

UNC Workgroup 0841 Minutes

Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes

Monday 20 March 2023

via Microsoft Teams

Attendees		
Kate Elleman (Chair)	(KE)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Ben Mulcahy	(BM)	Northern Gas Networks
Charlotte Gilbert	(CG)	BU-UK
Clare Manning	(CM)	E.ON
David Mitchell	(DM)	SGN
Gregory Edwards	(GE)	Centrica
Helen Chandler	(HCh)	Northern Gas Networks
James Rigby	(JRi)	CDSP
Jayne McGlone	(JMc)	CDSP
Jenny Rawlinson	(JR)	BU-UK
Kathryn Adeseye	(KA)	CDSP
Kirsty Ingham	(KI)	Centrica
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Gas Transmission
Rebecca Hailes	(RH)	Joint Office
Richard Pomroy	(RP)	Wales & West Utilities
Sally Hardman	(SH)	SGN
Steve Mulinganie	(SM)	SEFE Energy Ltd
Tracey Saunders	(TS)	Northern Gas Networks
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023.</i></p> <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>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: www.gasgovernance.co.uk/0841/200323</i></p>		

1.0 Outline of Modification

Oorlagh Chapman (OC) introduced the Modification and explained the proposal aims to improve the ability of UNC Parties to fulfil their obligation jointly to control and govern the CDSP on an economic and efficient basis (under UNC General Terms, Section D, 1.4.4), through the introduction of explicit requirements for efficiency, greater transparency of the Budget and revised governance processes.

To give Workgroup a full understanding of the Modification, OC and Gregory Edwards (GE) advised that Draft Legal Text has been provided ahead of this meeting and provided some context as to why the Modification has been raised.

GE explained it is proposed that changes to UNC, IGT UNC and DSC are required in order for the Budget to be more transparent and enable scrutiny by CDSP Customers, and for the Budget governance to be made more robust.

Indicative Timeline

The suggested timeline aims to progress change to support the early stages of the CDSP planning cycle in the summer.

Amendments to the DSC Contract and Change Management Committee change processes should be implemented from the start of the new gas year on 01 Oct 2023, when new members take their seats:

Mar 2023	Modification formally raised for Panel meeting
Mar-May 2023	Workgroup development
Jun 2023	DMR & Consultation
Jun 2023	FMR & Panel decision
Sep 2023	Implementation of UNC change
Oct 2023	Implementation of DSC governance changes for CoMC and ChMC

GE proceeded to walk through the proposed conditions that are required to the following documents in order to make explicit the requirement that services are delivered efficiently; create a set of business plan rules and re-work the change processes so that anything contract/finance related is handled by the DSC Contract Management Committee and specify criteria for testing DSC change proposals:

- UNC;
- Budget & Charging Methodology;
- DSC Terms & Conditions;
- Change Management Procedures;
- Contract Management Arrangements;
- Credit Policy;
- Cost Allocation Methodology & Model; and
- Third Party & Additional Service Policy

New Action 0301: Centrica (GE/OC) to provide an overview, in the Solution, of the list of documents that the Modification is changing.

Changes to the DSC governance: Proposed

Centrica is proposing a parallel change is set up within the Contract Arrangements, replicating the existing process in the Change Management Arrangements, this can be seen on slide 10 of the material that was presented to the UNC Panel when the Modification was introduced which can be found here: [Workgroup 0841 20 March 2023 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/workgroup-0841-20-march-2023).

GE explained this proposal will make it clear that changes, that are currently overseen by Change Management Committee, do not just sit in the Change Management process but also Contract Management Arrangements, therefore the Contract Committee has a role to play.

Helen Chandler (HCh) asked, as she sits on both DSC Change and DSC Contract Committees, whether there will be duplicate information provided as she would prefer not to have to hear the same information twice. She also highlighted that there is a DSC Delivery Sub-Group, (which is a sub-group of DSC Change Management Committee), that debates the more detailed and technical subjects.

HCh said that this proposed change to DSC governance feels like it is taking away the decision making process within DSC Change Management Committee before it goes to the DSC Contract Management Committee. OC clarified that the technical changes would remain with DSC Change Management and contractual changes will go to DSC Contract Management to make a clearer distinction with no overlap and to ensure that Contract changes only go to DSC Contract Committee.

Legal Text

GE advised that Draft Legal Text has been provided and published on the Joint Office website ([0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)) and provided a detailed walkthrough of the Legal Text changes which were shown in the mark-up.

The key changes were to the following sections:

UNC – General Terms - Modification Rules

12.12 Interaction with DSC and CDSP

UNC – General Terms

Section D – CDSP and UK Link

1.2.2 DSC Objectives (d) addition to the current objectives:

(d) the costs incurred in the delivery of CDSP Services and the performance of Non-Service Functions should be efficient and economic.

When the Panel Question ‘How is efficiency defined’ was highlighted Kirsty Ingham (KI) advised that efficient and efficiency are generally known terms and frequently used phrases throughout the UNC and other documents.

