

UNC Workgroup 0841 Minutes
Introduction of cost efficiency and transparency requirements for the
CDSP Budget
Wednesday 26 July 2023
via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Cui (Secretary)	(HCu)	Joint Office
Oorlagh Chapman (Proposer)	(OC)	Centrica
Andy Clasper	(AC)	Cadent
Andy Eisenberg	(AE)	E.ON
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DM)	SGN
Edd Green	(EG)	E.ON
Ellie Rogers	(ER)	Xoserve
Gregory Edwards	(GE)	Centrica
Guv Dosanjh	(GD)	Cadent
Helen Chandler	(HCh)	Northern Gas Networks
Jayne McGlone	(JMc)	Xoserve
Jenny Rawlinson	(JR)	BU-UK
Kathryn Adeseye	(KA)	Xoserve
Kirsty Ingham	(KI)	Centrica
Mark Cockayne	(MC)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Sally Hardman	(SH)	SGN
Steve Mulinganie	(SM)	SEFE
<p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 16 November 2023.</i></p> <p><i>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/0841/260723</i></p>		

1.0 Introduction and Status Review

Kate Elleman (KE) welcomed everyone to the meeting.

1.1. Approval of minutes (21 June 2022)

The minutes from 21 June 2023 were approved.

1.2. Approval of Late Papers

KE noted there were no late papers to approve.

1.3. Review of Outstanding Actions

0402: *Budget and Charging Methodology 4.7.3:* Proposer and Legal Text provider to agree on specific wording for clause 4.7.3 b) which requires to be re-worded to say, 'sometimes non-compliance will be....'.

Update: KE explained that this action could be closed as the non-compliance elements of the modification had been removed and superseded by a draft Amended Modification which Oorlagh Chapman (OC) will be presenting today. See item 2.0. **Closed**

0601: Centrica (KI/OC) to consider the wording for non-compliance and compliance.

Update: See item 2.0. **Closed**

0602: Centrica (OC) to consider DSC Contract Committee confidentiality and how that will be managed. (PAC sign a confidentiality agreement).

Update: See item 2.0. **Closed**

0603: Workgroup to thoroughly review the Business Rules and submit any questions ahead of the July 2023 Workgroup meeting

Update: See item 2.0. **Closed**

2.0 Amended Modification

Oorlagh Chapman (OC) provided a draft Amended Modification and an overview of the changes. Please refer to the changed marked draft Modification published at: <https://www.gasgovernance.co.uk/0841/260723>.

OC clarified the elements which had been removed will be considered via a New Request. This will be presented at the Governance Workgroup for a pre-discussion.

Steve Mulinganie (SM) enquired with the changes, whether this Modification would still require an Authority Decision. Due to the charging-related elements being removed from the Modification the Workgroup briefly considered if the Modification in its revised form is largely immaterial. The Workgroup agreed to consider whether the Modification would meet the Self-Governance criteria when developing the Workgroup Report.

It was noted that the proposed timeline on page 5 would need to be updated to reflect that the assessment period for the Modification had been extended until November 2023 and would not meet the October 2023 implementation plan.

The Workgroup considered the changes made to Section 3 Why Change. Jayne McGlone (JMc) wished to note that as the CDSP have no control over what costs/savings are passed onto consumers (by Shippers/Suppliers) this Modification may not result in cost savings for consumers. OC clarified more context had been added to the Modification for clarity and that greater transparency will have a positive effect on ensuring costs are efficiently controlled.

Sally Hardman (SH) enquired about the granular level of information and the comparison to the Authority guidance provided to licenced entities such as the Electricity System Operator (ESO). SH noted that obligations required under licence conditions would be different to that of service providers and that licenced parties are required to provide suitable scrutiny, but not all information is in the full public domain. SH was not sure if the micro-level snapshots of how money is spent was suitable, noting organisation like Elexon and other service providers do not have this level of scrutiny.

JMc also asked about the ESO comparison challenging this was not a like-for-like comparison with the CDSP being a service provider. It was suggested a comparison to Elexon would be more suitable in terms of the nature of service. OC explained the intention is to increase the level of scrutiny and challenge of budgets, and that the reference tools, used in other areas of the industry offer examples of good practice. OC clarified that scrutiny of similar organisations is not being discounted. This will be examined via the appropriate governance routes.

The Workgroup considered the statements provided within Section 3 in relation to the background and why the Modification had been raised, and that this was for information only and not necessarily the Solution.

Jenny Rawlinson (JR) enquired about the subjectivity of assessing the costs from the Service Provider and how the DSC Committees will be able to assess if these are right.

OC explained how confidential and non-confidential information could be managed through the current DSC Contract Management Procedures, with the use of confidentiality agreements similar to those signed by Performance Assurance Committee (PAC) members who have access to commercially sensitive information.

