

**UNC Workgroup 0841 Minutes**  
**Introduction of cost efficiency and transparency requirements for the**  
**CDSP Budget**  
**Tuesday 10 October 2023**  
**And Via Microsoft Teams**

<b>Attendees</b>		
Kate Elleman (Chair)	(KE)	Joint Office
Harmandeep Kaur	(HK)	Joint Office
Andy Clasper	(AC)	Cadent
Gregory Edwards	(GE)	Centrica
James Rigby	(JR)	Xoserve (CDP)
Jayne McGlone	(JM)	Xoserve (CDP)
Jenny Rawlinson	(JR)	BU-UK
Kirsty Ingham	(KI)	Centrica
Marina Papathoma	(MP)	Wales & West Utilities
Mark Cockayne	(MC)	Northern Gas Networks
Sally Hardman	(SHa)	SGN
Steve Mullinganie	(SM)	SEFE
Stephen Huang	(SHu)	Castleton Commodities UK Ltd
Tracey Saunders	(TS)	Northern Gas Networks

*This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.*

*The Workgroup Report is due to be presented at the UNC Modification Panel by 16 November 2023.*

*Please note these minutes do not replicate/include 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 all papers are available at: <https://www.gasgovernance.co.uk/0841/101023>.*

**1. Introduction**

Kate Elleman (KE) welcomed everyone to the meeting.

**1.1 Approval of minutes (19 September 2023)**

The minutes from 19 September 2023 were reviewed by the Workgroup, during which Tracey Saunders (TS) requested some amendments to the section related to the audit of the Business Plan. GE recalled the discussion in the previous meeting and confirmed that the audit should ensure that the Business Plan Information Rules (BPIR) had been satisfied as well as a sense check on the numbers used in the Business Plan. Further to GE’s comments, the workgroup agreed that the minutes were correct.

**1.2. Approval of Late Papers**

The late papers below were approved.

- Clean and amended versions of Modification 0841 v5.0.

- Clean and amended versions of Business Plan Information Rules v2.0
- Clean and amended versions of Legal Text.

### **1.3. Review of Outstanding Actions**

**0901:** CDSP (ER/JMc) to provide a revised ROM w/c 25 September 2023.

Please refer to Section 3 of these Minutes for an update on Action 0901.

## **2. Consideration of Modification**

### **2.1 Modification UNC 0841A (Amended)**

Tracy Saunders (TS) presented the amended version of Modification 0841A- Introduction of Cost Efficiency and Transparency Requirements for the CDSP Budget. TS started by saying that her intention is to keep as much of the original Modification as possible and then explained the amendments made to Modification 0841A. TS explained that the Purpose of Modification has been amended to include an objective around minimising costs. TS explained that a reference to Key Performance Measures (KPM) is included to ensure that CDSP maintains those and delivers services while minimising costs.

Gregory Edwards (GE) noted that TS's point in relation to economic efficiency is appreciated, however, the definition she is using is narrow and contradicts what CDSP says. GE further pointed out that in terms of UNC-related obligations, economic efficiency flows from the licence and the licence does not define economic efficiency and the amendments narrow the intention of economic efficiency. The incorrect interpretation of these amendments could lead to poor service levels.

TS agreed to discuss this separately with CDSP. TS noted GE's point in relation to spending a bit more and receiving better results and agreed to take it on board. TS stated that in relation to the point about the licence, at this level, it is written as an instruction manual. TS explained that licences and codes are principle based, whereas the Modification will result in instructions. TS agreed to consider redefining economic efficiency to better further discussions with CDSP. TS pointed out that this wording is often used in the Modifications and guidance documents.

The chair noted that TS will have a discussion with CDSP in relation to the definition of economic efficiency.

Kirsty Ingham (KI) noted that the intention with their Modification purpose wording was to give CDSP some room and allow them to demonstrate any developing issues to their customers.

TS agreed with KI and noted that the definition needs to be objective rather than subjective. The preamble within the Modification is not included in the Business rules so the solution will need to rely on the legal text. TS asked how the proposers define economic efficiency and how they believe this will be achieved.

GE stated that economic efficiency can be demonstrated in different ways and noted that in relation to the provision of CDSP, there is already a phrase around economic efficiency.

Jenny Rawlinson asked whether the change around economic and efficient can be included in the original Modification 0841.

The chair clarified that as there is no consensus around the phrase, the change will have to be included in the amended Modification 0841A.

