

---

**Performance Assurance Workgroup Minutes**  
**Wednesday 23 October 2013**  
**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Attendees**

|                          |      |                            |
|--------------------------|------|----------------------------|
| Bob Fletcher (Chair)     | (BF) | Joint Office               |
| Lorna Dupont (Secretary) | (LD) | Joint Office               |
| Andrew Margan*           | (AM) | British Gas                |
| Andy Clasper             | (AC) | National Grid Distribution |
| Angela Love              | (AL) | ScottishPower              |
| Colette Baldwin          | (CB) | E.ON UK                    |
| Douglas Alexander        | (DA) | Elexon – item 3.1 only     |
| Ed Morris                | (EM) | Elexon – item 3.1 only     |
| Edward Hunter            | (EH) | RWE npower                 |
| Jonathan Kiddle          | (JK) | EDF Energy                 |
| Lorna Lewin              | (LL) | DONG Energy                |
| Mark Jones               | (MJ) | SSE                        |
| Rob Johnson              | (RJ) | Wingas                     |

\* *via teleconference*

**1. Introduction**

BF welcomed all to the meeting.

**2. Review of Minutes and Actions**

**2.1 Minutes**

The minutes from the previous meeting (25 September 2013) were approved.

**2.2 Actions**

**PA07/01:** *Terms of Reference* – Ofgem to develop and circulate for comment.

**Update:** Under preparation; to be circulated for comment. **Carried forward**

**PA07/04:** *Industry Funding Communication* - Letter to ENA, Energy UK and ICoSS seeking provisional agreement to funding of academic study.

**Update:** Under preparation; to be circulated for comment. **Carried forward**

**PA08/02:** *Tender Advertisement* - Provide a link to the dedicated area on Ofgem's website.

**Update:** To be provided when in place. **Carried forward**

**PA09/01:** *Reporting* - Ask Xoserve to give views on what they were producing in respect of reports for Project Nexus and wider.

**Update:** BF reported that Xoserve gave an update at the Project Nexus Workgroup and suggested that consideration should be given as to what outputs were required.

Concerns had been raised regarding ‘what, how, when’ and how the delivery from the Performance Assurance Workgroup would merge with the Project Nexus Workgroup delivery. AL gave a brief outline of how that might be achieved. **Closed**

**PA09/02: Reporting** - Ask Xoserve to update the current reports list to include all the reports encompassed in the BRDs, and then circulate for review.

**Update:** Provided. **Closed**

**PA09/03: Issues Log** - AL to circulate Issues Log.

**Update:** To be provided. **Carried forward**

**PA09/04:** Invite Elexon to explain from a factual viewpoint the reporting carried out in the electricity market, and what might be done differently if starting from scratch.

**Update:** Invited to present at this meeting; see 3.1, below. **Closed**

### 3. Discussion

#### 3.1 Elexon Approach to Performance Assurance – *lessons learned and how new entrants are handled in the arrangements*

In response to Action PA09/04, an invitation had been extended to Elexon to explain from a factual viewpoint the reporting it carried out in the electricity market, and what might be done differently if starting from scratch. The invitation had been accepted and DA and EM presented an overview to the Workgroup.

##### *Presentation by Elexon*

Various aspects were discussed as the presentation progressed, with interest expressed in the Framework’s 16 techniques (based on prevention, detection, incentives, and remedial assurance) used flexibly to address Settlement risk. It was noted that some techniques had not been called into use, and perhaps may no longer be relevant, as the market has evolved since their inception. Potential timescales relating to progress from the identification of an issue and application of remedies were discussed; these were variable and dependent on the severity of the issue identified and the degree of co-operation on the part of the party involved. The logging and rating/scoring of risks was explained and discussed.

Other aspects discussed included reporting (publishing and confidential); the composition of the Performance Assurance Board (PAB) and retention of/changes to its membership; the costs and perceived benefits associated with operating Performance Assurance activities in the electricity industry; risk percentages; auditing; and recognised barriers to entry.

