

**UNC Request Workgroup 0683S Minutes
Offtake Arrangements Document (OAD) Review Updates – Phase 1
Wednesday 31 July 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Arran Poad*	(AP)	Northern Gas Networks
Darren Dunkley	(DD)	Cadent
David Mitchell	(DM)	SGN
Leteria Beccano	(LB)	Wales & West Utilities
Shiv Singh	(SS)	Cadent
Stephen Ruane	(SR)	National Grid NTS
Stevie Docherty *	(SD)	Northern Gas Networks

Copies of all papers are available at: www.gasgovernance.co.uk/0683/310719

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 September 2019.

1. Introduction and Status Review

BF welcomed everyone to the meeting.

1.1. Approval of Minutes (03 July 2019)

The minutes from the previous meeting were approved.

2. Review of Outstanding Actions

Action 0602: Workgroup to provide comments on the LDZ to LDZ Recitals Template.

Update: Leteria Beccano (LB) commented that she did not think the template rules work for bidirectional flow sites. Darren Dunkley (DD) explained there are already bidirectional templates in use which are very similar to this template and adopt a number of the recitals.

LB added that the definitions don't quite match for bidirectional. DD advised that there is no intention to use a separate template for bidirectional.

A version of the Supplemental Agreement Appendix Template was shown, it was suggested that, in Section 1, the User could put in what type of Offtake is the agreement covers.

Referring to the Modification, the three types of offtake are; Normal; Bidirectional Offtake or a Closed Offtake. It was mentioned that another row could be put in the template to show the Offtake Type for the User to select which is the appropriate version.

Recitals – E –

In referring to the statement '*terminating the supplemental agreements*', LB said does not read very well as the original Supplemental Agreement is not being terminated because the original agreement stands, it is being revised and this should be made clearer.

DD advised that the LDZ to LDZ Recitals mirror the LDZ to NTS Recitals. This challenge would need to go to National Grid and added that, if the original agreement is not terminated, how is the revised agreement given effect.

It was agreed that maybe the wording needs to be reviewed. **Closed and add new action**

New Action 0701: LDZ to LDZ Recitals Template: SR National Grid to consider the wording of paragraph E on the Supplemental agreement. And LB WWU to review.

Action 0603: Cadent (DD) to remove all references in the OAD to recital annexes and replace them with the specific document titles for the Recitals and Supplemental Agreements.

Update: DD suggested, when the legal text is returned, to add a statement that refers to appendix D' to satisfy this action.

DD explained the intention is to take the Recitals and the Appendices out of the OAD and put them as subsidiary documents so they can be easily updated at a later date. **Closed**

Going forward there will be Supplemental Agreements with Recitals for LDZ to LDZ contained in a Supplemental Agreement.

Post meeting update: DD has submitted to the Workgroup the proposed document structure for review and has asked that feedback be given on the proposed approach.

3. Amendment to Modification Proposal 0683S

Shiv Singh (SS) talked through the changes made to the Amended Modification and explained that a statement has been amended which related to the Redundant Asset Process. The statement refers to '*If asset removal is being requested and is not covered by the lease agreement, then OAD applies*', the amendment is that OAD will **not** apply.

DM asked for the Workgroup to look at the Relevant Objectives and if it is okay to operate in a two tier approach and suggested that UNC might not be being used efficiently in terms of the issues highlighted within the Workgroup. He said that the relevant objectives don't quite work in certain scenarios.

DM advised there is a possibility that an alternative Modification will be raised that will exclude Redundant Assets as this process conflicts with Offtake Lease Agreements.

Leteria Beccano (LB) advised that, since the Modification was amended, WWU are happy with the proposed changes.

DD explained, if there is a Redundant Asset, this can be left within the leased area for any length of time. However, if it is causing a site safety hazard, there needs to be a process for the Site User to remedy that situation.

LB provided clarity that the lease does include a list of actions that would relate to that, such as 'maintain a safe environment'.

SR advised that National Grid are also discussing Redundant Assets and sees this as another potential hurdle. DM said that the key will be what is reflected in the Legal Text and it may be worth seeking advice from a lawyer.

SR clarified that National Grid are not committed to the principle. SR is in discussions internally within National Grid to gain consensus as part of this first principles.

<p>New Action 0702: All to check that Lease Agreements are in place for all offtakes (excluding National Grid / Cadent sites).</p>

In referring to Cost Allocation, SS said that a Business Rule is required that refers to the 2-tier method of cost allocation into a subsidiary document. SR was still concerned that adopting the values and principle for the lower tier works on Redundant Assets is still to be agreed.

