

UNC Offtake Arrangements Workgroup Minutes

Wednesday 24 August 2022

via Microsoft Teams

Attendees

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|------------------------|-------|------------------------|
| Eric Fowler (Chair) | (EF) | Joint Office |
| Helen Cuin (Secretary) | (HCu) | Joint Office |
| Catherine Litster | (CL) | Wales & West Utilities |
| Christopher Syrett | (CS) | E.ON |
| Darren Dunkley | (DD) | Cadent |
| David Mitchell | (DM) | Scotia Gas Networks |
| David Ransome | (DR) | Cadent |
| Fiona Cottam | (FC) | Correla |
| Gurvinder Dosanjh | (GD) | Cadent |
| Louise McGoldrick | (LM) | National Grid |
| Luke Warner | (LW) | Northern Gas Networks |
| Mark Jones | (MJ) | SSE |
| Simon Howard | (SH) | Cadent |
| Stephen Ruane | (SR) | National Grid |
| Steve Mulinganie | (SM) | SEFE Energy Ltd |
| Tom Stuart | (TS) | Wales & West Utilities |
| Zoe Thorpe | (ZT) | National Grid |

Please note these minutes do not replicate the 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 papers are available at: <https://www.gasgovernance.co.uk/OA240822>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1 Approval of Minutes (27 July 2022)

The minutes from the previous meeting were approved.

1.2 Approval of Later Papers

EF confirmed the communication that was issued on the morning of 23 August 2022 to the MER mailing list completed the pack of papers published in respect of Alrewas and is not specifically a late paper for this meeting.

1.3 Review of Outstanding Actions

Action 0302: E.ON Energy (CS) to provide further analysis, if possible, on the potential impact of gas price fluctuations for Measurement Errors.

Update: Christopher Syrett (CS) confirmed the update for this action will be provided October 2022.
Carried Forward

0502: *Reference End-to-End Communication Process / Timeline* – DNs to consider E.ON proposals and provide a view at the July meeting.

Update: Guv Dosanjh (GD) advised there has been no movement from a Cadent perspective and this has not yet been discussed with the other Distribution Networks. He advised he will ensure this is placed on the DN Forum agenda and an update will be provided at the October 2022 Offtake Arrangements Workgroup meeting. **Carried Forward**

0701: Joint Office (AR) to clarify the accounting arrangements for non-NTS to LDZ inputs (LDZ direct inputs).

Update: Deferred to September 2022 meeting. **Carried Forward**

0702: DNOs to review the Supplemental Agreements (SA) Subsidiary Document and provide a view on changes required to OAD.

Update: This was covered as part of the agenda and captured in the minutes below. **Closed**

0703: Cadent (SS) to provide a final correction table with updated presentation material for publication at: <https://www.gasgovernance.co.uk/MER/EM009>

Update: Davide Ransome (DR) confirmed the correction table is included in the summary of the joint ITE report and there are 5 correction factors in total.

DR confirmed he was asked to remove reference to energy values as this created confusion.

Zoe Thorpe (ZT) clarified that the initial calculation of Energy value is 782.8 GWh. **Closed**

0704: Cadent (SS) to consider greater independent reviews, for lessons learnt following Measurement Errors.

Update: DR confirmed that Cadent are confident that their investigation of root causes is a robust process which has been scrutinised by the Health and Safety Executive (HSE) on a number of occasions.

DR advised that errors are occurring, and a full review of the end-to-end metering process is being carried out to ascertain the what the activities are and what could go wrong in those activities. He added that the key focus of the review is how to prevent meter errors occurring.

Steve Mulinganie (SM) asked for visibility at Workgroup on how the review progresses. **Closed**

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| New Action 0108: Cadent (DR) to provide an update on the improvements that are being made for early identification of Meter Errors. Update expected October 2022. |
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0705: Cadent (DR) to provide an update on wider information sharing between DNOs and Independent Reviews

Update: DR confirmed, as a best practice, that Cadent do participate in the Gas Distribution Networks Quarterly Forum at which information is shared and that lots of discussion takes place at this forum.

Workgroup confirmed their satisfaction that that confirmation has been received that wider information sharing is happening. **Closed**

0706: Cadent (DR) to provide the proposed EM011 – Thorton Curtis, ITE Terms of Reference (ToR)

Update: DR advised the ToR was submitted ahead of this meeting and will be reviewed as part of the agenda. **Closed**

0707: Cadent (DR) to provide a predicted process timeline for the EM011 – Thorton Curtis Significant Measurement Error.