TS explained that on Page 3, she has amended some areas that do not align with the original Modification. On Page 5, TS explained that the term ‘the proposer’ has been added to clarify that this is a view of the proposer. Further, TS stated that she has added some clarification wording before the section that compares CDSP with other monopoly suppliers. The wording clarifies that this may not be a “like-for-like” comparison as the CDSP is managed differently in that it is a ‘Not for Profit’.

Steve Mullinganie (SM) commented that it felt like the Alternative was a critique of the original Modification rather than a true Alternative. TS disagreed with SM and stated that she was not adding a critique but just calling out the fact that the current version does not provide complete facts about the statement. TS clarified that she does not wish to re-write the entire Modification as she agrees with most of it and only disagrees with certain elements. TS suggested adding a preamble that explains that the Alternative is only related to Business Plan Information Rules and only adds minor amendments to the original version.

The chair noted that the Alternatives come in various forms and the original Modification has materially changed over time. The chair also noted that the proposer has taken the feedback from the workgroup on board and amended the Modification several times.

TS stated she had added a clarification around it being the proposer’s view when reviewing the Why section of Modification 0841A that refers to previous appeals. GE agreed with KI’s comments in relation to the appeal and stated that they know what the grounds of the appeal are, and it is not a matter of opinion but fact. In response, TS agreed to change the amended version to say that there have been 2 or 3 appeals by the same party.

TS next presented the amendments around the Business Rules section on Page 8. TS explained that the amendments on Page 8, and initial changes on Page 9, have been made to explain the definition of economic and efficient. SM added that the preamble is very important as we need to ensure that the report is as helpful as possible in explaining the approach taken for 0841A. SM was concerned that if someone can argue that complying with Business Rules prejudices the services provided, they can argue that they do not need to follow the Business Rules.

TS agreed but stated that we do not want to add anything that would stop or prevent the delivery of service. JM noted that the costs will not be minimised if the service is prejudiced and pointed back to the conversation about objectives and efficiency. TS agreed to discuss this separately with CDSP and agreed to come up with alternative wording that removes any confusion around service delivery.

The next amendment reviewed by the workgroup was around Business Rule 4 where TS added that businesses shall “use reasonable endeavours to satisfy” that the CDSP Annual Budget meets the minimum information requirements. SM enquired that if the requirements are minimum, how can they not be satisfied. TS clarified that Business Plan Information Rules (BPIR) are business requirements and this is a detailed document that provides a prescriptive version of what the CDSP needs to do. SM stated that the minimum is what you have to do, and any flexibility added might mean that the minimum is optional. TS clarified that reasonable endeavours mean that the requirements still need to be met.

JM suggested that the wording needs to go through a legal review. SM added that the current wording does make it flexible as the word ‘obligation’ is replaced with ‘endeavours’. TS noted that minimum rules are still applicable as BPIR is the minimum information requirement. The other definition does not deal with any unforeseen circumstances. SM stated that he agrees with TS to some extent but presented concerns that other parties could disagree with what constitutes reasonable endeavours.

TS noted that CDSP is already following the rules and there is already an expectation that CDSP will service their clients. TS explained that the BPIR document will go out as an instruction manual that will ensure that there is a framework that CDSP is adhering to as it is not economically efficient if its 'best endeavours' generates high costs. KI stated that she agrees with TS as the amendments allow CDSP to satisfy expectations and stated that the Modification allows CDSP to provide an explanation as to why a piece of work has not been done. TS stated that she will leave the wording in for now and will review the wording around reasonable endeavours with lawyers.

GE, for context, pointed out that there has been discussion about best and reasonable endeavours in the past and Ofgem decided to go with best endeavours as it is a matter of forcing CDSP to do as much as they can within reason. TS enquired that if it is "within reason" then why not reasonable endeavours and highlighted that she will review this with lawyers. TS and JM agreed to discuss this outside of the workgroup meeting.

TS presented the amendments on Pages 10, 11, 12, 14 and 16.

For the detailed amended version of Modification UNC 0841A, please refer to the published documents: <https://www.gasgovernance.co.uk/0841>

## **2.2 Business Plan Information Rules**

TS presented the amended version of the Business Plan Information Rules (BPIR). TS clarified that this document is undergoing continuous improvement and the amendments do not change the document but aim to add more clarity for KPM improvement. TS noted that the BPIR review will work as a tick-box exercise that the CDSP can carry out at the end of the process to ensure the business plan has adhered to the rules during its development. TS asked GE to provide comments around the last change related to assurance activities. GE agreed to provide some wording around it.

