

Modification 0506A Gas Performance Assurance Framework and Governance Arrangements

Report to Performance Assurance Workgroup 4th February re questions raised by Modification Panel

1. Introduction

Modification 0506A was presented to the January 15 Modification Panel. The Modification Panel asked for two matters to be considered by the Workgroup. These are:

- **Q1** Clarity is required around the proposed timeline for the PAFA role – what happens when the proposed administrator service times out?
- **Q2** Consider the costs of the service to be provided and include a benefits analysis

This short paper provides a response for review by the Workgroup.

2. Q1 Clarity is required around the proposed timeline for the PAFA role – what happens when the proposed administrator service times out?

Modification 0506A is being developed on the basis that the arrangements created by it cease at a set point in time, for example, three years after implementation.

When the period of this modification expires, the arrangements created by it cease to exist.

Modification 0506A has been drafted in this manner to reflect the views of some Performance Assurance Workgroup members that the PAFA role should be subject to a competitive tender. Due to tight time constraints Modification 0506A is proposed to try to ensure the PAC and PAFA are implemented in readiness for Project Nexus Implementation Date. The PAFA will ensure the anticipated benefits of project Nexus are reviewed and control of allocation monitored from go-live. MOD506 proposes to tender for the PAFA role which carries a risk that the PAFA may not be appointed until after implementation and therefore delay the monitoring of performance and risk settlement.

Modification 0506A allows the scope of the PAFA role to be developed, understood tested and actually implemented before any tender activity is undertaken. In addition, the Performance Assurance Committee (PAC) will have an idea of the costs of the PAFA role and so will be able to make an assessment as to whether there is value in tendering for the service.

3. Q2 Consider the costs of the service to be provided and include a benefits analysis

This question cannot be answered as part of the development of Modification 0506A.

Modification 0506A creates the framework for the PAC and PAFA roles, creates a Guidelines document for the operation of the arrangements including PAC and PAFA roles, and creates the PAFA services as a User Pays service.

The Guidelines document in Appendix 1 of the Modification sets out that the PAC will set the scope of works for the PAFA and then based upon this the PAFA will provide an estimate of costs. Modification 0506A does not create a service and therefore does not create a cost, it creates a framework within which a service can be developed and subsequently costed.

Shippers should be in a position to determine the overall benefits of a Performance Assurance Framework and using this, the PAC can assess if any PAFA costs will lead to a positive cost benefit case.

As this question has been asked of Modification 0506A, it should be assumed that the question applies equally to Modifications 0506, 483, 520 and any further modifications associated with a Performance Assurance Framework.