

**UNC Workgroup 0843
Establishing the Independent Shrinkage Charge and the Independent
Shrinkage Expert**

13:00 Wednesday 06 March 2024

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
David Morley (Proposer)	(DMo)	OVO Energy
Anne Jackson	(AJ)	IGT UNC
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU UK
Colin Wainwright	(CW)	SGN
David Mitchell	(DM)	SGN
Edward Allard	(EA)	Cadent
Ellie Rogers	(ER)	Xoserve (CDSP)
Josie Lewis	(JL)	Xoserve (CDSP)
Louise Hellyer	(LH)	Total Energies
Matt Marshall	(MM)	Cadent Gas
Paul O'Toole	(PO)	Northern Gas Networks
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TSa)	Northern Gas Networks

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

Please note these minutes do not replicate/include detailed content provided, therefore it is recommended that the published material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0843/060324>.

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 July 2024.

1. Introduction and Status Review

Rebecca Hailes (RHa) welcomed everyone to the meeting and confirmed that the meeting was quorate.

1.1 Approval of Minutes (22 February 2024)

The minutes from 22 February 2024 were approved.

1.2 Approval of Late Papers

There were no late papers for this meeting.

1.3 Review of Outstanding Actions

0101: RHa to investigate references regarding what happens if UNCC approval has not been obtained.

Update: RHa advised that further investigation was required, and an update would be provided

in the next Workgroup, scheduled for 03 April 2024.

Action: Carried forward.

0201: DMO to ensure messaging as to the intent of the inclusion of Appendix 1, being to reflect the wider challenges of Methane emissions, is consistent.

Update: DMO advised that this action had been completed and was included within the new version of the Modification, as advised in the previous Workgroup.

Action: Closed

0202: GDNs to provide collated text commentary responses to the studies referenced within Appendix 1 for inclusion within the WGR.

Update: Tom Stuart (TSt) advised that they were waiting to be provided with data which could then be shared with the Workgroup.

Action: Carried forward.

0203: RHa to discuss with DMO the format and structure for the inclusion of GDN Commentary on Appendix 1 studies within WGR and DMO's subsequent responses.

Update: Carried forward.

2. Framework Review

DMO provided an overview of changes made to the Framework. DMO advised that the Framework had not been reviewed at the last meeting and therefore some of the changes made are not recent.

DMO noted the changes to 3.2. of the Framework, that CDSP had suggested to support procurement.

ER questioned whether section 7.1.5, about contract variations, is within the Business Rules, noting that it was just working out whether they need to align slightly. The Workgroup suggested aligning Business rule 4 to 7.1.5.

3. Amended Modification

The Workgroup reviewed the amended Modification published on 29 February 2024. DMO provided an overview of the changes to the Solution, noting that the changes were made following the last Workgroup and in light of feedback received from CDSP.

Business Rule 2

DMO advised that a small amendment had been made to Business Rule 2, following feedback from CDSP. David Mitchell (DMi) asked whether "estimate" for 2.2. would remain, questioning whether this was appropriate as it does not provide clarity. DMi asked whether the values should be established to provide certainty.

DMO advised that this would always be an estimation as it was forward thinking. Colin Wainwright suggested that forecast could be used instead.

Business Rule 7

Tracey Saunders (TSa) voiced concerns in respect of the wording "if they so choose" within Business Rule 7, noting that this suggests that it is within the GDN's power to apply for a negative ISC. TSa noted that this would in fact require a license change, suggesting that the addition of 'subject to license amendment' would clarify the position.

The Workgroup discussed the removal of the wording "if they so choose". TSa noted that as it is an avoidance of doubt statement, it clarifies the Business Rule, stating that if the wording were

removed, the statement would have to be amended so that it reads correctly. DMO agreed to consider this.

Business Rule 12

The Workgroup discussed Business Rule 12, DMO noted that “GDNs” had been changed to “CDSP” as the GDNs will be impacted by it. TSa argued that the CDSP acts as an agent from a Legal Draft perspective.

RHa questioned whether reconciliation was going to be done for IGT as well. ER advised that if it is a zero in the IGT code, they are unable to calculate what happened and what was different. If it is the ISC version, then there could be IGT reconciliation as well.

TSa advised that from the agency perspective, she believed under code it is not DNs invoicing CDSPs. TSa noted that this may be something that DMi wants to investigate in respect of legal drafting and whether the obligation is on the CDSP.

RHa advised that this Modification requires multiple changes, RHa asked DMi and DMi to look into this and revert back to the Workgroup next month.

DMo advised that this was a new rule and questioned why it needs to match an existing rule. DMi argued that it could create a conflict between existing processes.

Paul O’Toole (PO) questioned whether this could lead to double counting as they already carry out a reconciliation. DMO highlighted the benefit of this, noting that the two calculations will interplay. ER advised that DN reconciliation will still apply.