The other amendments related to terms such as 'best' changed to 'reasonable', 'ensure' changed to 'demonstrate', 'agreed' changed to 'as discussed', and 'shall' changed to 'may'. For detailed information on the amendments, please refer to the published documents.

## **2.3 Modification UNC 0841 Version 5 (Original Proposal)**

GE and KI presented V5.0 of Modification 0841- Introduction of Cost Efficiency and Transparency Requirements for the CDSP Budget to the workgroup. KI explained that the timeline has been changed to adjust to the delays, and minor amendments have been made to Pages 8, 9, 10, and 11 which include some typo corrections, term changes, and some explanation wording removed.

TS raised a question in relation to the explanatory note added on Page 12 as according to TS, this should be a general principle that should be added towards the top of the page. KI explained that the explanatory note is added to go along with the escape clause that allows CDSP to confirm the nature of the legal environment that prevents them from disclosing information to the Contract Management Committee. The note adds the expectation that CDSP will act in good faith for this escape clause. KI stated that this will be reviewed by the legal team. TS agreed with the reason behind adding the note, however, noted that as this is not going in code, the note should still be added to general principles. GE noted that there is no explicit obligation in the DSC about fair acts.

KI explained the amendments on Page 13 relate to personnel attending the Contract Management Committee signing a non-disclosure agreement. KI further explained that section

9 has been removed. TS stated that she would discuss how this should be added to her alternative version. TS enquired whether the term 'agent' used in the new section 9 is correct and whether the term 'CDSP and parties it nominated on its behalf' would be the better option. KI stated that it has been added by the legal team and is a legal term related to parties in the contract. TS noted that this is fine if the legal text providers have full information on what type of parties are involved.

On Page 17, TS noted that the CDSP Budget development timeline in the Implementation section should be 2025/26 further to the implantation date being changed to 2024 from 2023. KI agreed and confirmed that this would be captured in the next version.

## **2.2 Business Plan Information Rules- Amended**

KE presented the amended version of the Business Plan Information Rules to the workgroup.

TS enquired about the definition of the term 'resources' on Page 5. GE clarified that this is a general term that covers not only the money but also any other resources required to deliver services. TS asked for CDSP's views on this as if there were contention, she would not include this into her version.

James Rigby (JR) enquired about the meaning of the term as well. GE clarified that the term resources include headcount, FTEs, and anything else the CDSP might need such as an additional rented workspace. TS expressed concerns over the fourth bullet point where resources are mentioned, as it may start issues with GDPR if everyone's salaries need to be disclosed as they form part of the resources. JM agreed and stated that individuals and their salaries could be identified due to the small number of people working in Xoserve. TS suggested that this is either removed or a caveat is added to say that this does not cause conflicts with GDPR. GE stated that they have reviewed this with their legal team, and they do not believe that it causes any issues.

On page 7, TS raised the concern that the wording around the scope of the assurance activities can be read as not being a spot check, but a series of checks to ensure the validity of every single number and stated that the wording might need to be amended to avoid ambiguity. KI agreed to take this away and discuss it further.

TS asked the CDSP whether they have any comments in relation to the wording further to the concerns she has raised. SM suggested the wording "proportionate checks and balances" and "series of sample checks" could be used instead.

JR enquired about the scope of this work and asked whether this is something they would do annually and stated that better wording to explain this would be appreciated. KI clarified that this task would not be onerous. They anticipate it to be an annual process and a final sense check done in a day or half a day. KI noted that this would be a useful exercise for board assurance.

TS suggested that the CDSP produce a document that tracks this process, noting that it is not efficient to spend money on external auditors to do something that is in scope of people carrying out the activity. KI stated that the Contract Management Committee would not expect the CDSP to do the checks themselves and would look at a separate party. The Third Party will provide qualified eyes for the review.

TS asked whether the audit is about the numbers being correct and adding up or a deep dive into what is fed into the numbers. TS noted that there is some ambiguity around what the audit is that needs to be clarified. Jayne McGlone (JM) added that they already have the ability to

audit as part of their contract assurance audit plan which is carried out by KPMG and suggested that KPMG could complete this audit as well.

