

UNC Workgroup 0760 Minutes

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

Friday 23 April 2021

Via Teleconference

Kate Elleman (Chair)	(KE)	Joint Office
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office
Alex Travell	(AT)	BU-UK
Andy Clasper	(AC)	Cadent
Darren Lond	(DL)	National Grid
Francesca Bell	(FB)	Oil & Gas UK
Guv Dosanjh	(GD)	Cadent
Heather Ward	(HW)	Energy Assets
Kirsty Dudley	(KD)	EON
Lauren Jauss	(LJ)	RWE
Lea Slokar	(LS)	Ofgem
Paul Bedford	(PB)	Drax
Richard Pomroy	(RP)	Wales & West Utilities
Samuel Dunn	(SD)	Interconnector
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0760/230421>

1. Introduction and Status Review

1.1. Approval of Minutes

The amended Post Meeting Update from 26 March 2021 was approved.

1.2. Review of outstanding Actions

Action 0301: KE to liaise with Code Administrator Code of Practice (CACoP) to review whether there is a consistent way of looking at derogations in other industry codes.

Post Meeting Update: KE emailed CACoP 01 April 2021 with a set of questions.

Update: KE explained she had contacted CACoP who had forwarded her questions regarding derogations to other Code Administrators and Managers. KE noted that she had only received a response from National Grid ESO and advised the Workgroup that she would contact CACoP again to see if they had received any further responses.
Closed.

Action 0302: TS to carry out an impact assessment of this Modification on the REC.

Update: TS advised she had carried out an impact assessment of this Modification against the REC and the only potential issue she had identified was the REC Switching Programme. TS noted it was difficult to carry out a complete assessment at present as the Modification was still under development. She noted that without knowing the particulars of what derogations would be applied for, it was challenging to identify how it would impact against the REC and the programmes it encompassed.

KE suggested that whilst this Modification progressed, it would be necessary to consider any impacts from cross-code work or REC. TS added these impact assessments could be carried out in full when the framework of the derogations process was finalised.
Closed.

Action 0303: KE to invite a PAC and Ofgem representatives to the next meeting to discuss the questions raised.

Post Meeting Update: KE Requested attendance 01 April 2021

Update: KE confirmed she had invited both PAC and Ofgem to attend this Workgroup meeting and noted that LS was attending this meeting as the Ofgem representative, although she was still awaiting PAC's response. AT noted that whilst he was a PAC member, he had not been involved in the discussion at PAC which had led to questions being raised for this Modification. TS advised that the questions raised by PAC should be addressed prior to an application for derogation rather than against this Modification, which was setting up the process framework.

KE advised she would write to the Chair of PAC and ask PAC to provide more substance regarding their concerns at the next Workgroup meeting.

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

Closed.

2. Questions for Consideration

2.1. Ofgem's Energy Regulation Sandbox

Tracey Saunders (TS) advised the Workgroup that she had contacted Ofgem to discuss the Energy Regulation Sandbox project and noted that it may not be relevant in the discussions around derogations for this Modification.

TS further noted that she had also liaised with Elexon, who are the Code Managers for the Balancing and Settlement Code (BSC), to discuss how they deal with derogations. The BSC process is significantly different to what is being proposed under this Modification as Ofgem are involved in the BSC derogations process from the beginning to the end.

TS explained that on the other hand the derogation process for the Distribution Connection and Use of System Agreement (DCUSA) was different to the BSC process and Ofgem were not involved in the process until the end.

TS advised that in her discussions with Ofgem, Ofgem had indicated that whilst they would prefer not to follow the BSC process for this proposal, they would like to have an overview of each derogation application.

TS advised the BSC derogations process has a wide scope as these derogations and projects directly impact consumers. She agreed that the scope of the derogations process being proposed in this Modification could also be widened to include consumer impacts, noting she had discussed scope and consumer impacts with other industry parties.

Paul Bedford (PB) noted he had been involved in these discussions alongside his colleague Paul Youngman and agreed that the scope of the proposals should be widened, and consumer impacts should be identified wherever possible.

Steve Mulinganie (SM) commented that the challenge of having a narrow scope meant that it could put some parties at a disadvantage compared to others which indicated that the current scope of the proposal was non-equitable as Net-Zero was a consideration for all parties across the industry.

SM urged the need for the scope to be fair and equitable. PB echoed this view and agreed in order to do so it would have to be broader.

2.2. Consider scope and whether restriction to the stated Net Zero type projects is appropriate

TS explained that Net-Zero projects can be Shipper led as well as Transporter led and if a particular project had the same characteristics as a previous project that has been completed, the current project may be exempt from providing further evidence to support its case. As a result TS stated she did not believe the scope of this Modification was unfair or inequitable.

TS noted that it was easier to widen the scope for a project than narrow it and a new Modification could be raised based on this proposal in the future with a wider scope.

KE asked Lea Slokar (LS) for her views on the scope of this Modification and invited views from Ofgem on whether the scope should be narrow or broad. LS noted that she was unable to comment on the scope at this point but noted that from a personal point of view, she agreed that a wider scope would be more beneficial to the industry and to the end consumer. However, she noted that as TS had already liaised with her colleagues, she would discuss this internally before putting forward a view on behalf of Ofgem.

