

UNC Workgroup 0792S Minutes
Title Amendments to Cost Recovery under OAD
Friday 07 January 2022
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Ben Hanley	(BH)	NGN
Ben Oldham	(BO)	Cadent
Bethan Winter	(BW)	Wales & West Utilities
Christopher Syrett	(CS)	E.ON
David Mitchell	(DM)	SGN
Darren Dunkley	(DD)	Cadent
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Correla
Guv Dosanjh	(GD)	Cadent
Louise McGoldrick	(LMG)	National Grid
Matthew Newman	(MN)	National Grid
Mark Field	(MF)	Sembcorp
Phil Lucas	(PL)	National Grid
Richard Pomroy	(RP)	Wales & West Utilities
Sally Hardman	(SH)	SGN
Shiv Singh	(SS)	Cadent
Stephan Ruane	(SR)	National Grid
Steve Pownall	(SP)	Xoserve
Tom Stuart	(TS)	Wales & West Utilities

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0792/070122>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 March 2022.

1.0 Outline of Modification

Shiv Singh (SS) explained the Modification had been developed following the conclusion of the 0646R -Review of the Offtake Arrangements Document Request Workgroup.

SS introduced the Modification and explained it was seeking to update the Offtake Arrangements Document (OAD) in order to allow all operators to agree cost recovery in advance of actual works taking place.

SS proposed this Modification should have a Self-Governance status with a development period of 3 months.

Where discussions took place in specific sections, these have been captured under the heading of 'Discussion' below.

He provided a high-level overview of the key aspects as detailed below:

- *Current provisions focused on retrospective cost recovery only and do not allow for forward planning*

- *Open ended: Lack of timescales means a party may attempt to recover costs at a time when funding is unavailable*
- *Bilateral meetings have taken place in the past with parties unable to find common ground*
- *Multilateral engagement at workgroup though, has resulted in parties collectively agreeing that amendments to the OAD should result in the preferred outcome*
- Solution
- *Wherever possible, cost recovery should be agreed in advance*
- *Provide notice of intent to recover costs*
- *Issue formal quotation in line with OAD Section L*
- *Where damage has been missed, impacted party to provide notice (within 60 Business Days) to recover costs*

Discussion:

Richard Pomroy queried the 60 Business Days and asked if this was within the damage being identified timeframe and SS confirmed this was correct.

Louise McGoldrick (LMG) asked if this was still the case in an emergency situation when the damaged occurred. Darren Dunkley (DD) said this covered small emergency situations and the approach was still with the 60 Business Days. SS said this was linked to the competency of the individuals dealing with any situation.

- *Where required, provide revised quotation*
- *During an emergency, damage caused to assets owned by another party should be made safe only (competency)*

Discussion:

SS said he was seeking agreement and clarification from the Workgroup regarding the content of the Modification to enable him to request Legal Text. He noted there were no consumer impacts.

SS overviewed the Business Rules, where discussions took place, these are captured in the sections as detailed below:

- **BR1:** *Wherever possible, cost recovery should be agreed in advance of the respective work/activity taking place.*
- **BR2:** *As the majority of cost recovery obligations are associated within Section B (Connection Facilities) and Section G (Maintenance) requirements, the impacted operator must advise the notifying operator of the intent to recover costs either:*
 - *via a formal and timely response to a received OAD notice. The impacted operator must reply to the OAD notice in writing advising them of the intent to recover cost; or*
 - *via the process of sharing of Maintenance Plans (OAD Section G). For non-routine or key maintenance items this must be in a timely response following the issue of the final plan on the 31st March each year. For routine maintenance items please refer to the respective cost recovery bullet below.*
- **BR3:** *Once the intent for cost recovery has been communicated, the impacted party will issue a formal quotation in line with the OAD cost recovery requirements contained within Section L. This will be reviewed by the parties. Once the final value has been*

agreed the notifying party will confirm formally via the issue of a Purchase Order (PO) reference. If a purchase order cannot be confirmed prior to the work commencing, the issuing party should at a minimum confirm in writing to the impacted party, acceptance of the agreed quoted costs. If the impacted party does not have a confirmed purchase order or written confirmation to the acceptance of the quoted costs, the impacted party reserves the right not to attend site.

The obligation concerning “omissions” (L2.3.1) needs to be revised and restricted in scope. As OAD notices should be issued 12 months in advance, at that point in time it may not be possible to know all the impacts that will occur upon the other operator(s). Some impacts may only come to light on the day that the physical changes are being implemented.

