

UNC Governance Workgroup including UNC Workgroup 0760 Summary of Outcomes Friday 26 March 2021 Via Microsoft Teams

Attendees

Kate Elleman (Chair)	(KE)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Alex Travell	(AT)	BU-UK
Andy Clasper	(AC)	Cadent
Darren Lond	(DL)	National Grid
Heather Ward	(HW)	Energy Assets
Hilary Chapman	(HC)	SGN
Kirsty Dudley	(KD)	E.ON
Paul Youngman	(PY)	Drax
Richard Fairholme	(RF)	Uniper
Richard Pomroy	(RP)	Wales & West Utilities
Samuel Dunn	(SD)	Interconnector
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks

Agenda Item / Key Points	Outcome / Actions
1.0 Governance Workgroup	
<p>Key Points:</p> <ul style="list-style-type: none"> ▪ Kate Elleman (KE) welcomed everyone to the meeting. ▪ The material provided for the meeting can be accessed here: https://www.gasgovernance.co.uk/gov/260321 https://www.gasgovernance.co.uk/0760/260321 ▪ The minutes from the previous meeting (22 February 2021) were approved. 	<ul style="list-style-type: none"> ▪ Action 1104: Joint Office (PG) to review the use of pre-meeting briefs by JO meeting Chairs. Update: The Workgroup agreed to review this action in the future and it was noted that it had also been included in the points for consideration (JO Annual Report).
2.0 UNC Workgroup 0760: Introducing the concept of derogation for Net Zero innovation into Uniform	
Network Code (UNC)	
<p>Questions for the Workgroups Consideration:</p> <p>1. Consider Ofgem’s Energy Regulation Sandbox</p> <p>Key Points:</p> <ul style="list-style-type: none"> ▪ The Workgroup discussed the concept of Ofgem’s Energy Regulation Sandbox and how it has been applied to other codes. ▪ There was a suggestion of broadening the scope of developing this Modification, which could be more beneficial for the industry. 	<ul style="list-style-type: none"> ▪ Action 0301: KE to liaise with Code Administrator Code of Practice (CACOP) to review whether there is a consistent approach to derogations in other industry codes. ▪ Action 0302: TS to carry out

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<ul style="list-style-type: none"> ▪ It was also suggested that other industry codes such as the BSC (Balancing and Settlement Code), DCUSA (Distribution Connection and Use of System Agreement) and CUSC (Connection and Use of System Code) should be reviewed to gain a better understanding of how the Sandbox arrangements have been applied to them¹. <p style="text-align: center;">2. Consider scope and whether restriction to the stated Net Zero type projects is appropriate.</p> <p>Key Points:</p> <ul style="list-style-type: none"> ▪ Tracey Saunders (TS), the proposer of this Modification noted that she wanted to keep the scope narrow as widening it could add delays to the modification being approved and implemented, which could impact NGN project timelines where derogations were required. She also added that Ofgem’s guidance on this project had been to keep the scope narrow as it this would have higher chances of being approved. ▪ The Workgroup agreed to consider: <ul style="list-style-type: none"> ○ What a wider scope for this Modification would look like and whether this project could be developed without modifying the Uniform Network Code (UNC) by the use of other regulatory services such as Ofgem’s Sandbox. ○ Understanding why Ofgem have indicated it would be preferable to narrow the scope. ○ How derogation applies to other industry codes. ○ The legal definition of the Net Zero Project. <p style="text-align: center;">3. Consider whether other areas of code in addition to those identified should also be ring fenced.</p> <p>Key Points:</p> <ul style="list-style-type: none"> ▪ TS noted the areas of the UNC that are ring fenced have already been identified in the Modification. She added charging could also be ring fenced if Workgroup want and could be descoped at a later date if required. Workgroup were happy that charging was not to be excluded by the proposal at this time. ▪ There was a suggestion that the Workgroup should review the entire UNC to thoroughly examine it and ensure all areas that should be ring fenced have been identified. KE suggested the Workgroup discuss this next month. ▪ There was a suggestion that an impact assessment on the Retail Energy Code (REC) was required which the Workgroup accepted. 	<p>an impact assessment of this Modification on the REC.</p> <ul style="list-style-type: none"> ▪ Action 0303: KE to invite a PAC and Ofgem representatives to the next meeting to discuss the questions raised.