Following the conclusion of the delivery of their presentation DA and EM left the meeting.

##### *General discussion*

AL drew attention to Ofgem’s recent letter “Review of Elexon Governance”, published on 16 October 2013, that may be of interest and inform the further thinking of the Workgroup:

<https://www.ofgem.gov.uk/publications-and-updates/review-elexon-governance>

Aspects of Elexon’s presentation and its contribution to the Workgroup’s perceptions and knowledge were then discussed.

It was noted that the existing gas industry had evolved from a very different starting point to electricity.

It was recognised that creation of potential barriers to entry may be of concern, and that a fine line might need to be steered to create a climate whereby there is a setting of agreed standards of behaviour and levels of understanding/expertise, with these required to be demonstrated at market entry, that promotes rather than undermines industry performance assurance. An inability or unwillingness to meet these accepted industry standards (that will be in place to reduce exposure to risk and safeguard all market participants) might necessarily, and not unreasonably, preclude some parties from entering the market.

It was suggested that consideration be given to what value there might be in the adoption of some/all of the Elexon measures/tools within the context of providing efficient and cost effective performance assurance for the gas industry.

**Action PA10/01: *Elexon Measures/Tools* – (a) AL to circulate Elexon’s presentation to those present; and (b) all parties to consider what value there might be in the adoption of some/all of the Elexon measures/tools.**

### **3.2 Declaration of interest - *by any Party who would look to carry out the academic study or PAF Administrator role***

None made.

### **3.3 Update on Independent Study - *Ofgem***

BF advised that apologies and an update had been received from JD who had been unable to participate in the meeting. Ofgem were committed to completing Actions PA07/01, 07/04 and 08/02 and JD intended to provide a further update at the next meeting in November.

A number of Shippers expressed concerns that expected progress had not been made and that delays in this significant early part of the project meant timescales were in danger of slippage.

AL agreed to contact JD to see what could be done to reduce any further delay.

### **3.4 Xoserve Reporting**

In response to Action PA09/02 a list of reports had been provided and this was displayed. It was suggested that Workgroup participants review the list and consider if any additions or removals were required and what the outputs should be, ready for discussion at the next meeting.

AM referred to a previous document (a strawman for reporting requirements) provided for an earlier meeting. It was agreed that this might be beneficial to consider and discuss at the November meeting and that the document should be republished.

**Action PA10/02: *Reporting* - Review the list of reports and consider if any additions/removals are required and what the outputs should be.**

### **3.5 Project Plan Update**

The action plan had been updated and this was reviewed.

AL drew attention to various imminent milestone tasks. It was recognised that Tasks 5, 6, 7, 8 and 9 were at risk; these were dependent on Ofgem fulfilling its actions and AL will flag these to JD.

Tasks 25 and 26 could be addressed at the November meeting.

Following BF's suggestion, AL agreed to give an overview of the plan to the Project Nexus Workgroup (possibly at its December meeting) to provide visibility of progress.

**Action PA10/03: *Project Plan* - Present an overview of the Performance Assurance Project Plan to the Project Nexus Workgroup at an appropriate meeting.**

AL advised that she would be meeting with industry colleagues and Xoserve on 05 November 2013 to discuss Shippers' expectations and will report back on this.

*Next Steps*

The action plan will be updated/reviewed as further progress is made. In the meantime any further comments/suggestions regarding the plan should be forwarded to AL.

**3.6 Risks and Issues Logs**

To be circulated for review, prior to next meeting.

**4. Any Other Business**

**4.1 Interested Parties**

AM believed that Xoserve was no longer interested in tendering and that its future participation in discussions should therefore be welcomed.

As Xoserve's position as a disinterested party had not been confirmed it was suggested that the Workgroup should continue to formally invite contribution for specific areas, with the expectation of withdrawal from the meeting at an appropriate point.

