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**Performance Assurance Workgroup Minutes**  
**Tuesday 21 January 2014**  
**ENA, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andrew Margan	(AMa)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Andy Miller	(AMi)	Xoserve
Angela Love	(AL)	ScottishPower
Colette Baldwin	(CB)	E.ON UK
Edward Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Jon Dixon	(JD)	Ofgem
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 were approved.

**2.2 Actions**

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

**Update:** JD confirmed that the terms of reference had been circulated. **Closed**

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

**Update:** JD advised that Ofgem had written out to the ENA, Energy UK and ICoSS in December 2013, and as yet, had not received any responses. He went on to add that whilst he also intends to provide a progress update at the next meeting, he would be more than happy to provide a copy of the ToR to anyone who wanted one.

AR advised that transporters were considering a response letter in which it states that they do not believe that it is appropriate for them to pay for the service provision. However, having said that, they do recognise that there is an opportunity to support the process via some form of 'payment in kind' (which would not be passed on to users) within reason. Responding, JD informed those present that Ofgem's view on the issue of funding had not changed, but they do recognise a need to undertake a review – ultimately, it may well end up being an 'industry cost'. **Closed**

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

**Update:** JD explained that Ofgem does not have an issue with providing the requested access and a link would be set up and provided in due course. **Carried forward**

**PA12/01:** Transporters to discuss with Xoserve (the Transporter's Agent) the Workgroup's feedback, and consider in relation to its future activities its direct/indirect participation in the Performance Assurance regime to support current development requirements.

**Update:** In responding to this action, AMi provided a brief overview of the Xoserve prepared 'Performance Assurance Workgroup – January 2014 – A proposal by Xoserve for a Performance Assurance methodology' presentation. Please refer to item 3.3 below for more details. **Closed**

**Action PA12/02: Reporting Options Spreadsheet** – a) Review internally and provide comments for further review at January meeting; and b) Review with ICoSS and provide any comments.

**Update:** It was agreed that consideration of this action had been suitably covered during the above discussions. **Closed**

### 3. Discussion

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

Ami advised that Xoserve were considering their options for the PAF Administrator role and therefore they were declaring an interest. It was suggested that this item had been (indirectly) covered in the discussions undertaken in reviewing the above actions.

#### 3.2 Ofgem Update

JD indicated that the bulk of his update had already been covered during the consideration of action items PA07/01, PA07/04 and PA08/02 above. He also acknowledged National Grid Distribution's previous comments around the funding debate.

Mindful of the fact that UNC Modification 0432 and 0434 are currently with them awaiting a decision, he advised that Ofgem remain keen to see improvements in all aspects of data provision going forward, believing that they (Ofgem) would take a dim view of any party who having access to the (reporting) information, did nothing meaningful with it.

#### 3.3 Governance Arrangements

##### Performance Assurance Workgroup – January 2014 – A proposal by Xoserve for a Performance Assurance methodology' presentation

Ami provided a brief overview of the presentation and during consideration of the 'Objectives' outlined on slide 8, AL suggested that the majority of these items are already being 'covered' as part of the proposed Academic Study. Whilst agreeing, AMi suggested that developing the Xoserve proposal now would only serve to support the study anyway – AL acknowledged that if this could be easily completed, then there could be benefits in developing the Xoserve proposal.

In defining a demonstrably effective settlement regime on slide 10, AMi advised that this could be achieved in both the pre and post Project Nexus worlds whilst also catering for RbD requirements as well.

In considering the 'Read is the primary measure of effectiveness' data presented on slide 13, no adverse comments were provided.

As far as the 'Performance measurement' statements on slide 18 are concerned, it was noted that care would be needed to balance the cost of obtaining the information against the aspiration for achieving 100% performance.

In trying to understand what numerous read rejection factors might form part of the secondary determinants of an effective settlement regime (as per slide 29), AMi remarked that these are not necessarily easy or obvious causes to identify and the Workgroup would need to consider these in more detail (i.e. to ascertain whether any rejected reads are resubmitted and subsequently pass the validation tests etc.).

Moving on to examine the bullet points on slide 31, AMi suggested that care would be needed to avoid jumping to the wrong conclusions when considering matters such as unregistered sites, shipperless sites or gas theft.

