

## Performance Assurance Workgroup Minutes

Wednesday 20 March 2013

31 Homer Road, Solihull B91 3LT

### Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AM)	British Gas
Angela Love	(AL)	ScottishPower
Andy Clasper	(AC)	National Grid Distribution
Anne Jackson*	(AJ)	SSE
Edward Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans*	(GE)	WatersWye
Jonathan Kiddle	(JK)	EDF Energy
Jon Dixon	(JD)	Ofgem
Marie Clark	(MC)	ScottishPower
Mark Jones*	(MJ)	SSE
Megan Couch	(MC)	RWE npower
Steve Mulinganie	(SM)	Gazprom

\* by teleconference

### 1. Review of Minutes and Actions

The minutes from the previous meeting were approved.

**Action PA01/01:** Consider what Ofgem may require in terms of cost and benefit analysis to justify implementing a modification establishing a performance assurance framework

**Update:** JD suggested the Workgroup focus on developing the Performance Assurance Framework (PAF) as the costs and benefits should drop out of this work as it is progressed – he sees the costs and benefits as being specific to individual modifications but warned against undertaking unduly onerous analysis. More detail can be found under item 2.1 below. **Closed**

**Action PA02/01:** All Transporters to consider whether they can provide administrative support to develop a performance assurance framework.

**Update:** EL advised that Xoserve is willing to provide support – actual scope to be defined in due course. **Closed**

**Action PA02/02:** Shippers (GE/AL) to consider whether Energy UK (or any other body) can provide administrative support to develop a performance assurance framework.

**Update:** MC has spoken to Energy UK and no resources are available are available at this time, although this may change as the initiative progresses.

**Closed**

### 2. Discussion

#### 2.1 Cost Benefit Considerations *(linked to Action PA01/01 above)*

JD suggested that the Workgroup should always have regard to an assessment of expected costs and benefits, but should seek to develop the

analysis over time rather than undertaking a separate cost benefit analysis. As far as undertaking detailed cost and benefits analysis now, he doubts that this would be an efficient way to go about things, neither would raising any UNC modifications at this time. However, he envisaged a framework that involved a form of independent body that assessed the output of monitoring and identified potential actions that were justified in light of the evidence – this is where costs and benefits could be assessed.

## 2.2 Data Cleansing

EL provided a 'Data Cleansing Register' and talked parties through the rationale behind this before explaining that work is ongoing within Xoserve to help identify root causes. Should anyone have any additional suggestions / comments these would be gratefully welcomed.

MC advised that she anticipates that the ongoing discussions with SPAA, iGTs etc. would start to feedback into this process and may involve changes to UKLink systems.

TD wondered if the forthcoming rolling AQ regime changes placed additional stresses on the PAF considerations (i.e. standard setting, monitoring and enforcement aspects). Furthermore, he suggested that any issues list had to be forward looking – this was agreed by all parties present.

## 2.3 Data Quality and Accuracy

AM provided a brief presentation.

During discussions, JD explained that whilst the Workgroup needs to focus on enshrining working principles that can be taken forward, it also needs to identify the problems (not just settlement accuracy) and he believes that development of a set of easily identifiable high-level industry objectives to provide market indicators and establish evaluation criteria would be beneficial – in his view it is what is delivered through the framework that is the crucial consideration. In short, Ofgem believe that there are possibly four distinct stages / elements to consider in developing the framework:

1. [A Monitoring & Reporting facility](#) (to provide for transparency of process);
2. [A Collation & Assessment of Data mechanism](#) to identify issues (i.e. AQ reviews etc) – development of various models could prove beneficial. The question of who does this (it may be more than one party) remains to be resolved and Ofgem do not have a view on this, although there are currently multiple organisations that already undertake similar work. Some believe that this could potentially be an enormous piece of work;
3. [A Policing / Action \(audit & oversight\) facility](#) (beyond any initial UNC modification aspects) to act upon the information developed within stages 1 & 2; and
4. [An Implementation & Evaluation facility](#) to ensure that the loop is closed to enable appropriate feedback takes place and continual process / framework improvements can be undertaken – in essence we need a flexible and quick reacting mechanism that is capable of reacting to market changes quicker than any of the (current) UNC provisions.

In JD's mind, the industry should be looking to ensure that whatever framework is developed it provides for a level of comfort that is acceptable and is more about facilitating improvements going forward – it potentially delivers a logical process which should include items such as industry escalation mechanisms in preference to simply relying on Ofgem. Furthermore, he believes that the framework needs to focus on stages 1 & 2

as this provides for an enduring solution and thereafter, stages 3 & 4 seek to provide dynamic industry mechanisms. Identification and assessment of costs and benefits would take place within stage 3 and hopefully provides a more cost effective approach than a Code modification.

SM suggested managing behaviours is crucial. The recent issues around the allocation of unallocated gas are a classic example of how not to do things – lessons need to be learnt. Accepting this point, JD suggested that going forward it might not necessarily require formal (detailed) contractual arrangements such as seen for the AUGE process.

Moving on, JD suggested that by focusing on what constitutes ‘success’ under stages 1 to 3, the matter of who does what can be discussed at a later date. Whilst accepting that Xoserve may be ideally placed to take on some roles, he does not have a definitive view at this time. He also recognises that Xoserve’s current role is somewhat constrained by its relationship with the Transporters and that if unshackled they could potentially deliver a much better service to the industry – impartiality was seen as being key.

