

UNC Workgroup 0760 Minutes

Introducing the concept of derogation for Net Zero innovation into Uniform Network Code (UNC)

Wednesday 02 June 2021

Via Teleconference

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Sam Hughes	(SH)	Citizens Advise Bureau
Samuel Dunn	(SD)	Interconnector
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0760/020621>

1. Introduction and Status Review

1.1. Approval of Minutes

The amended Minutes from 23 April 2021 were approved.

1.2. Review of outstanding Actions

Action 0401: KE to liaise with the Chair of PAC to get further clarity regarding their concerns in relation to this Modification.

Update: KE advised she had liaised with the Chair of PAC and had been informed PAC did not have any specific concerns in relation to this Modification. However, PAC were aware this Modification may result in new measures that impacts them and therefore wanted to be kept informed of any developments. **Closed.**

Action 0402: TS to consider how the time bound issue can be addressed without project goals or milestones.

Update: KE noted this has been covered in the updated Innovation Derogation Guidance Document. **Closed.**

Action 0403: TS to update the Modification and Innovation Derogation Guidance Document and circulate to the Workgroup.

Update: TS provided an updated Modification and Guidance Document which were published on the Modification page. **Closed.**

Action 0404: TS to consider how additional derogation applications could be made.

Update: KE noted this process has been set out in the Guidance Document. **Closed**

2. Review of amended Modification and Innovation Derogation Guidance Document

Tracey Saunders (TS) advised the Workgroup that the Modification and Guidance Document have been revised following the previous Workgroup.

Kate Elleman (KE) clarified the Modification was broadened to become a framework for any derogation to the Uniform Network Code (UNC) with the reasons for applications for derogations being pre-defined within it as Use Cases.

Paul Bedford (PB) asked whether one of these reasons would need to be used when applying for derogation. TS explained that there was criteria pre-defined in the framework which stipulates that a relevant Use Case, detailing the specifics of the derogation, would have to be in place before a derogation could be applied for.

KE noted that alongside the framework, the Modification proposal now also included a Net Zero Use Case as a derogation reason. KE asked for clarification that the Modification was a framework alongside a Net Zero Innovation derogation application. TS clarified that this Modification was creating a derogation framework as well as the first Use Case which would be for Net Zero Innovation. A derogation application would be raised, related to this 'Use Case', at a later date.

Jenny Rawlinson (JR) asked if both parts would proceed as one Modification and whether there were any risks in doing so. TS advised that it would and added that the Net Zero Innovation application was the reason for Northern Gas Networks had raised this Modification in order to meet their objectives, adding that Ofgem had indicated this would be acceptable. JR noted that this approach was a considered risk and that the risk margin was quite small.

TS advised the Workgroup she would like the Workgroup's views on questions that had come to light while amending the Modification. The Workgroup discussed these, with the key points noted below:

1) Should Use Cases be set within the UNC or in the Guidance Document?

KE noted that if the Use Cases were set within the UNC then they would be able to use the UNC Dispute Process in the case of any disputes arising. However, she highlighted that if they sat outside the UNC, within the Guidance Document, there would be more flexibility to manage changes.

TS was concerned that if the Use Cases were set outside the UNC, it could lead to a more relaxed approach to derogations being raised, particularly for the purposes of applying for derogations for commercial advantage, and suggested they should be defined under the UNC.

PB suggested aligning this with the BSC (Balancing and Settlement Code) or DCUSA (Distribution Connection and Use of System Agreement). PB noted under the BSC, anyone could apply for a derogation with a decision being made by Ofgem. TS explained the arrangements being proposed in this Modification would be different to those under the BSC or DCUSA as Ofgem have indicated they did not want to make every decision for a derogation application. TS noted because of this, the decision making process would sit with either the UNC Modification Panel or the UNCC (Uniform Network Code Committee).

Heather Ward (HW) noted this approach may be contentious as the Guidance Document states applications would be approved by the UNCC, but under the UNC any application for derogation should go to Ofgem directly.

TS accepted this challenge and agreed that the Use Cases for derogation applications would be included within the UNC and decisions to approve applications would be made by Ofgem.

- 2) Whether the UNC Modification Panel would consider if a Modification rather than a derogation would be more appropriate, in line with the approach taken by REC?

TS noted the Joint Office of Gas Transporter's (Joint Office) Critical Friend process would act as a buffer for identifying any such instances and the UNC Panel would make a final decision via a majority vote.

JR suggested that a set criteria for Use Cases should be met in order for a derogation application to proceed. TS agreed with this approach.

- 3) Who will maintain the Guidance Document?

TS suggested the Guidance Document should fall under the remit of the UNCC but noted she was unsure of who would manage it.

KE advised the Joint Office could manage the administration of the document on behalf of the industry via annual review, going to the UNCC for any approvals.

TS accepted this proposal.

- 4) Impact on ancillary documents.

- a. Contractual Relationships

TS advised that where a derogation impacts a site that has an ancillary document, setting out a contractual relationship, the derogation should not impact it without contractual discussions first. The Workgroup agreed with this view.

- b. Should areas of code dealing with TPIs (Third Party Intermediaries) i.e. NeXA documents be exempt from derogation?

TS asked the Workgroup to consider whether they wanted any areas of the Code, that includes ancillary documents in relation to TPIs, to be exempt from derogation and requested that Workgroup review this.

New Action 0601: Workgroup to consider if parts of the UNC referring to ancillary documents regarding TPIs, such as NeXAs, should be exempt from derogations.

Sam Hughes (SH) asked how an appeal against a decision be made. TS advised any appeals regarding derogations would be referred to Ofgem.