In looking at the established funding route aspects of the example timeline on slide 35, AMi advised that consideration and development of this mechanism could/would be 'covered' via creation of a UNC (user pays) modification (especially where Xoserve would incur costs) and that there is already 4 years historical data available.

When asked whether the proposal was for a 'top down' or 'bottom up' approach, AMi indicated that he was unsure but did indicate that Xoserve had undertaken a successful proof of concept exercise. It pointed out that it is not necessarily the shippers with the largest number of supply points within their portfolios that create the greatest 'industry' risk. When asked, AMi indicated that whilst there is data in existence that relates to the percentage of missing reads (for both LSP and SSP sites), he anticipates that there would be some remaining unallocated gas involved. CB suggested that there may be benefit in being able to track and assess LSP site issues (i.e. must reads etc.) in future and asked whether or not Xoserve would be able to provide a view on the reasons and potential impacts associated with the must read failures.

AMA questioned whether or not the Workgroup needed to specify what reports would be required now after it had already proposed a 'top down' independent assessment of performance v's risk, especially when elements of reporting are being developed as part of the Project Nexus delivery. AMi also suggested that keeping the reporting descriptions broad would/could ensure that a wider spectrum of information is made available – in essence the Workgroup should initially seek to identify what the measure is (requirements), and then Xoserve could develop the reporting suite accordingly. When asked where it is proposed the reports would be published and how commercially sensitive information would be handled, AMi suggested that the Joint Office web site would be a good option and any reports that contained commercially sensitive information could be anonymised – it all depends on what the industry wants to happen really.

When asked whether any aspects of the proposed timeline could be compressed to align better with the start of the gas year, AMi pointed out that whilst this may be possible, once we get to 2015 Xoserve's ability to pick up new work areas may be severely compromised, so early adoption would be preferable.

When asked if Xoserve would be able to 'support' the development of future PAF reporting requirements going forward, AMi believed that this would be possible as long as it did not jeopardise their future industry role or position.

In advising that there is no clear view on costs at this time, the initial thoughts are that these would not be significant (i.e. material in nature) as Xoserve already believe that they have the bulk of the information in their systems anyway. He also suggested that any new modification should be kept simple and in his view seek to establish the provision of the methodology service rather than focusing on the more details (and potentially contentious) reporting information itself.

In closing, BF suggested that someone would need to consider the raising of a suitable modification, or suite of modifications to address these requirements sooner, rather than later. AR noted that Xoserve may be required to work with the academic study party in order to further develop the reporting requirements, which is a route that as previously stated under action PA07/04 above, National Grid Distribution would be reasonably happy to support as it is seen as part of the Project Nexus related benefits.

#### Gas Performance Assurance Framework (presentation by British Gas)

AMa provided a brief overview of the presentation, during which he suggested that it would possibly be easier to look to develop a 'thin model' in the first instance and enhance it at a later date if this was deemed to be necessary.

Whilst no clear views/comments were provided by some of the other parties present, AR did suggest that the proposed model seemed like a sensible approach.

#### Performance Assurance – Consideration of Discussions to date (presentation compiled by ScottishPower)

Opening, AL explained that the presentation was a compilation of several previous presentations and in part, a summary of Workgroup discussions to date. She was keen to point out that it is not specifically a ScottishPower presentation.

In providing a brief overview of the presentation, AL advised that the references to 'AN Other' in the various diagrams should now be referred to as being the PAF Administrator.

In considering the shipper discussions on slide 4 and specifically point 6 within box 5, AL suggested that this was of particular interest when baring in mind the ongoing development of UNC Modification 0473 'Project Nexus – Allocation of Unidentified Gas'.

Having reviewed both presentations, AMa suggested that whilst the two models were not necessarily that far removed from one another, British Gas remains of the view that the process does not need another independent party being involved - the expectation being that this Workgroup would be more heavily involved in the management of the process, supported by the raising of appropriate UNC modifications. This was not a view supported by AL, as she believes this is both inconsistent with Ofgem's PAF aspirations and raises concerns around who would make the key decisions as part of the PAF governance arrangements going forward. JD suggested that in recognising that the roles and key decisions points need due consideration sooner, rather than later, the question of who does these could be addressed at a later date. In short, if the Workgroup can simply agree that there would be a need for a body to perform a policing role, we can work on focusing on delivering the methodology / processes in the first instance.