Update: This was provided as part of the agenda. **Closed**

0708: Joint Office (EF) to approach IGEM for ITE nominations on behalf of Shippers

Update: Email issued. **Closed**

2. Pre-Modification Discussions

2.1 OAD Subsidiary Document (Supplemental Agreement)

Darren Dunkley (DD) provided a presentation explaining the need to amend the Supplemental Agreements (SA) Amendment Process and a Draft Modification.

DD explained it was agreed that Cadent would circulate the appropriate documentation for the other operators to review the proposed subsidiary document which includes a few small amendments regarding the metering information process and a slight change to the title.

When DD asked the DNs if they has reviewed the proposals, Louise McGoldrick (LM) for National Grid advised they had reviewed the clauses but have more questions. LM noted that her overarching comment is that the OAD talks about flexibility, but this does not come out in the subsidiary document.

DD suggested that any comments are captured as Workgroup walk through the proposed text amendments in the Modification.

An onscreen review of the Draft Modification (v0.1 dated 11 August 2022) was undertaken, where there was specific interaction with Workgroup, this has been captured within the minutes for each section:

Summary

LM sought clarification of amending the templates and would like to see the ability to make minor amendments to the recitals but not amending the template itself. DD advised the key part of the clause is that both parties have to agree the changes.

- The definition of an Offtake has been updated. Every other scenario will be termination and reinstatement of a new contract.

Steph Ruane (SR) noted that the recitals, as currently written, only covers one scenario but there are two:

- New
- Update

SR noted he would be comfortable to run 'the flexibility in the form of which might allow slight deviation from existing text' past the lawyers but he is aware that this Modification alludes to text that would not require lawyers as they will be prefabricated documents.

DD clarified the text put forward is not legal text it is just for illustrative purposes and will require a legal review, who will come back with appropriate legal wording.

It was agreed that the Distribution Networks would be asked to confirm their preference of the solution options as follows:

Option 1 - As OAD will require legal text amendments to support the new process and subsidiary document, a new clause can be included within Section N3.3 (Execution and Amendment of Supplemental Agreements) that will formally close, supersede or terminate the previous SA; or

Option 2- the recitals for all four Supplemental Agreement templates can be revised so that they contain the appropriate provision(s).

Once confirmation has been received, the Modification will be finalised and submitted to the October UNC Modification Panel.

As noted in the email communication that was issued post this meeting, the DNs agreed on the principle that the Supplemental Agreements should remain the same in terms of recitals and structure as adding additional requirements above and beyond the SA templates that were agreed under Modification 0683 - Offtake Arrangements Document (OAD) Review Updates – Phase 1, only added additional complexity in the management of these documents

New Action 0208: Distribution Network Operators to confirm their preference of the solution options as per below to Darren Dunkley, Darren.Dunkley@cadentgas.com by 08 September 2022:

Option 1 - As OAD will require legal text amendments to support the new process and subsidiary document, a new clause can be included within Section N3.3 (Execution and Amendment of Supplemental Agreements) that will formally close, supersede or terminate the previous SA; or

Option 2- the recitals for all four Supplemental Agreement templates can be revised so that they contain the appropriate provision(s).

LM suggested that a review of the illustrative changes is required, and also noted that she expects due diligence in that all reference flow through in clause 10, in section 10 already links back to 3.3 as she is not expecting any duplication.

DD confirmed that due diligence has been carried out and that Section 10 amendments link back to the subsidiary document.

This concluded discussion.

3. Significant Measurement Error Update EM009 – Alrewas EM MTD

Eric Fowler (EF) confirmed that the final joint ITE Measurement Error Report was published on 16 August 2022.

EF confirmed that the joint ITE summary report, the individual ITE reports, the Cadent background presentation, along with summary presentations have been published on the MER page at: <https://www.gasgovernance.co.uk/MER/EM009>.

David Ransome (DR) clarified that publication of the report concludes Cadent involvement in connection with the Alrewas meter error.

Zoe Thorpe (ZT) confirmed the error is currently going through internal governance and that CDSP should receive the final amounts from National Grid early September 2022, this should be next week if there are no sign off issues.