LS accepted that having a narrow focus and clear scope would make it easier for a Modification to receive Ofgem's approval. LS asked TS to confirm that the derogations process being proposed would not hinder future derogation applications. TS confirmed the scope for the proposed Modification was limited to Net-Zero but could be widened later as future applications were made.

Lauren Jauss (LJ) noted the current parameters of the derogation being proposed were too generic and that whilst it was important to ensure derogation processes were in place, it was also important that affected parties would have sufficient notice of such a project.

Darren Lond (DL) agreed and noted the timings of the derogation processes would have to be set out more clearly.

TS responded that some of this information was already in the Innovation Derogation Guidance Document (Guidance Document) and the formal notice for a derogation project would be issued when it was issued for consultation. She added that prior to this each application would undergo industry review and discussions which would provide sufficient notice to the industry.

LJ asked for clarification regarding the derogation process. KE explained once this Modification was implemented, it would establish the framework for derogation applications and all future projects would have to apply for a derogation. TS confirmed this and added the changes being proposed in this Modification would be added to the Uniform Network Code (UNC).

SM noted the Guidance Document which sets out the derogation framework was quite large and the Workgroup needed to undertake a detailed review of it to understand each proposed step. TS agreed with this suggestion.

SM suggested the Workgroup review the entry requirements for applications, the framework and how it could be made more holistic by removing Net-Zero from it, which in turn would allow greater innovation. PB agreed and added that a holistic framework would be non-restrictive.

LJ asked if the scope of Net-Zero could also be clarified. TS accepted and noted she would attempt to define Net-Zero.

PB asked if the Joint Office of Gas Transporters (Joint Office) would provide a Critical Friend review of the derogation applications. KE explained that whilst the Joint Office would do a general review, they would not be commenting on the content of the application itself. TS added that the application process would be like a Modification following a Self-Governance route and would go to the UNC Modification Panel for a decision on whether the application would be accepted.

The Workgroup discussed the grounds on which the Panel may defer a decision and agreed that any deferral would require a strong justification.

SM asked if Panel would be able to add specific questions to a derogation application being issued for consultation. TS confirmed this was possible.

KE suggested the Panel questions used for voting on Modification could also be used by the Panel when voting on derogations as well. Please note the questions below which the Workgroup agreed could be adopted by Panel when reviewing derogations:

- *Should this derogation be issued to Consultation, closing on DDMMYY?*
- *Any specific questions to be included in Consultation?*
- *Were any new issues identified during the Consultation?*

The Workgroup also discussed how Cross-Code impact from any derogation could be captured.

The Workgroup decided to review the amended Modification and Guidance Document rather than review the questions raised by Panel and PAC as these had been previously discussed during the last Workgroup.

3. Review of amended Modification and Innovation Derogation Guidance Document

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

Please see some key points discussed below:

- PB asked for clarity to establish the notice period of each derogation and how the industry would be notified of each new derogation.
- SM asked for the rules for Panel to defer an application to be clarified.
- SM asked for the timeline for each application and derogation project to be clearly set out.

Kirsty Dudley (KD) agreed with this view and noted similar concerns had been raised in relation to the corresponding IGT UNC Modification.

TS noted this but added this would be challenging as the completion of a project would depend on various factors and be timebound as a result and it would be hard to define this at the outset a project.

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

- Further to Workgroup discussions, TS agreed to amend the Modification proposal and derogation framework to allow generic applications for derogation, with Net-Zero being a permitted criteria type of derogation. This can then be amended to add other criteria types of derogations in future, as and when required. This will widen the scope of the Modification as well as specifically allow the derogation application for Net-Zero.

PB and SM welcomed these amendments and thanked TS. TS noted she would update the Modification documents and circulate them to the Workgroup.

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

- The Workgroup agreed the Guidance Document would set out the criteria for all innovation derogation applications.
- PB asked if TS could clarify in the Guidance Document how additional derogation applications would be made. TS confirmed she would do this.

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

4. Next Steps

- TS noted the suggested amendments to the Modification and the Guidance Document and advised she would update them and circulate these to the Workgroup.
- The Workgroup will review the amended documents prior to the next Workgroup meeting.

5. 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 email voting	Via Microsoft Teams	Standard Governance Workgroup Agenda <ul style="list-style-type: none">• Derogation Innovation Modification

Action Table (as at 23 April 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	26/03/21	2.0	KE to liaise with Code Administrator Code of Practice (CACOP) to review whether there is a consistent way of looking at derogations in other industry codes.	Joint Office (KE)	Closed
0302	26/03/21	2.0	TS to carry out an impact assessment of this Modification on the REC.	Northern Gas Networks (TS)	Closed
0303	26/03/21	2.0	KE to invite a PAC and Ofgem representatives to the next meeting to discuss the questions raised	Joint Office (KE)	Closed
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)	Pending
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)	Pending
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)	Pending
0404	23/04/21	3.0	TS to consider how additional derogation applications could be made.	Northern Gas Networks (TS)	Pending