In debating whether or not UNC modifications would be required to facilitate any potential changes to interested parties respective commercial positions, it was suggested that perhaps the Workgroup should consider the establishment of an outline (mechanistic style) framework to police the process. Responding, JD offered a subtly different approach by suggesting that if it is simply a case of applying an annual methodology, then some degree of 'built in' discretion would/could prove beneficial. The question of who and how, this is achieved is important and avoiding the constrained approach that is prescribed within the Code process, along with provision of some flexibility may be beneficial. CB indicated that she would personally prefer to see the best elements of the equivalent electricity PAF approach migrated over into the gas world, whilst excluding the constraints imposed by Code. She remarked that the electricity modifications normally pass through the process quicker than their gas cousins.

Continuing, JD indicated that in his view the industry should/could develop a framework that had defined and clear timeline related actions and outputs.

Furthermore, whilst he believes that the academic study may come up with a basic model with various threshold triggers/flags, it is what we do with them and who does it, when these are triggered that needs consideration. He also believes that as there is some time before Project Nexus 'go-live' date, the Workgroup have some time to develop a robust framework. BF suggested that to move forward, someone would need to raise a UNC modification.

It was felt by some parties present that the output from the academic study would provide a sound basis on which to start to develop a set of suitable business rules as well as pointing towards what would be required for any subsequent modifications, especially as it is also felt that the framework and incentive elements would become clearer during the course of the study. AL then reminded attendees that she had drafted some business rules, which had been discussed at the last meeting and these reflected understanding of the workgroup's present thinking.

In considering potential PAF invoice disputes, some parties felt that these could be referred to Ofgem from a potential breach of licence perspective – this was not a universally supported view as some parties felt that instances such as these would/could be covered under current Code provisions. BF warned that the real issue would revolve around the fact that any party disputing their invoices would most likely be doing so because they disagreed with the PAF assessment of their performance.

### 3.4 Outline Business Rules

It was agreed to defer discussion of this item until the next Workgroup meeting.

### 3.5 Reporting Options

AMi provided a brief review of the 'PAF Reporting Considerations – with additions by British Gas' presentation (dated 16/12/13). During discussions, a new action was placed on Xoserve (AMi) to develop their Performance Assurance methodology proposal and cross reference to this listing to look to identify the real purpose of the specific reporting items to ascertain if they are 'fit for purpose' and actually provide tangible benefits. It was also suggested that adding a new column to highlight any Xoserve assumptions and / or where the information may be reported elsewhere in the industry would prove beneficial.

AL asked AR to clarify whether the NGG update under PA07/04 meant that the GTs would pay the cost of the development proposal. AR responded that it did. AL therefore asked if removing the user pays line from the plan would/could result in the Xoserve Performance Assurance methodology proposal being delivered in time for the next Gas Year, Ami suggested that this was a possibility.

**Action PAF01/01: Xoserve (AMi) to develop their Performance Assurance methodology proposal and cross reference to this listing to look to identify the real purpose of the specific reporting items to ascertain if they are 'fit for purpose' and actually provide tangible benefits (inc. adding a new column to highlight any Xoserve assumptions and / or where the information may be reported elsewhere in the industry would prove beneficial).**

### 3.6 Early Performance Monitoring

No update available, consideration deferred until the next Workgroup meeting.

### 3.7 Project Plan Update

AL explained that the Project Plan had been updated after the previous meeting and that there are no (clearly) overdue elements to consider at this time, although it may be necessary to re-align some of the dates once the ENA/ICoSS/Energy UK responses have been received.

AL advised that she would be extending the reporting date to February in due course.

In considering the ‘Overall Governance Arrangements’ items, it was suggested that there could be benefit in adding a new item to cater for a business rules review and funding considerations – it was also suggested that perhaps these should be added to the next meeting agenda to ensure that due consideration is undertaken.

