

## UNC Workgroup 0683S Minutes

### Updating the Offtake Arrangements Document (OAD) with recommendations resulting from UNC Request Workgroup 0646R - Review of the Offtake Arrangements Document - Phase 1

Thursday 11 April 2019

at Voco St John's Hotel, Warwick Road, Solihull B91 1AT

#### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Arran Poad*	(AP)	Northern Gas Networks
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	SGN
Gurvinder Dosanjh	(GD)	Cadent
Shiv Singh	(SS)	Cadent
Stephen Ruane	(SR)	National Grid NTS
Stevie Docherty*	(SD)	Northern Gas Networks

\* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0683/110419>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 July 2019.

#### 1.0 Consideration of Modification

Bob Fletcher (BF) asked Shiv Singh to provide any additional updates since the Modification was last discussed as a pre-Modification and as presented to Panel.

Shiv Singh (SS) explained that he was waiting for feedback from Northern Gas Networks (NGN) in relation to concerns about lease agreements and how this might conflict with the proposed changes to UNC Offtake Arrangements Document (OAD). Stevie Docherty (SD) sought clarification on who was contacted at NGN and agreed to follow this up with Ben Hanley.

David Mitchell (DM) queried why there is a need to include something in the (OAD) when the existing lease agreements work, wouldn't it be easier for Cadent to set up lease agreements with National Grid NTS. He indicated that he needed more information to address internal concerns about duplication.

SS clarified that Cadent don't have lease agreements but were concerned that they didn't want to put provisions in OAD which could conflict with other DNO lease agreements.

Darren Dunkley (DD) explained that there was no appetite to set up lease agreements between Cadent and National Grid because of cost and as Cadent have 50% of the offtakes across the UK, a cost-effective solution is needed. SS advised that they were proposing that OAD set out rules for managing sites but that these would be secondary to sites with lease agreements

SS clarified that the OAD does not cover the removal of assets. There are no clauses in the OAD that allow the Site Owner to request the removal of redundant assets. In this case, OAD leaves the Site Owner at a disadvantage. A new process has been agreed that would allow any Operator to request another Operator to remove an asset under defined situations.

DM asked what would happen in a situation where there was disagreement over the removal of assets and if there is an independent body that makes the decision. DD confirmed that this is addressed by the UNC.

After a lengthy discussion Workgroup agreed that the Modification should be clear that where a lease agreement is in place this should take precedence.

**New Action 0401:** Cadent (SS) to consider amending the Modification to make it explicit that an existing lease agreement takes precedence over UNC OAD.

A further discussion took place following a question from BF about whether there are any other alternative solutions to lease agreements.

When Cadent separated from National Grid there were bi-lateral arrangements in place. Stephen Ruane (SR) explained that internal governance discussions had been held but had not concluded the need for lease agreements with Cadent and if this was the case further discussions may be needed to seek support as this would be an expensive exercise.

BF asked if there would be a significant cost involved to remove all existing lease agreements and to put in place arrangements solely through the OAD. It was not clear how easy it would be to do this or if common templates were used to set up the lease agreements as part of the Blackwater project.

**New Action 0402:** National Grid (SR) to check if common templates were used to set up the lease agreements.

Workgroup reviewed the wording of the solution section of the Modification. In particular, Section B3.1.1 and B3.6 in relation to the *Request for Removal of Assets*. The last bullet in this section states:

“Receiver to engage with requesting operator to seek a way forward that is acceptable to both parties: for the avoidance of doubt, if a lease agreement is in place this must be taken into account first. If asset removal is being requested and is not covered by the lease agreement, then OAD applies – New”

It was suggested that DM checks with internal colleagues if the wording of this bullet raises any concerns and provides feedback to SS.

Workgroup also discussed the dispute process in relation to the removal of assets. SR queried the wording of bullet three in the same section suggesting that this is a broad statement which could allow for any claim:

“An asset has a credible impact upon the gas operations of another network operator – New”

DD clarified the point related to redundant assets and provided an example of an access issue which had arisen in relation to the removal of assets where Cadent was the site owner, but National Grid was the site user. Workgroup discussed if the criteria as drafted would allow Legal Text to be written to fit the requirement. Workgroup suggested that feedback from lawyers should be sought in relation to this criterion to assess if it needs to be reworded to make it more specific.

**New Action 0403:** Cadent (SS) to check with lawyers if Legal Text can be drafted based on criterion 3 of Section B3.1.1 and B3.6 in relation to the *Request for Removal of Assets*.

SS in conclusion agreed to provide a further iteration of the Modification for discussion at the next meeting.

## OAD Process: Updating Supplemental Agreements (SAs)

DD then provided a brief update since the last meeting stating that both parties should have a copy of the SA to start the update process. He indicated that boxes 3,4 and 5 had been re-worded.