FC clarified that the Offtake was not used on every day throughout the applicable period of May 2019 to February 2021 and that the additional K91 records will be shown on the invoice that will be issued on the 18th business day in September if the data is received early in September 2022, the deadline is around the 6th of the month for inclusion in the September invoice. FC confirmed that if the invoice is not going to be issued in September, she will inform Workgroup via a Joint Office communication.

It was confirmed there is an aspiration that CDSP would give an impact assessment to parties that request them, this would be a week or so before the invoice goes out.

FC provided a link to some background material on impacts of LDZ Meter Errors on Settlement and Corrections:

https://www.gasgovernance.co.uk/sites/default/files/ggf/2022-07/Impacts%20and%20Correction%20of%20LDZ%20Meter%20Errors%20on%20Settlement%20Jul_2022.pdf

Discussion concluded.

4. EM011 – Thornton Curtis

4.1 Terms of Reference

EF showed on screen the Thornton Curtis Meter Error Terms of Reference (ToR) and invited DR to provide an update.

DR confirmed that two Independent Technical Experts (ITE's) will work in parallel.

When SM asked if each of the ITE's have signed up to the ToR, DR confirmed each of the ITE's will have the obligation to comply with the terms of reference defined for the Thornton Curtis Measurement Error.

DR advised the ToR explains the obligations on the expert to deliver a report and it is the prerogative of the ITE how they can best determine the meter error.

CS noted that one of the delays with the Alrewas Measurement Error was the first and last day measurements – 24 May 20 to 22 Feb 21, and requested that this is documented and identified earlier rather than as an afterthought.

SH clarified that a partial correction factor for the first and last day will be formerly documented in the ToR for partial days and should be recognised in the correction factor.

It was agreed that the total size of the indicative energy value is helpful as long as it is not in the table. The correction factor derives the value.

SM noted, if the ToR refers to both parties this needs to be reflected in the ToR (party/parties).

ZT confirmed that National Grid can provide the closed out billed daily energy for correction factors to be applied to determine the error in energy terms.

ZT advised that when the correction factor is applied, it can be applied to the latest billed, she would just need notification of when that is required. DR will add into the ToR this information can be provided.

New Action 0308: Cadent (DR) to make the small amendments identified to the Terms of Reference, issue the revised version to Workgroup participants and request comments back by close of play Friday 26 August 2022 to Simon Howard and Guv Dosanjh.

SM suggested that the copying the example of the Alrewas Table into the Thornton Curtis Terms of Reference, as an example of format, would be really helpful.

4.2 Timetable

DR advised of the following indicative timetable:

2-weeks scoping

2-weeks procuring

5-weeks Site Testing and Data Verification (depending on operational activities)

3-weeks for report creation

DR clarified this will provide an indicative timeline of 3-months.

When SM asked in terms of the billing and when that might occur, it was confirmed that it is too early in the process to clarify at this stage.

Fiona Cottam (FC) clarified that the December invoice will be issued between Christmas and New Year, therefore the values would need to be available by mid-November. DR confirmed they are looking more towards providing the values end of November /early December.

FC provided the following guide to the National Grid Data Item Explorer site and how Users can use the reporting:

<https://mip-prd-web.azurewebsites.net/DataItemExplorer>

Demand>Exit Point Actuals>LDZ Offtakes>Energy - tick required oftakes.

tick "Latest Values" and "Applicable For" before selecting required date range.

Daily SAP also available under "Price" on the same page.

Click CSV icon to trigger download of data in a spreadsheet.

EF requested that if there are any significant variations in the indicative timeline, that Workgroup are advised as soon as they are identified.

5. Measurement Error Notification Guidelines Review

Further consideration due August.

5.1 Requirement for Two Independent Technical Experts (ITEs) 500GWh Threshold

Currently, if the two ITE's disagree on their findings, the output would be referred to the Offtake Arrangements Workgroup to make a decision. Workgroup attendees noted that they are not experts in this field.

If the ITEs cannot converge on a single answer but the difference between the two conclusions is small then it may be reasonable to 'split the difference'. However, if the difference is large then a mechanism is needed to resolve the situation.

It was suggested that when there are opposing views, it should be written into the ToR an instruction to discuss accordingly and for the ITE's to find the middle ground, whereas normally process is that it would come to Workgroup.