Discussion then focused on ensuring that engagement with parties that may be contributing to data inaccuracies is considered with adoption of a standardised (end-to-end) approach across the whole of the industry being one option – self-certification by parties to warrant that they are performing to the accepted standards was suggested.

Moving on to briefly discuss governance aspects of the framework, it was recognised that the likes of SPAA, iGTs, MAMs etc. need to be involved too as the data route (via an agent) should identify potential liabilities that will need considering, especially how best to monitor and enforce these. Asked whether or not something similar to the electricity model would be useful, JD indicated that at this point, he does not have a clear view although he does recognise that areas such as contractual aspects, data cleansing and service provision need further consideration. It was suggested that care would be needed in resolving these issues and perhaps the Workgroup would benefit from reviewing the terms of reference (scope, prioritisation, KPIs etc.). It was suggested that two ‘key’ elements are at play, namely the concept of a Performance Assurance body and thereafter, the areas within its scope.

Continuing, it was suggested that there is opportunity to potentially streamline the framework by adopting a self-governance modifications style process. In attempting to understand whether or not the framework needs to adopt an ‘enforcer’, it was suggested that careful consideration of incentives and standards is needed, as the law of diminishing returns kicks in.

It was suggested that correct allocation is a crucial factor in the work that the framework will encompass, although it was suggested that perhaps the Workgroup would be better served by focusing more on the end game, rather than the individual detailed elements – in short it is about developing a PAF that is fit for purpose and flexible to develop and change alongside the wider GB gas market – acknowledging that the electricity model could be regarded as ‘over engineered’ and the equivalent gas one, ‘under engineered’ where we pitch the PAF is of paramount importance. Concerns were voiced that we have not identified the root problem(s) yet.

It was also suggested that accurate targeting of resources could have a significant impact upon costs, whilst adopting an independent assessment of data could prove beneficial.

Closing, JD observed that it is clear that there are several key roles within the framework that are starting to come to light and parties may be able to overlap their various roles.

One suggested example of a data gathering model was:

Xoserve Report

(initial RED/GREEN/AMBER indicators based on predetermined criteria, including potential assessment)

*then*

Engagement of Independent Entity

(existing or new entities whoever they may, be to carry out investigations considering Target/Scope/Data Analysis/Procurement etc.)

*then*

Collation & Assessment of Data

(undertaken by the existing or new entities whoever they may)

*then*

Reporting

(undertaken by the existing or new entities whoever they may)

*then*

Assessment

(undertaken by the PAF Body)

*then*

Monitoring

(undertaken by the PAF Body or nominated entity)

In concluding, it was agreed that the questions posed on the 'Strawman meeting setting' slide formed a sound basis for a starting point. It was agreed by all parties present that it is not about rushing straight into solution mode at this point.

## 2.4 Setting priorities within the process

AL provided an overview of Scottish Power's 'Performance Assurance Possible Scope' presentation.

In considering the potential scale of any problems, it was suggested that the fact that the AUGE is required indicates that there are problems and any AUGE output should feed into the appropriate PAF processes. In looking at what aspects the AUGE has not recognised it was suggested that the list could be utilised to form the basis on what items the PAF initially focuses. It was recognised that further consideration of transparency, incentives and monitoring is needed.

Moving on to look at data quality and elements to consider, it was suggested that the materiality and any potential impacts would need to be considered as part of PAF prioritisation exercises.

In considering aspects of wider industry engagement, it was recognised that there may be benefit in early engagement with the likes of the iGTs, SPAA etc., although this could result in a larger and more complex exercise.

It was indicated that whilst the presentation was helpful, there are still concerns around the potential for the proposed model to become too bulky. TD suggested that whilst the Workgroup now has a reasonable 'handle' on

what the objectives may be, it is how we start and at what point, that is a crucial consideration.

## **2.5 What is to be assured?**

It was agreed that the Joint Office should develop a discussion document, based on the comments at this meeting for consideration at the next meeting.

## **3. Any Other Business**

None.

## **4. Workgroup Process**

### **4.1 Agree actions to be completed ahead of the next meeting**

**Action PA03/01: Joint Office (TD) to develop a discussion document, based around the comments made to date, for consideration at the next meeting.**

## **5. Diary Planning**

It was agreed that a further meeting be planned for about 6 weeks time. TD advised that from April, the Joint Office would be located at Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ

Tel: 0121 288 2107.

<http://maps.google.com/maps/ms?ie=UTF8&hl=en&oe=UTF8&msa=0&msid=204025608697846105430.0004d835bee9dc6b1d1bc>

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**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
PA01/01	11/01/13	2.2	To consider what Ofgem may require in terms of cost and benefit analysis to justify implementing a modification establishing a performance assurance framework	Ofgem (JD)	Update to be provided in due course. <b>Closed</b>
PA02/01	06/02/13	2.3	To consider whether they can provide administrative support to develop a performance assurance framework.	Transporters (All)	Update provided. <b>Closed</b>
PA02/02	06/02/13	2.3	To consider whether Energy UK (or any other body) can provide administrative support to develop a performance assurance framework.	Shippers (GE/AL)	Update provided. <b>Closed</b>
PA03/01	20/03/13	2.6	To develop a discussion document, based around the comments made to date, for consideration at the next meeting.	Joint Office (TD)	Update to be provided.