Discussion:

A brief general discussion took place regarding the rules for site owners and site users, and that any response still must adhere to the 60-business day rule requirement. DD said it did preclude emergency site visits and that the retrospective arrangements would be used in this scenario.

Richard Pomroy (RP) asked if the word ‘emergency’ was a defined term, in relation to a gas escape for example. DD said this was referred to as a big or little emergency and defined as such, and would be allowed to be made safe. DD added if an emergency isolation was required that could be actioned and the costs would still need to be recovered within the 60 business days

- ***BR4:*** *Where an impact occurs that was not articulated or disclosed as part of the OAD notice or maintenance processes, that subsequently requires the impacted party to attend site to make safe or good only, this effort is to be treated as cost recovery. The impacted party is to advise the other party of such an omission in writing, within 60 Business Days of the stated event, and the cost recovery process is to be subsequently followed. This amended obligation will act as a backup for anything missed within the OAD notification processes*

Discussion:

LMG asked what would happen if the occurred costs missed the 60-business day defined window for recovery. She added that she had some concerns regarding this matter, especially if the costs were not then able to be recovered. SS enquired why the 60-day window would be missed and LMG said it was in relation to the backstop OAD Notice and the Maintenance Plan and she felt this meant losing the visibility to recover the costs. DD questioned what costs would take more than 3 months to recover, as this should be within the time limit that was agreed by the operator. SS advised there was provision to submit an amending invoice. LMG said there need to be the provision to cover the actual costs if these were higher than the estimated costs. She added that she would have liked the estimated and actual costs to have been caveated.

A general discussion took place regarding if the wording articulated the process sufficiently, DD said it did and the Workgroup agreed.

- ***BR5:*** *Any cost recovery requirements detailed in OAD Section D (Measurements) and Section F (Determination of Calorific Value) are not associated with modification or maintenance at OAD sites. For these cost recovery items, there should be some*

advance communication of the intent to follow through with the respective requirements and where a charge is required, this should be also agreed in advance where possible and in all cases to follow the cost recovery process and principles.

- **BR6:** *Only in specific circumstances will cost recovery be on a retrospective basis where the costs may not be able to be agreed in advance. This would cover:*
 - *any recovery around emergency requirements where applicable (refer to BR8 and 9);*
 - *routine maintenance items notified via a Shared Maintenance plan whereby the impact was not clearly known/identified at the time of issue (refer to BR4); and*
 - *any maintenance items not notified via the Shared Maintenance plan that should have been (refer to BR4).*
- **BR7:** *Where the level of cost recovery has been agreed and the issue of a respective purchase order has been provided, if for any reason the cost recovery value needs to be increased, then the impacted party must provide the revised cost information (preferably via the issue of a revised quotation for transparency and audit trail purposes) along with the appropriate justification for the increase to the other party. The purchase order is to be revised prior to invoicing.*

It is anticipated that only paragraph 2.3 will be impacted within Section L by the proposed changes above. In addition, a small amendment is also required to Section B2.4.3 covering the reinstatement of connection facilities following emergency action:

- **BR8:** *Damage to another party's assets caused during an emergency should be made safe, followed by the asset Owner being informed of the connection facilities that have been damaged.*
- **BR9:** *The asset Owner will then carry out an assessment as to whether the damaged assets require a subsequent repair or need to be replaced so that their operation is restored to the same level as before the emergency action. The asset Owner will then take the appropriate action and the associated costs will be recoverable in line with the revised cost recovery proposals outlined above in BR3.*

Discussion:

Bethan Winter (BW) queried whether the Modification made it very clear as to where you could and could not claim from, in respect of having many different people on site. SS said in this OAD instance it would be in relation to OAD major gas Transporters, LMG noted that in OAD it states where and when costs can be recovered.

SS thanked all for their input and confirmed he would be requesting the Legal Text as no re-drafting or amendments were required.

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 www.gasgovernance.co.uk/mods

3.0 Next Steps

Workgroup members noted that in order to achieve the timetable set out in the proposal it would be necessary for the group to meet again in order to consider the legal text and finalise a workgroup report. EF confirmed that the Legal Text would now be requested and that this would be reviewed during a meeting of the workgroup that will be scheduled on Friday 04 February 2022.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Friday 04 February 2022	5pm Thursday 27 January 2022	Microsoft teams	Detail planned agenda items. <ul style="list-style-type: none">• Consideration of Legal Text• Development of Workgroup Report