DM advised this suggestion for discussion was raised before the two metering errors were identified and suggested this discussion is deferred for the time being.

5.2 Publication of ITE Reports

A debate was held as to whether full reporting should be published or just the final ITE report.

SM asked for consideration from an industry perspective, open and transparent is what is required; therefore all documentation should be published.

EF concluded that if the preference is for transparency, it needs to be made very clear on how documents are titled and referenced which will make it easier for interested parties to navigate to the document that they are seeking.

5.3 End-to-End Communication Process / Timeline

The origin of this agenda item was clarified as being how quickly can an alert be made, how is it delivered and to whom?.

SH noted the upload should be completed as soon as the error had been identified and that depending on the scale of the issue, TBC might be put in the value

5.4 Other Identified Areas for Review

No further discussions.

6. Any Other Business

6.1 Proposed Register of Independent Technical Experts

EF advised that the annual review of the Independent Technical Experts Register had concluded.

All updates requested have been undertaken and the [Proposed Register of Independent Technical Experts](#) has been published at www.gasgovernance.co.uk/mer.

Offtake Committee Members have been advised of the changes and have been asked to advise of objections to approving the register (via enquiries@gasgovernance.co.uk) no later than 5pm Wednesday 31 August 2022.

7. Diary Planning

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

EF suggested there may not be agenda items for September due to the new Modification not being submitted until the October UNC Modification Panel.

| Time/Date | Paper Publication Deadline | Venue | Programme |
|--------------------------------------|------------------------------------|----------------|-----------|
| 10:00 Wednesday 28 September 2022 | 17:00 Tuesday 20 September 2022 | Teleconference | TBC |

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|------------------------------------|----------------------------------|----------------|-----|
| 10:00 Wednesday 26 October 2022 | 17:00 Tuesday 18 October 2022 | Teleconference | TBC |
|------------------------------------|----------------------------------|----------------|-----|

Action Table (as of 24 August 2022)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Target Date | Status Update |
|------------|--------------|------------|--|-------------------|--|------------------------|
| 0302 | 23/03/22 | 3.0 | E.ON Energy (CS) to provide further analysis, <u>if possible</u> , on the potential impact of gas price fluctuations for Measurement Errors. | E.ON Energy (CS) | October 2022 | Carried Forward |
| 0502 | 25/05/22 | 4.4 | <i>Reference End-to-End Communication Process / Timeline</i> – DNs to consider E.ON proposals and provide a view at the July meeting. | DNOs | July 2022 October 2022 | Pending |
| 0701 | 27/07/22 | 1.3 | Joint Office (AR) to clarify the accounting arrangements for non-NTS to LDZ inputs (LDZ direct inputs). | Joint Office (AR) | August 2022 September 2022 | Pending |
| 0702 | 27/07/22 | 2.1 | DNOs to review the Supplemental Agreements (SA) Subsidiary Document and provide a view on changes required to OAD. | DNOs | August 2022 | Closed |
| 0703 | 27/07/22 | 3.0 | Cadent (SS) to provide a final correction table with updated presentation material for publication at: https://www.gasgovernance.co.uk/ME R/EM009 | Cadent (SS) | August 2022 | Closed |
| 0704 | 27/07/22 | 3.0 | Cadent (SS) to consider greater independent reviews, for lessons learnt following Measurement Errors. | Cadent (SS) | August 2022 | Closed |
| 0705 | 27/07/22 | 4.0 | Cadent (DR) to provide an update on wider information sharing between DNOs and Independent Reviews. | Cadent (DR) | August 2022 | Closed |
| 0706 | 27/07/22 | 4.0 | Cadent (DR) to provide the proposed EM011 – Thorton Curtis, ITE Terms of Reference (ToR) | Cadent (DR) | August 2022 | Closed |
| 0707 | 27/07/22 | 4.0 | Cadent (DR) to provide a predicted process timeline for the EM011 – Thorton Curtis Significant Measurement Error. | Cadent (DR) | August 2022 | Closed |
| 0807 | 27/07/22 | 5.0 | Joint Office (EF) to approach IGEM for ITE nominations on behalf of Shippers | Joint Office (EF) | August 2022 | Closed |
| 0108 | 24/08/22 | 1.4 | Cadent (DR) to provide an update on the improvements that are being made for early identification of Meter Errors. Update expected October 2022. | Cadent (DR) | October 2022 | Pending |