Richard Pomroy (RP) and Tracey Saunders (TS) noted that the Licence quotes efficiency:

The licensee must, together with Relevant Gas Transporters, ensure that the UNC sets out;

c (i) jointly control and govern the CDSP on an economic and efficient basis;

Section 3 Data Service Contract

3.1.3 GE advised this change relates to existing terms and conditions.

When RP asked where the Contract Management Arrangements and Change Management Procedures sit in the hierarchy of documents, and does the Committee govern them, GE clarified that is what Centrica is proposing to change.

3.1.4 The CDSP Service Documents

Any change that affects charges, is designating these as service documents alongside the Budget and Charging Methodology.

JMc noted she would expect to see everything in paragraph c in paragraph b.

New Action 0302: Changes to 3.1.4 The CDSP Service Documents – CDSP (JMc/JRi) to provide an explanation why the proposed changes quoted in paragraph c would be more appropriately moved to paragraph b.

(b) the Budget and Charging Methodology, Credit Policy, Contract Management Arrangements, Cost Allocation Methodology, and Cost Allocation Model may be amended in accordance with the provisions of the DSC Terms and Conditions and the Contract Management Arrangements; and

(c) the Change Management Procedures, CDSP Service Description and Third Party and Additional Services Policy may be amended in accordance with the provisions of the DSC Terms and Conditions and the Change Management Procedures

RP noted that currently these only go to DSC Change out of courtesy and he agrees it should be DSC Contract rather than DSC Change.

Sally Hardman (SH) advised that Third Party and Additional Service should sit in DSC Contract. GE agreed to consider this along with paragraph 3.6.2 in 3.6 Contract Management Arrangements.

3.8 Cost Allocation Methodology & 3.9 Cost Allocation Model

OC highlighted that Centrica requested sight of the Cost Allocation Methodology and Cost Allocation Model in January 2023, JRi did send some overview documents over. OC explained that the actual documentation is required so that the correct change proposals can be applied to them.

New Action 0303: CDSP (JRi) will check and forward the appropriate documentation for the Cost Allocation Methodology and Cost Allocation Model.

This concluded the review of the Uniform Network Code changes.

Draft DSC Terms and Conditions

GE provided a detailed walkthrough of the changes which were shown in mark-up which are similar to the proposed changes to UNC.

Workgroup had no comments to make.

Budget and Charging Methodology

GE provided a detailed walkthrough of the changes which were shown in mark-up.

GE advised that a new Section 11 'Information' be included in the CDSP Budget which sets out the detailed requirements.

GE noted that this new section is asking for Xoserve to do nothing more than what it already does.

It was agreed that there is some cross referencing; more specific wording throughout this new section and that interaction with the Legal Text provider would be beneficial.

Credit Policy

It was noted that currently changes to this document go through the DSC Change Management Committee even though DSC Credit is a subsidiary of the DSC Contract Management Committee.

This concluded the detailed walkthrough of the UNC, Draft DSC Terms and Conditions, Budget and Charging Methodology and the Credit Policy.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. How is efficiency defined?

This Panel question was addressed as part of the Draft Legal Text walkthrough.

2.1.2. How does this Modification interact with the current Appeal and the Appeal process?

KE asked how this Modification interacts with the current Centrica Appeal, OC clarified that the Appeal process has been followed three times since 2021. Ofgem have not yet provided a decision and confirmed that the last time she spoke with Ofgem regarding the Appeal, they mentioned they wanted a Modification to be raised that would draw out the whole process.

JRi took the opportunity to advise Workgroup that the CDSP is about to procure a 3rd party to make proposals on how CDSP could demonstrate efficiency. Updates on this exercise are submitted to the DSC Contract Management Committee on a monthly basis.

KI clarified that part of the changes being proposed introduce benchmarking requirements into the DSC Terms and Conditions and should be part of customer practice going forward.

HCh added that the Efficiency Review and the timing of this Modification could be set in place at the same time and maybe work together.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at www.gasgovernance.co.uk/0841

3.0 Next Steps

KE confirmed the next steps as being:

- Review of the Charging and Contract documents.
- Consider the cost of implementing this Modification - cost to processes/resources; CDSP systems and any ongoing costs?
- CDSP to provide questions on the changes proposed.
- Centrica to consider the amendments suggested by Workgroup.

RH noted, as Panel secretary, it may be difficult to bring this to Panel in June 2023 due to the work involved and that one full meeting will be required to review the Legal Text.

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	Workgroup Programme
10:00 Monday 17 April 2023	5pm Thursday 06 April 2023	Microsoft Teams	Detail planned agenda items. <ul style="list-style-type: none">• Amended Modification.• Review of the Charging and Contract documents.

Action Table (as at 20 March 2023)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0301	20/03/23	1.0	Centrica (GE/OC) to provide an overview, in the Solution, of the list of documents that the Modification is changing	April 2023	Centrica (GE/OC)	Pending
0302	20/03/23	1.0	<i>Changes to 3.1.4 The CDSP Service Documents</i> – CDSP (JMc/JRi) to provide an explanation why the proposed changes quoted in paragraph c would be more appropriately moved to paragraph b.	April 2023	CDSP (JMc/JRi)	Pending
0303	20/03/23	1.0	CDSP (JRi) will check and forward the appropriate documentation for the Cost Allocation Methodology and Cost Allocation Model.	April 2023	CDSP (JRi)	Pending