DD explained that the reason for the 2-tier approach is that it is more likely to be used for small scale activities and should be reasonably straight forward to agree.

When asked, SR confirmed that the Business Plan for RIIO T2 has been considered.

4. Consideration of Cost Allocation

Deferred to the next meeting.

5. Amended Subsidiary document (removal of redundant assets)

Deferred to the next meeting.

6. Consideration of Draft Legal Text

SS advised that he has not yet had the opportunity to discuss the draft Legal Text with the Lawyers and that any changes agreed in the last two Workgroup meetings will be missing, this will be picked up when the lawyer returns from leave.

SR advised that National Grid have reviewed the draft Legal Text and provided feedback:

SR said that it is imperative that the final draft of subsidiary documents are available to be read in conjunction with the final legal text.

It was agreed that the draft of the legal text requires updating.

SR advised that National Grid need the Legal Text Commentary that supports the Legal Text from Dentons in order to fully review it.

- There is potential conflict between Section A – Scope and Classification paragraph 3.1.1 and Section N – General paragraph 3.1.2.
- Section B – Connection Facilities
 - The list of affected parties in the Modification, do not match with the list on page 2 of the Legal Text.
 - DD agreed and also suggested that point (ii) needs to be removed, point (iii) needs to be more specific and point (v) needs amendment.
- 3.6.4 (a)
 - Continuing with the feedback, SR advised that there may need to be a definition of redundant assets in the OAD.

New Action 0703: *Legal Text 3.6.4* SR to confirm the National Grid Redundant Asset process.

- 3.8.3
 - needs a minor word amendment
- Section G – Maintenance Paragraph (e)
 - DD advised that bidirectional flow is not there for Pipeline Inspection Gauge (PIG) runs and this requires updating to the LDZ maintenance process.
- Section J – LDZ/LDZ Offtakes – Planning and Operational Flows 4.1.2
 - This does not refer to any process that would need to be followed if the decision was made to open it. DD advised some Closed Offtakes have got different pressure tiers, either side, and planned maintenance is not appropriate. DD said that this can be changed to say, ‘in accordance with section B OAD’ and ‘as it is an exceptional circumstance would need to be agreed by both parties’.
- Section N – General 3.1.2
 - It was clarified that all supplemental agreements will follow the same structure, which will include Recitals and Appendices.

SR suggested there may need to be a definition to be used for ‘New Offtakes’ which differs to existing sites that are amended or if there is no supplemental agreement in place from day 1 for shared sites.

DD advised that Closed Offtakes and shared sites only affect a limited number of sites and to his knowledge there were around five of them; One already has a Supplemental Agreement in place; one has a Supplemental Agreement drafted; one was visited yesterday which leaves just two which need to be in place by October 2019.

SR sought clarification on the voting scenarios. BF confirmed it would be a majority vote unless rules were added to include a special voting provision e.g. a unanimous vote or a vote in favour from both upstream and downstream Transporters, which would give National Grid more comfort.

This concluded the feedback from National Grid

LB advised that for paragraph 3.2.2 regarding Closed Offtake, she found it difficult to understand the wording in relation to 'Closed'.

SS confirmed he will provide updated draft Legal Text to the next Workgroup meeting planned for 04 September 2019.

Workgroup agreed that an extension should be sought, for a one month period, at the next UNC Panel meeting planned for 15 August 2019.

7. Development of Workgroup Report

This was deferred until the next meeting.

8. Next Steps

BF summarised the anticipated next steps as follows:

- An extension of one month will be requested at the August 2019 UNC Panel.
- Amendment to the draft legal text when the lawyer has the availability.

9. Any Other Business

None

10. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 04 September 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda
10:00 Thursday 10 October 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda
10:00 Wednesday 06 November 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda
10:00 Wednesday 04 December 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda

Action Table (as at 31 July 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0602	05/06/19	2.0	Workgroup to provide comments on the LDZ to LDZ Recitals Template.	ALL	Closed
0603	05/06/19	2.0	Cadent (DD) to remove all references in the OAD to recital annexes and replace them with the specific document titles for the recitals and supplemental agreement.	Cadent (DD)	Closed
0701	31/07/19	2.0	<i>LDZ to LDZ Recitals Template</i> : SR to consider the wording of paragraph E on the	National Grid (SR)	Pending

			Supplemental agreement. WWU will then review.		
0702	31/07/19	3.0	All to check that Leases are in place for every offtake	All	Pending
0703	31/07/19	6.0	<i>Legal Text 3.6.4</i> SR to confirm the National Grid Redundant Asset process.	National Grid (SR)	Pending