DMo questioned whether the drafting should say ‘be recovered by the CDSP on behalf of the GDNs’. ER agreed that the obligation is on the DN.

AJ argued that the UNC Code is going to need to put into effect the reconciliation for both IGT as well as DN.

DMi advised that this Modification makes many references to IGTs, DMi stated that the Workgroup needs to decide whether this should end up in the code.

AJ advised that this can be dictated by the UNC, AJ noted that IGT are required under the current drafting of the IGT Modification to provide all the information to the Shrinkage Expert so they the Shrinkage Expert can carry out its investigations. AJ was of the view that IGT Code is required to cover off the DN risk that IGTs were unable to cover off themselves.

Business Rule 13

TSa questioned whether a Modification can force the formation of a Sub-Committee and asked how the AUGE Sub-Committee was formed. DMO advised that this was written within code. TSa was of the view that Members cannot be dictated by code to create a Sub-Committee and suggested that the wording of Business Rule 13 may need to be amended.

RHa advised that this would be left with DMi to discuss with the Legal Text Provider. ER advised that she would confirm how the AUGE Sub-Committee was formed.

Business Rule 14

RHa was of the view that 14.1. was correct in being a ‘for avoidance of doubt’ statement, the Workgroup agreed. CG noted that “IGTs ISCs” needs to be amended to “IGT ISCs”. DMO confirmed that he would remove the “s” following IGT.

Business Rule 15

RHa noted that Business Rule 15 had no actual Business Rule, advising that it was a 'for avoidance of doubt' statement only. RHa questioned whether this needed to be changed to a Business Rule. DMo advised that this had been added for DNs and IGTs, confirming that it should be 'for the avoidance of doubt'. DMo confirmed its purpose was to ensure that it is understood how these mechanisms work and to make them aware that they are stand alone. DMo noted that this could be removed and placed under further solution notes if needed.

The Workgroup agreed that both 15. and 15.1. should be moved to further solution notes.

Business Rule 17

DMo noted the addition of Business Rule 17 following a discussion regarding the eventuality of a candidate not being available to be appointed as the ISE and the CDSP not wanting to carry on with procurement. As both Business Rule 1 and Business Rule 17 discuss the CDSP procurement process, DMi suggested they could be amalgamated.

ER advised that they could be joined, noting that Business Rule 1 is what CDSP want to do, and Business Rule 17 is in the event that they fail to do so. DMo confirmed that he would combine both rules.

Appendices

DMo noted the change to the Appendices following the last Workgroup. TSt questioned whether the change reflected what was discussed in the previous Workgroup.

'For avoidance of doubt' Statements

DMi raised his concern regarding the 'for avoidance of doubt' statements, advising that the Workgroup needs to consider that they are specifically clear. DMi questioned whether they are there as guidance or as a drafting note, querying whether they need to be included within the Legal Text.

DMo advised that they were not to be included within the Legal Text as previously discussed. DMi wanted to ensure that the content included within the statements was not to be included within the UNC. RHa confirmed that Workgroup would go through the 'for avoidance of doubt' statements to ensure that Participants were happy that they would not be included in the Legal Text and were for clarification of the Business Rule only.

The Workgroup discussed Section 2.1.1, ER noted that there was a question raised in respect of any other level (other than at LDZ level) being used, if possible, a lower, more granular level to allow parties to act. ER advised that there was an intention to keep it at the LDZ level.

RHa argued that as 2.1.1 was a "for avoidance of doubt" statement, it would have no legal weight and questioned whether this was included within the Framework. DMi questioned what would happen if the CDSP were not able to deliver the process, if not, where does the point of failure fall. DMi questioned further if the words "High Level" need to be removed as this implies that there are levels below.

DMo advised that it may be beneficial to remove this section from Business Rules and for it to be included and enforced through the Framework instead.

Edward Allard (EA) asked what determines the appropriateness of Granularity, questioning what would be the factors and how this would be captured. DMo advised that this would be up to the ISE and the GDNs, noting that it would be the GDN's responsibility to fix the underlying causes of Shrinkage Error.

ER discussed the obligation on ISM and ISMM, and the contractual risk if they could not procure a bidder that could deliver. ER hoped that there would be contractual measures in place. RHa questioned what could be done to cover off the risk. ER was unsure but agreed to take this away to discuss with the contractual team. RHa questioned the importance of doing this, DMi advised that it ensures there is sufficient protection for CDSP.

TSa raised a concern regarding Section 12, noting that it is not likely to be data that is held or managed by the CDSP; it is held and managed by the DNs on their own systems. Tsa was also concerned about how this data then moves around the Networks, highlighting the importance of making sure there is sufficient time within the timeline for the data to be made available. Tsa asked the Workgroup Participants to consider the timelines.

Further Solution Notes

DMi advised that the Further Solution Notes would not be included within the Legal Text, DMi queried whether a clear defining break could be added to ensure it is clear that they are guidance notes for the Modification. DMo confirmed that this could be made clearer.