BF felt that perhaps a new item to cater for the Xoserve access to data proposal would be beneficial, whilst AR suggested that this would also be covered under the development of a new UNC modification – it was agreed that a new item should be added to the plan for visibility purposes.

Concluding, a new action was assigned to ScottishPower (AL) to review the plan to extract the ‘key’ items (i.e. business rules review and funding considerations) for inclusion on the agenda for the next Workgroup meeting, and thereafter, the Joint Office (BF/LD) to ensure that these are included on the agenda.

In the meantime any further comments/suggestions regarding the plan should be forwarded to AL.

**Action PAF01/02: a) ScottishPower (AL) to review the plan and extract the ‘key’ items (i.e. business rules review and funding considerations) for inclusion on the agenda for the next Workgroup meeting, and thereafter, b) the Joint Office (BF/LD) to ensure that these are included on the published agenda.**

### 3.8 Risks and Issues Logs, including new issues

It was agreed to defer discussion of this item until the next Workgroup meeting.

## 4. Any Other Business

### Academic Study Completion update

When asked, JD indicated that unresolved funding issues and awaiting the ENA/ICoSS/Energy UK responses are impacting upon the completion of the academic study - the current expectation being sometime after Easter, although this is heavily dependant upon resolving the funding issues.

### Larger Sites (LSP) Meter Read Acquisition and Contractual Impacts

MJ highlighted that in some instances the larger (LSP) sites may not be able to obtain their meter readings (i.e. unmanned sites etc.). During a brief discussion, AL agreed to include this as a new item on the issues log.

## 5. Diary Planning

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

Date	Time	Venue	Programme
18 February 2014	10:30	Consort House, 6 Homer Road, Solihull B91 3QQ	
04 March 2014	10:30	Solihull	<i>To be confirmed</i>
01 April 2014	10:30	Room 4, ENA, 52 Horseferry Road, London SW1P 2AF	<i>To be confirmed</i>
06 May 2014	10:30	Solihull	<i>To be confirmed</i>
03 June 2014	10:30	<i>To be confirmed</i>	<i>To be confirmed</i>
01 July 2014	10:30	<i>To be confirmed</i>	<i>To be confirmed</i>

05 August 2014	10:30	<i>To be confirmed</i>	<i>To be confirmed</i>
September 2014	10:30	<i>To be confirmed when Nexus meeting dates known</i>	<i>To be confirmed</i>
October 2014	10:30	<i>To be confirmed when Nexus meeting dates known</i>	<i>To be confirmed</i>
November 2014	10:30	<i>To be confirmed when Nexus meeting dates known</i>	<i>To be confirmed</i>
December 2014	10:30	<i>To be confirmed when Nexus meeting dates known</i>	<i>To be confirmed</i>

**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>
PA07/01	22/07/13	2.	<i>Terms of Reference</i> – Develop and circulate for comment.	Ofgem (JD)	<b>Closed</b>
PA07/04	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>Closed</b>
PA08/02	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>
PA12/01	17/12/13	2.2	Transporters to discuss with Xoserve the Workgroup’s feedback, and consider in relation to its future activities its direct/indirect participation in the Performance Assurance regime to support current development requirements.	Transporters (AR)	<b>Closed</b>
PA12/02	17/12/13	3.4	<i>Reporting Options Spreadsheet</i> – a) Review internally and provide comments for further review at January meeting; and b) Review with ICoSS and provide any comments.	a) ALL; and b) Wingas (RJ)	<b>Closed</b>
PA01/01	21/01/14	3.5	To develop their Performance Assurance methodology proposal and cross reference to this listing to look to identify the real purpose of the specific	Xoserve (AMi)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			reporting items to ascertain if they are 'fit for purpose' and actually provide tangible benefits (inc. adding a new column to highlight any Xoserve assumptions and / or where the information may be reported elsewhere in the industry would prove beneficial).		
PA01/02	21/01/14	3.7	a) To review the plan and extract the 'key' items (i.e. business rules review and funding considerations) for inclusion on the agenda for the next Workgroup meeting, and thereafter, b) the Joint Office to ensure that these are included on the published agenda.	a) ScottishPower (AL)  b) Joint Office (BF/LD)	Pending