Supplemental Agreements and if they are appropriate for the process.	Cadent (DD)	Closed

1203	02/12/20	2.4	Cadent (DD) to provide proposals for OAD Section L2 in relation to Cost Recovery to be incorporated into the next Modification.	Cadent (DD/SS)	Closed
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	Pending
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)	Pending
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)	Pending
0104	06/01/21	5	All parties to consider the proposed Business Rules for cost recovery to discuss next month.	All	Pending