JMc noted that the DSC Contract Management is an open forum for any DSC party to observe and if confidentiality needed to be considered for the meetings. It was noted that confidential meetings can be managed similarly to PAC where member-only meetings are held when reviewing commercially sensitive data. The Workgroup considered that the role of DSC Contract Management Committee Representatives would not need to change, however, the meeting arrangements may need to be adapted to avoid public access to cost information.

The principle of providing more granularity to the industry but restricting access to non-Committee Members was challenged as the restriction would not provide all stakeholders with scrutiny. OC clarified the option to have confidential DSC Committee meetings is about finding a balance, and an appropriate route for the CDSP to share confidential information through a route with controls in place, governed by the DSC Committee procedures and terms where Members represent constituencies, not the organisation they are employed by.

JMc further enquired about the guidance which is provided by the Authority to licenced organisations. Gregory Edwards (GE) explained that clear guidance on the content of annual Business Plans provided by the Authority is a point of reference. GE clarified the comparison is not related to the function of the organisation; it is the fundamental issue that costs should be able to be scrutinised in a similar manner. The comparison is for costs to be able to be scrutinised in line with clear guidance and considered good practice. Whatever costs the industry has to bear they should be able to be scrutinised for reassurance that the costs incurred, from using a monopoly service provider, are efficient and economical.

GE explained the level of scrutiny may not be at the same level as a licenced party, the proxy is that there is a need to be able to have information that provides re-assurance that costs from a monopoly organisation, in a similar fashion, so these can be scrutinised with guidance to enable the challenging of costs. He relayed that the approach undertaken with licenced parties is considered good practice. It was noted that confidential information can be controlled but its commercial sensitivity should not prevent the ability to seek reassurance that costs borne by the industry are appropriate, controlled with strict guidance to ensure confidentiality.

The Workgroup considered that there may be parties that agree or disagree with the level of scrutiny due to their commercial position. The principal is for the industry to be able to have suitable visibility and the ability to scrutinise and have the reassurance that the costs which are inevitably borne by the end consumer can be challenged by the industry.

Following a review of the draft amended Modification, the Workgroup considered the Business Plan Information Rules. The Workgroup considered the purpose of the document, Transparency, engagement and the outputs. OC clarified the intention is to have a structured set of rules.

JMc expressed concern about the provision of detail which is agreed with the Contract Committee noting this could change each year. JMc explained that this is the purpose of the change process, to control and record adaptations.

Ellie Rogers (ER) confirmed Xoserve will consider the Modification in more detail offline and liaise with the Proposer on any questions, clarifications, or areas of concern to enable these to be addressed in time for the next meeting.

JMc challenged the commitments outlined for the CDSP, reiterating that the costs borne by Consumers are outside CDSP's control. JMc also questioned the output commitments which stated they need to reflect the services that Customers and consumers require.

GE reiterated that the Business Information Rules will help ensure that services provided and costed to Customers take into consideration the services needed to support the end user, which are managed and provided by the CDSP.

Kirsty Ingham (KI) referred to the Energy Price Guarantee (EPG) scheme and used this as a comparison, where the industry is warranting the impact on end consumers. KI noted that CDSP, in previous changes, has referred to the benefits to the end consumer to emphasise changes which are in the best interest of consumers.

KI provided a quote from the recent draft Principles and Approach document which CDSP stated “We want to move towards a more collaborative approach, built on the sharing of investment ideas at an earlier stage and collective decision making on which way forward is in the best interests of consumers”.

SM enquired about the 3rd party assurance activities. OC explained that there is an expectation for the CDSP to include details of the assurance activities conducted through audits by a sufficiently independent 3rd party. It was anticipated these would be undertaken annually.

JMc explained the current audit process being undertaken by KMPG, which is auditing processes on behalf of the CDSP.

OC summarised the change process for amending the Business Plan Information Rules to ensure amendments are controlled and appropriately approved. It was noted that this was discussed in detail last month and that the UNC would need to refer to the Business Plan document to ensure compliance. It was envisaged this would be approved by either the UNCC or DSC Contract Management Committee with certain parameters in place.

The Workgroup also considered the need to update the annual process for establishing the CDSP Budget to require that the CDSP takes into account the Business Plan Information Rules. GE explained that the reference to the CDSP Budget refers to the entirety of the budget as outlined in the current defined term.

ER enquired about the need to provide an assessment report on whether the CDSP has met the requirements of the Business Plan Information Rules, and if this is required only when CDSP has not met the requirements. GE anticipated that the CDSP would proactively assess and flag to the industry an assessment of deliverables and seek a view from the DSC Contract Management Committee to sign off that the requirements have been met. GE explained the document is not prescriptive on how this is done, this would be an assessment /decision for the DSC Contract Management Committee. The Workgroup considered how the Committee will undertake the review and approval and whether the DSC Contract Management Committee would need to undertake a formal vote as part of the approval process.