SH asked how subsequent Use Cases would be approved. TS explained this would be via an UNC Modification which could follow Self-Governance or Authority Direction procedures, depending on the complexity of the Use Cases.

SH asked if a Use Case did not exist, a Modification for a new Use Case and the derogation application would need to be submitted. TS confirmed this was correct. SH asked if both could be submitted simultaneously and it was noted that the derogation application could not be made without an Use Case, so would also follow the approval of a Use Case first

The Workgroup agreed to review the amended Modification and the Guidance Document, and comments and suggestions to both documents were noted.

Please see some key points discussed below:

Modification

- It was noted that business rules for how Use Cases can be added is not included in the Modification. KE suggested this would need to be added and TS agreed with this suggestion.
- HW asked if the UNC Panel deferred making a decision on a derogation application, would they have the right to reconsult on it. TS noted this would be aligned to the Modification Rules. KE advised under the Modification Rules, the UNC Panel votes on whether a consultation had identified any new issues and can reissue for consultation at that stage. TS noted this would apply for derogations too and that she would add this to the Modification.
- TS asked Joshua Oyinlola (JO) if he could liaise with his colleagues at Ofgem to schedule a meeting for her to discuss the Modification. JO confirmed he would do this.
- HW and JR discussed the implication of IGT derogations in relation to the aligned IGT UNC Modification 154 – Introducing the concept of derogation for Net Zero innovation into IGT UNC and agreed to discuss these further outside the meeting.
- TS noted she would amend and resubmit the Modification after she had reviewed the position around reissuing for consultation and adding a Business Rules for Use Cases.
- KE asked the Workgroup to submit any additional comments regarding the Modification prior to TS submitting a new Modification which would be used to draft the Workgroup Report ahead of the next Workgroup meeting.

Guidance Document:

- KE noted that the Workgroup needed to review the proposed processes in the Guidance Document, alongside the current Joint Offices processes to identify anything that needed to be added or amended.

New Action 0602: Joint Office to review how the process flow and timeline proposed under the Guidance Document would be aligned to current Joint Office processes.

- PB asked if once a new Use Case was raised and approved, whether the derogation application being made would go to the UNC Panel for a decision. TS clarified that whilst the derogation was not a Modification, it was very similar and a derogation request would follow Self-Governance procedures. TS added Ofgem had indicated that this was their preferred route for derogations. TS also noted that Ofgem would be made aware of any derogation request via the Joint Office and if any party did not agree with the Panel's decision, an appeal could be raised to Ofgem.

- PB asked if Ofgem could insist on whether a derogation request should be Authority Direction rather than Self-Governance. TS advised Ofgem had not requested for this but she would raise this in her meeting with them to clarify their position.
- HW asked, in the case of a number of related derogations, if the lead derogation was not approved, how would the following derogations proceed. TS noted she would discuss this with Ofgem for their view.
- PB noted that environmental impacts should be taken into account when raising derogation requests. TS accepted this and advised she would add this for consideration.
- TS asked the Workgroup if they accepted Panel being able to defer a derogation request and the final decision by Panel being made via unanimous decision. The Workgroup accepted both points.
- TS highlighted that she had set out the Use Cases, with the example of the first Use Case, Net Zero Innovations.
- Clare Manning (CM) suggested that operational derogations would be based on targets and asked whether derogations could be rescinded if the target milestone was no longer present. TS noted she would review this question.
- KE suggested that Xoserve or Corella should be referred to as the CDSP (Central Data Service Provider) throughout the documents in relation to system or reporting impacts. TS accepted this and noted she would make the amendment.

New Action 0603: Joint Office to liaise with Xoserve (Dave Addison/ Ellie Rogers) with a view of Xoserve attending the Workgroup meetings.

- HW noted there was some discrepancy between what the Workgroup had discussed, and the proposed Derogation Form included in the Guidance Document and suggested it should be reviewed and updated. TS accepted this and noted she would review this.
- KE noted the proposed template could be incorporated into existing Joint Office templates once the required fields were clarified.

3. Next Steps

KE summarised:

- TS would update the Modification and Guidance Document incorporating the suggested amendments and would submit these to be published prior to the next Workgroup Meeting.
- The next Workgroup meeting would begin drafting the Workgroup Report.

4. Diary Planning

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

Subject to the agreement by Panel of an extension, Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
TBC	Via Microsoft Teams	Standard Governance Workgroup Agenda <ul style="list-style-type: none"> • Derogation Innovation Modification

Action Table (as at 02 June 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	23/04/21	1.2	KE to liaise with the Chair of PAC to get further clarity regarding their concerns in relation to this Modification.	Joint Office (KE)	Closed
0402	23/04/21	3.0	TS to consider how the time bound issue can be addressed without project goals or milestones.	Northern Gas Networks (TS)	Closed
0403	23/04/21	3.0	TS to update the Modification and Innovation Derogation Guidance Document and circulate to the Workgroup.	Northern Gas Networks (TS)	Closed
0404	23/04/21	3.0	TS to consider how additional derogation applications could be made.	Northern Gas Networks (TS)	Closed
0601	02/06/21	2.0	Workgroup to consider if parts of the UNC referring to ancillary documents regarding TPIs, such as NeXAs, should be exempt from derogations.	Northern Gas Networks (TS)	Pending
0602	02/06/21	2.0	Joint Office to review how the process flow and timeline proposed under the Guidance Document would be aligned to current Joint Office processes.	Joint Office (KE)	Pending
0603	02/06/21	2.0	Joint Office to liaise with Xoserve (Dave Addison/ Ellie Rogers) with a view of Xoserve attending the Workgroup meetings.	Joint Office (KE)	Pending