The following comments/issues were raised during discussion of the process flow diagram:

- a. SR raised a concern about boxes 1 and 2 in relation to who is responsible saying that as box 1 is the initiating point in the case of a new offtake, the SA would need to be live when the offtake is commissioned. In response, DD stated that the SA is amended after the work is finished. A discussion took place on the start and end dates and which should be used for the SA and whether it should be at the end of the work. Should time be allowed for snagging and testing as part of the process? Workgroup considered that boxes 1 and 2 should be broad enough to cover all possible scenarios. DD indicated that the relevant sections of the OAD are Clause A 3.2.1 and Clause B 1.5. He added that 1.5.2 covers the establishment of new offtakes and 1.5.4 covers the SA date which is when the SA takes effect. Workgroup agreed that more consideration is needed on the dates.

**New Action 0404:** All DNOs to review the OAD Refresh Spreadsheet to check Clauses B1.5.3 and 1.5.4 and confirm whether the date can be set at the point of signature or if it can be an earlier date or the date it takes effect. DNOs to provide views at the next meeting.

- b. Decision Box 6 – it was noted that the arrow from box 6 to 9 was missing if ‘no’.
- c. A further discussion was held on the custodian description/definition and the paragraph on the Tripartite arrangements in the solution section was reviewed (page 7). SR stated that National Grid do not want to have the custodian role for managing agreements as all parties were given copies and asked for the second bullet to be amended. In response to question from DM about the impact on parties of other parties decisions in relation to updating assets, DD confirmed that an incompatibility situation is not allowed and as National Grid was the common party for the other parties, they should take the lead in updating the party which does not undertake works. Workgroup reviewed the process flow diagram again in relation to boxes 6 to 9. It was agreed that the Modification be amended to remove the words “as the custodian” from the second bullet under tripartite arrangements and also the references to drawings.

**New Action 0405:** Cadent (SS) to amend the Modification to remove references to custodian and drawings in Tripartite arrangements in the solution section (page 7) and to clarify the responsibility in terms of communication/notification in terms of a change taking place.

- d. SR suggested that a clause is added to reflect that the onus is on the party to provide notification when work is complete. It was suggested that this is added to the proposed OAD review changes spreadsheet and consideration of whether box 1 in the process. He indicated that National Grid are happy with the majority of the process flow diagram but would like to see the inclusion of a trigger updating the process when physical work has been completed. Workgroup suggested this topic is discussed again at the next meeting. The process flow may need to be amended to remove box 1, 2 and the circled A. It was also suggested that the OAD is the best place to clarify this issue.

**New Action 0406:** Cadent (DD) to update the OAD review changes spreadsheet with a new issue in relation to consider a trigger process for updating box 1 when physical work has completed.

## 2.0 Initial Discussion

### 2.1. Issues and Questions from Panel

None raised.

### 2.2. Initial Representations

None received.

### 2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at <https://www.gasgovernance.co.uk/mods>

## 3.0 Next Steps

BF confirmed that the next meeting will consider the:

- Amended Modification
- Business Rules
- OAD Process: Updating Supplemental Agreements (SAs).

## 4.0 Any Other Business

None.

## 5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30, Thursday 09 May 2019	Radcliffe House, Blenheim Court, Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of Business Rules</li> <li>• Review of Impacts and Costs</li> <li>• OAD Process: Updating Supplemental Agreements (SAs).</li> <li>• Development of Workgroup Report</li> </ul>

**Action Table (as at 11 April 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	11/04/19	1.0	Cadent (SS) to consider amending the Modification to make it explicit that an existing lease agreement takes precedence over UNC	Cadent (SS)	Pending

**Action Table (as at 11 April 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			OAD.		
<b>0402</b>	<b>11/04/19</b>	1.0	National Grid (SR) to check if common templates were used to set up the lease agreements.	National Grid (SR)	<b>Pending</b>
<b>0403</b>	<b>11/04/19</b>	1.0	Cadent (SS) to check with lawyers if Legal Text can be drafted based on criterion 3 of Section B3.1.1 and B3.6 in relation to the Request for Removal of Assets.	Cadent (SS)	<b>Pending</b>
<b>0404</b>	<b>11/04/19</b>	1.0	All DNOs to review the OAD Refresh Spreadsheet to check Clauses B1.5.3 and 1.5.4 and confirm whether the date can be set at the point of signature or if it can be an earlier date or the date it takes effect. DNOs to provide views at the next meeting.	ALL	<b>Pending</b>
<b>0405</b>	<b>11/04/19</b>	1.0	Cadent (SS) to amend the Modification to remove references to custodian and drawings in Tripartite arrangements in the solution section (page 7) and to clarify the responsibility in terms of communication/notification in terms of a change taking place.	Cadent (SS)	<b>Pending</b>
<b>0406</b>	<b>11/04/19</b>	1.0	Cadent (DD) to update the OAD review changes spreadsheet with a new issue in relation to consider a trigger process for updating box 1 when physical work has completed.	Cadent (DD)	<b>Pending</b>