GE confirmed that they are proposing to expand the existing process and they are asking for assurance activity on business planning, not just the process.

### 3. Review of updated ROM

JM presented the updated Rough Order of Magnitude (ROM) and stated that the DSC Change Committee had been verbally updated on this, and that they have added another line for audit scope. JM explained that they have added a high-level cost summary of an audit.

KI enquired about the Implementation Costs. JM clarified that the higher number had been based on the Efficiency Review. JM explained that they need additional resources to be able to produce a business plan regardless of which type of audit takes place. The two costs involved are the 2 scopes. JM expressed nervousness over the costs as these can be blown out of proportion until they have a detailed set of outcomes.

JM noted that the Implementation Costs are based on the original Modification 0841. The alternative Modification 0841A could reduce costs. JM reiterated that the CDSP will require additional support for annual audits regardless of the type of audit that takes place.

JM asked whether they should do a revised ROM for V5.0 of Modification 0841. The work group agreed that this is required.

**New Action 1001:** CDSP (JR/JM) to produce a revised combined ROM based on V5.0 of Modification 0841 and the Alternative Modification.

### 4. Review of Business Rules and Legal Text

Andy Clasper (AC) presented the Legal Text. AC noted that the text is based on the previous version of the Modification and does not meet the current V5.0. And that the legal text had been submitted to meet the workgroup deadline. AC agreed to request legal text for the updated version.

The workgroup reviewed the legal text along with the Business Rules, however, as the workgroup did not have enough time to review the document in advance, it was agreed that the legal text would be reviewed in detail in the next meeting on 6 November 2023. It was agreed that a discussion between the proposer, Cadent and the lawyers was required before revised legal text could be produced.

**New Action 1002:** (AC) Revised legal text to be produced following the meeting between the proposer, Cadent and lawyers.

### 5. Consideration of Implementation and the need for Transitional Text

This will be discussed in the November Workgroup.

### 6. Development/Completion of Workgroup Report

The Chair shared a view of commentary added to the Workgroup Report summarising developments in the September Workgroup and asked for any commentary. It was agreed to include the CDSP's Implementation Costs and the point in relation to additional internal audit resources. The workgroup approved the workgroup report wording. KE noted that there would need to be an updated workgroup report which combined both the original Modification and the Alternative but only at the point that both Modifications had been stabilised.

## 7. Any Other Business

The chair raised the discussion around the timeline as this Modification is scheduled to be presented to the Panel in November. There is a workgroup scheduled for 06 November 2023. The chair proposed that a three-month extension is requested from the panel.

TS proposed a four-month extension due to December being a short month. TS also highlighted that this Modification is scheduled to be implemented in March 2024 and noted that realistically, Ofgem will not approve a complicated Modification like this one within two months. KI disagreed, commenting that Ofgem had asked Centrica to raise this Modification and therefore should be aware of the timing of the decision.

The workgroup agreed on 3 months. The chair agreed to schedule 4 workgroups between now and the February panel (November, December, January, February).

TS noted that she cannot do any work on the alternative Modification until the proposer's new version has been received.

**Post Meeting Note:** KI requested that it be minuted that throughout the workgroup meetings some participants have stated that they are not familiar with or haven't read the documentation. Therefore, can all workgroup participants ensure that they make themselves familiar with any associated documentation ahead of the workgroup meetings.

## 8. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time/Date	Meeting Paper Deadline	Venue	Programme
10:00 Monday 06 November 2023	5pm Tuesday 27 October 2023	Microsoft Teams	Standard Agenda

<b>0841 Action Table</b>						
<b>Action Ref</b>	<b>Meeting Date</b>	<b>Min Ref</b>	<b>Action</b>	<b>Reporting Month</b>	<b>Owner</b>	<b>Status Update</b>
<b>0901</b>	19/09/23	1.0	CDSP (ER/JMc) to provide a revised ROM W/c 25 September 2023	October 2023	CDSP (ER/JM)	<b>Closed</b>
<b>1001</b>	10/10/23	3.0	CDSP (ER/JMc) to produce a revised combined ROM based on V5.0 of Modification 0841 and the Alternative Modification.	November 2023	CDSP (JR/JM)	<b>Pending</b>
<b>1002</b>	10/10/23	4.0	Revised legal text to be produced following the meeting between the proposer, Cadent and lawyers.	November 2023	AC	<b>Pending</b>