It was suggested that Xoserve be invited to attend for part of the November meeting, as the focus was likely to be on reporting.

**5. Diary Planning**

Further meetings of the Performance Assurance Workgroup have been arranged as follows:

| <b>Date</b>      | <b>Time</b> | <b>Venue</b>                                     | <b>Programme</b>              |
|------------------|-------------|--|-------------------------------|
| 11 November 2013 | 10:30       | Room 4, ENA, 52 Horseferry Road, London SW1P 2AF | Review reporting requirements |
| 17 December 2013 | 10:30       | Consort House, 6 Homer Road, Solihull B91 3QQ    | To be confirmed               |
| 21 January 2014  | 10:30       | Room 3, ENA, 52 Horseferry Road, London SW1P 2AF | To be confirmed               |

---

**Action Table – Performance Assurance Workgroup**

| <b>Action Ref</b> | <b>Meeting Date</b> | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner</b>                                 | <b>Status Update</b>   |
|-------------------|---------------------|-------------------|---|--|------------------------|
| <b>PA07/01</b>    | 22/07/13            | 2.                | <i>Terms of Reference</i> – Develop and circulate for comment.  | Ofgem (JD)                                   | <b>Carried forward</b> |
| <b>PA07/04</b>    | 22/07/13            | 2.                | <i>Industry Funding Communication</i> - Letter to ENA, Energy UK and ICoSS seeking provisional agreement to funding of academic study.                                      | Ofgem (JD)                                   | <b>Carried forward</b> |
| <b>PA08/02</b>    | 21/08/13            | 2.1               | <i>Tender Advertisement</i> - Provide a link to the dedicated area on Ofgem's website.  | Ofgem (JD)                                   | <b>Carried forward</b> |
| <b>PA09/01</b>    | 25/09/13            | 3.4               | <i>Reporting</i> : Ask Xoserve to give views on what they were producing in respect of reports for Project Nexus and wider.   | Joint Office (BF)                            | <b>Closed</b>          |
| <b>PA09/02</b>    | 25/09/13            | 3.4               | <i>Reporting</i> : Ask Xoserve to update the current reports list to include all the reports encompassed in the BRDs, and then circulate for review.                        | Joint Office (BF)                            | <b>Closed</b>          |
| <b>PA09/03</b>    | 25/09/13            | 3.5               | <i>Issues Log</i> - AL to circulate Issues Log.   | ScottishPower (AL)                           | <b>Carried forward</b> |
| <b>PA09/04</b>    | 25/09/13            | 3.6               | Invite Elexon to explain from a factual viewpoint the reporting carried out in the electricity market, and what might be done differently if starting from scratch.         | ScottishPower (AL)                           | <b>Closed</b>          |
| <b>PA10/01</b>    | 23/10/13            | 3.1               | <i>Elexon Measures/Tools</i> –<br>a) AL to circulate Elexon's presentation to those present; and<br>b) All parties to consider what value there might be in the adoption of | a) Scottish Power (AL)<br><br>b) All parties | <b>Pending</b>         |

---

| <b>Action Ref</b> | <b>Meeting Date</b> | <b>Minute Ref</b> | <b>Action</b>   | <b>Owner</b>       | <b>Status Update</b> |
|-------------------|---------------------|-------------------|---|--------------------|----------------------|
|                   |                     |                   | some/all of the Elexon measures/tools.  |                    |                      |
| <b>PA10/02</b>    | 23/10/13            | 3.4               | <i>Reporting</i> - Review the list of reports and consider if any additions/removals are required and what the outputs should be.             | ALL                | <b>Pending</b>       |
| <b>PA10/03</b>    | 23/10/13            | 3.5               | <i>Project Plan</i> - Present an overview of the Performance Assurance Project Plan to the Project Nexus Workgroup at an appropriate meeting. | ScottishPower (AL) | <b>Pending</b>       |