Glossary

DMo advised that the Glossary had been moved higher up within the Modification. RHa advised that new defined terms need to be part of the legal text, RHa stated that these need to be in bold font and inverted commas. DMo agreed to make these changes.

TSa suggested that it may be helpful to produce a timeline to help Participants understand what is wanted to be achieved, and if this could include the flow, the process and any touch points as this would help the Modification further down the line. DMo advised that a Flowchart had been previously provided to the Workgroup. Tsa asked if this could be shared again, RHa confirmed that if flagged, it can be highlighted in the next Workgroup.

Post Meeting Note:

The flowchart previously made available to Workgroup in June 2023 had been placed on the webpages for the next meeting:

<https://www.gasgovernance.co.uk/0843/030424>

4. Rough Order of Magnitude (ROM)

To be considered at 03 April 2024 Workgroup.

5. Consideration of IGT Impacts

RHa invited Anne Jackson (AJ) to discuss the potential IGT impacts. AJ discussed the IGT UNC Modification, IGT165. AJ highlighted the importance of making sure the objectives are met and fulfilled for all parties. AJ wanted to ensure that all Participants were on the same page.

DMo advised that his understanding was that Modification IGT165 facilitated the progression of Modification 0843. DMo noted that if data requests are made, there was a rule within IGT165 which enables the ISE re request data, it also enables the ISE to have jurisdiction over IGTs and for IGTs to comply with data requests.

AJ questioned whether the changes applied under the UNC would result in a requirement to input gas back into the Network, as this would fall under UNC governance. AJ requested clarification on the practicality of delivery.

RHa noted that as these seemed to be DSC activities, they would be included within the ROM

and worked through within the DSC process. ER noted that the ROM has previously been reviewed and no concerns were raised. ER advised that the system should not necessarily drive the obligation and code received from the ISC must be relied upon.

ER explained that the process was similar to REC, in that, a credit or debit is received through an RTB invoice, which is an offline process. IGTs have this system set up, they are currently not currently involved in the Shrinkage process. ER noted that there is a high-level description of how this is done within the solution and if the code allows for this process to be carried out there should be no issues. If not, then CDSP need to know what does not work.

AJ questioned whether the phasing is discussed within the solution, querying what would happen if everyone were to get their charge and put it into the system at the same time. AJ questioned whether this would then not work. ER explained that the daily value is applied to Gemini and then it is up to the DN to make arrangements to ensure that the value of gas purchased per day matches the Shrinkage amount including the Shrinkage error ISC.

ER advised that there is a lot of detail within the ROM to ensure that the IGT element works and to ensure that specific amounts apply to the right parties, noting that the main change is in the system solution perspective.

RHa queried whether, within further solution notes section 4 it should say “prohibit Gas Transporters” rather “prohibit GDNs”. ER noted that section 4 currently implies that IGTs can purchase gas, and questioned whether this was the case. RHa advised that the section needed to be amended, stating that there should be separate sections for Licence Changes, one for DNs and one for IGTs.

AJ noted that anything the UNC Modification requires, this will then be mirrored in the IGT UNC Modification to facilitate the solution, any more generic requirements will and should be under the UNC. AJ explained that what they have is a generic data request, if the expert requests it, parties will be obligated to oblige. AJ noted that this model works much the same as PAC assurance.

6. Legal Text Review

To be considered on 03 April 2024 Workgroup.

7. Development of Workgroup Report

To be considered at 03 April 2024 Workgroup.

8. Next Steps

- Review Amended Modification
- ROM
- Legal Text (if received)
- Development of Workgroup Report

9. Any Other Business

No other business was raised.

10. Diary Planning

0843 Meetings are listed at: <https://www.gasgovernance.co.uk/0843>

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
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09:30 Wednesday 03 April 2024	5pm 25 March 2024	Microsoft Teams	<ul style="list-style-type: none"> • Amended Modification • ROM • Legal Text (if received in time) • Development of Workgroup Report
09:30 Wednesday 01 May 2024	5pm 22 April 2024	Microsoft Teams	<ul style="list-style-type: none"> • Development of Workgroup Report

Workgroup 0843 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0101	25/01/2024	2.0	RHa to investigate references regarding what happens if UNCC approval has not been obtained.	March	RHa	Carried Forward
0201	23/02/2024	2.0	DMo to ensure messaging as to the intent of the inclusion of Appendix 1, being to reflect the wider challenges of Methane emissions, is consistent.	March	DMo	Closed
0202	23/02/2024	2.0	GDNs to provide collated text commentary responses to the studies referenced within Appendix 1 for inclusion within the WGR	March	GDNs	Carried Forward
0203	23/02/2024	2.0	RHa to discuss with DMo the format and structure for the inclusion of GDN Commentary on Appendix 1 studies within WGR and DMo's subsequent responses.	March	RHa & DMo	Carried Forward