4. Consider whether Panel is the correct place for these derogations to be discussed and if so, should any terms of reference be updated.

Key Points:

- The Workgroup considered the role of the UNC Modification Panel and its powers to make decisions on derogation projects. It was noted that the Modification Panel may be more suited to carrying out a check of administrative requirements rather than assessing the actual merit of a project.
- The role of other code Panels with more stringent oversight and decision-making abilities was discussed including having a “kill switch” option.
- The level of Ofgem’s involvement in this project was discussed, including their role in approving the final project and their role if an appeal was made.

¹ BSC <https://www.elexon.co.uk/mod-proposal/p362/>

CUSC <https://www.nationalgrideso.com/document/165751/download>

DCUSA <https://www.dcusa.co.uk/event/dcp-345-change-report/>

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<p>5. Consider constraints in terms of size of project eligible.</p> <p>Key Points:</p> <ul style="list-style-type: none"> ▪ The Workgroup discussed the parameters of a project with milestones and agreed that a number of steps needed to be completed before it could apply for derogation. ▪ It was noted that for the UNC Modification Panel to approve or reject a project requesting derogation, it would need to see evidence of what work has been carried out and other relevant information. ▪ The Workgroup agreed that it was difficult to determine the size and scope of a project before the project was sufficiently developed. However, it was noted that it would be possible to ascertain what the approximate size and scope of the project would be before it was submitted for derogation to be applied to it. ▪ TS was asked if the Net Zero project was not approved for derogation, how would she proceed. TS explained that without unanimous approval at Panel, she would use the appeals process or find a different way of carrying out the trial without breaching the UNC, although this would result in exposure to some risks and consequential impacts. ▪ The Workgroup agreed that it would be beneficial to issue a consultation to the industry, administered by the Joint Office, before this Modification is submitted to Panel for a decision on derogation. ▪ The concept of introducing a ‘time limited derogation’ into the UNC was discussed, which would then require a UNC proposal for a specific derogation. ▪ KE identified three Modification options available: <ul style="list-style-type: none"> ○ Develop this Modification as it stands (restricted to Net Zero Innovation derogations only). ○ Widen the scope of derogation to cover all derogations. ○ Raise a Modification to cover the specific derogation requirements of a project (i.e. the impacted UNC clauses affected by Northern Gas Network’s Net Zero project are identified and specifically included in the Modification as requiring derogation from). <p>6. Modification 0760 has the potential to impact PAC reporting and careful consideration should be given to how any solution would interact with PAC notification.</p> <p>Key Points:</p> <ul style="list-style-type: none"> ▪ The Workgroup discussed PAC’s request to monitor the development of the Derogation process and discussed what concerns they may have. ▪ KE suggested asking a PAC member to join the next Workgroup meeting to seek clarification on PAC’s concerns. 	

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<p>7. Monitoring of Code obligations and settlement impacts is vital to PAC these should be carefully considered by the Workgroup.</p> <p>Key Points:</p> <ul style="list-style-type: none"> As above. 		
Diary Planning		
Time / Date	Venue	Workgroup Programme
09:30 Friday 23 April 2021	Via Microsoft Teams	Standard Governance Workgroup Agenda <ul style="list-style-type: none"> Modification 0760

Action Table (as at 26 March 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1104	04/11/19	8.0	Joint Office (PG) to review the use of pre-meeting briefs by JO meeting Chairs.	Joint Office (PG)	Carried Forward
0301	26/03/21	2.0	KE to liaise with Code Administrator Code of Practice (CACOP) to review whether there is a consistent way of looking at derogations in other industry codes.	Joint Office (KE)	Pending
0302	26/03/21	2.0	TS to carry out an impact assessment of this Modification on the REC.	Northern Gas Networks (TS)	Pending
0303	26/03/21	2.0	KE to invite a PAC and Ofgem representatives to the next meeting to discuss the questions raised	Joint Office (KE)	Pending