The Workgroup reviewed the explanatory notes for the legal text to allow a meaningful assessment of CDSP’s costs and for any existing governance processes not to be changed or duplicated.

The disclosure of information and use of redaction statements were considered, the ability of CDSP to present relevant information and a justification where exclusions are made. It was recognised there may be certain circumstances where information wouldn’t be provided in the public domain especially if there was a tender process taking place which could disadvantage CDSP.

The use of non-disclosure agreements was discussed which could be used to ensure information considered sensitive, is not disclosed where it is intended for the DSC Committee only. It was recognised this would require changes to the terms of reference and the attendance of members only when confidential elements need to be discussed. The PAC confidentially documents were used as an example of the documents Committee members may be asked to sign. The PAC documentation is available at: <https://www.gasgovernance.co.uk/pac>.

The Workgroup considered the implementation date and the date from which the requirements will start and incorporated into the 2024/25 CDSP Budget.

JMc confirmed Xoserve/CDSP will endeavour to apply as many of the elements as possible but certain elements may be difficult to backtrack and there may be a need for a phased approach. The Workgroup considered the need for Transitional Text.

SM requested that the CDSP provide the Workgroup with a view on what parts of the Modification would not be achievable from 01 October 2023. This would enable consideration of Transitional Legal text.

JMc hoped to put together some analysis, a view from CDSP on meeting implementation:

- What is achievable now,
- what is achievable for the next planning process and
- what will not be able to be achieved

The Workgroup considered the commencement of the 2024/25 budget process and implementing the change part way through a year. GE expressed that the decision of the DSC Contract Management Committee should not be fettered about the timing of implementation and elements which cannot be delivered. GE explained if CDSP communicates elements which are not achievable, but the Committee disagree, there would need to be justification for non-compliance and for this to be accepted by the Committee.

New Action 0701: CDSP (JMc) to provide analysis on parts of the Modification which can and cannot be included with the current 2024/25 budgeting process.

3.0 Development of Workgroup Report

Deferred.

4.0 Next Steps

KE outlined a Workplan for the next three Workgroup meetings:

August

- Review CDSP's view on the implementation of the Business Plan Rules
- Review an updated ROM
- Development of the Workgroup report
- Consider requesting Legal Text

September

- Review Modifications' Governance
- Review draft Legal Text
- Develop Workgroup Report
- Consideration of Implementation and the need for Transitional Text

October

- Review Final Legal Text
- Conclude Workgroup Report
- Report to 16 November 2023 UNC Modification Panel

5.0 Any Other Business

None raised.

6.0 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	Workgroup Programme
10:00 Tuesday 22 August 2023	5pm Monday 14 August 2023	Microsoft Teams	<ul style="list-style-type: none"> Review CDSP's view on the implementation of the Business Plan Rules Review an updated ROM Development of the Workgroup report Consider requesting Legal Text
10:00 Wednesday 19 September 2023	5pm Tuesday 08 September 2023	Microsoft Teams	<ul style="list-style-type: none"> Review Modifications' Governance Review draft Legal Text Develop Workgroup Report Consideration of Implementation and the need for Transitional Text
10:00 Tuesday 10 October 2023	5pm Tuesday 02 October 2023	Microsoft Teams	<ul style="list-style-type: none"> Review of Final Legal Text Development/Completion of Workgroup Report
10:00 Monday 06 November 2023	5pm Tuesday 27 October 2023	Microsoft Teams	<ul style="list-style-type: none"> Contingency meeting if required

0841 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0402	17/04/23	2.0	<i>Budget and Charging Methodology</i> 4.7.3: Proposer and Legal Text provider to agree on specific wording for clause 4.7.3 b) which requires to be re-worded to say, 'sometimes non-compliance will be....'.	July 2023	Proposer (OC) and Legal Text provider (AC)	Closed
0601	21/06/23	2.0	Centrica (KI/OC) to consider the wording for non-compliance and compliance.	July 2023	Centrica (KI/OC)	Closed

0841 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0602	21/06/23	2.0	Centrica (OC) to consider DSC Contract Committee confidentiality and how that will be managed. (PAC sign a confidentiality agreement).	July 2023	Centrica (OC)	Closed
0603	21/06/23	2.0	Workgroup to thoroughly review the Business Rules and submit any questions ahead of the July 2023 Workgroup meeting	July 2023	Workgroup	Closed
0701	27/07/23	2.0	Xoserve/CDSP (JMc) to provide analysis on parts of the Modification which can and cannot be included with the current 2024/25 budgeting process.	August 2023	Xoserve/CDSP (JMc)	Pending