

UNC Workgroup 0506 0506A Minutes Gas Performance Assurance Framework and Governance Arrangements

Wednesday 04 February 2015

at Elexon, 350 Euston Road, London NW1 3AW

Attendees

Bob Fletcher Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan	(AM)	British Gas
Andy Miller	(AMi)	Xoserve
Angela Love	(AL)	ScottishPower
Carl Whitehouse*	(CWh)	first:utility
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter*	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Richard Pomroy	(RP)	Wales & West Utilities
Steve Mulinganie*	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0506/040215>

The Workgroup Report on Modifications 0505 and 0506A is due to be presented at the UNC Modification Panel by 18 June 2015.

1.0 Review of Minutes and Actions

1.1. Minutes

The minutes of the previous meeting (13 January 2015) were approved.

1.2. Actions

Action 0506 1101: Xoserve (EL) to investigate the areas of concern with regards to manual workarounds.

Update: EL explained that a report would be provided at the meeting on 24 February 2015. **Carried forward**

0506 1202: ScottishPower (AL) to provide a 'strawman' around the proposed Review Framework Committee.

Update: AL had provided a guideline document. **Closed**

0506 1203: *Related to Action 0506 1202* - National Grid Distribution (CW) to double check whether or not there are any potential Transporter Licence impacts.

Update: CW advised that none had been identified so far, and it was his belief there were none. **Closed**

2.0 Modification 0506

2.1 Guidelines document for the Energy Settlement Performance Assurance Regime

The document was reviewed. AL explained the revisions made and both AL and MJ noted suggested further changes for consideration in relation to Modifications 0506 and 0506A where appropriate.

Page 1 - Consider revising the reference to the NTS.

Page 5 - "Performance Assurance Committee Member" - Check consistency of references.

Page 7 - Deletion in Section 4 was discussed. Inclusion or prescription (examples) may be required for the avoidance of doubt.

RP believed the scope of the organisation should be set out/defined and also what it was *not* doing.

Page 7 (Section 5.1) - Permitted attendance was discussed; consider including 'by invitation'. Open/Closed sessions and the existing arrangements of different Sub-committees were discussed. Wording to be considered.

Page 7 (Section 5.2) and Page 8 - It was noted there will be a new UNC Modification Panel structure (6 + 6) from 01 October 2015. An appointment process was discussed (expertise required, frequency/continuity of attendance, quoracy, etc). It was suggested it might be unreasonable for Transporters to have voting rights on any purely Shipper aspects. GE did not believe the electricity model was appropriate as the process is significantly different. Consideration to be given to other options and brought back for review.

The requirement for a minimum of [3] years' gas settlement knowledge and experience was discussed. It was questioned how could this be assessed? The Gas Forum election process was considered, and whether this could specify more stringent requirements. BF explained the EBCC arrangements, and suggested that a more narrow consideration might need to be given to what was being required. It was suggested that Alternates should be formally appointed in advance.

Page 9 (Section 5.4) - Consider rewording the latest included bullet point.

Page 10 (Section 6.1) - Consider rewording 'unanimous majority'. Should there be an option not to renew each year. BF pointed out that if tenure was terminated a gap would be created - in this event would the PAFA be suspended until another nominee was appointed? How would this be managed?

Conflict of interest was discussed and how it might be managed. AM gave an example from the banking industry that might be considered.

How the Transporters would manage termination requires consideration, as this would be in the agreement between them and the administrator and not subject to control by the Committee.

AL and MJ will consider appropriate revisions to their documents/Modifications and return to Workgroup.

3.0 Process Diagrams

The diagrams were presented and AMi explained the governance process illustrated. The PAC guidelines would be governed by the UNCC, and would include subsidiary documents to be governed by the Sub-committee. The overall guidelines would provide the constraints for the subsidiary documents.

The change processes were illustrated. It was noted that there would be a close relationship between the PAC and Xoserve. AMi clarified that Modification 0506A was an alternate modification prepared in co-operation between CW, MJ and AMi.

AL raised concerns relating to a perception that Modification 0506A promotes Xoserve and is an Xoserve-driven modification rather than being a modification that has engaged Xoserve in its discussion. This might be open to challenge in terms of openness, transparency and vested interest – it may create a risk that Xoserve may not be able to participate in the process to be appointed as the administrator. There were concerns that Xoserve might be gaining commercial advantages by participating in these activities. MJ reiterated that he had concerns that Modification 0506 could not be implemented in time for Nexus and this was the reason for raising the alternative, although as Modification 0506A is transitional it would be possible to implement both modifications in a phased approach.

AMi commented that Modification 0506A has been developed with full openness and transparency in mind. It utilises existing UNC mechanisms – the User Pays principles and Agency Charging Statement, which itself is a governed document. The guidelines document and administrator scope (which is to include costs submission and PAC approval before costs are incurred) are in the public domain and governed by the UNCC/PAC. AMi considered that any concerns regarding Xoserve's ability to bid for any services to be tendered in the future were a matter for Xoserve. AMi considered that as all PAF discussions were being held in an open industry forum with minutes placed in the public domain Xoserve had no concerns regarding its ability to bid for future services in the event that Modification 0506A was implemented.

Returning to the process diagrams, AMi clarified that Xoserve would be able to suggest changes to the committee, the prerogative remaining with the committee to reject or consider according to its wishes. Recognising there might be some sensitivity to the revenue that can be generated from the performance of certain activities by Xoserve, some parties expressed a view that, while happy to accept 'an informed view' from Xoserve, it would not be appropriate for Xoserve to initiate/drive changes. AMi reiterated that Xoserve would be raising any such topics only for the greater good of the industry, not for any individual pecuniary benefit.

Attention was drawn to reiterative review cycles.

BF pointed out that the UNCC may not have the required expertise to consider escalated issues, and perhaps this should be reconsidered.

4.0 Modification 0506A

4.1 Guidelines document for the Energy Settlement Performance Assurance Regime

The document was reviewed. AMi explained the revisions made and both AL and MJ noted suggested further changes for consideration in relation to Modifications 0506 and 0506A.

Page 5 (Definitions) - AL suggested that additions might be required, similar to those for Modification 0506, that take account of commercial sensitivity/confidentiality. AMi explained he had used current arrangements in place for the EBCC as a guide. CB believed that PA would cover a broader area and that the need for confidentiality was that

much greater. Report data was currently provided as anonymous, however it was noted that if Modification 0520 were approved then anonymity would be removed from reports. It was suggested some strong fundamental principles were required, and that AMi and MJ reflect upon what degree of restraint was appropriate. The Framework needed to assure adequate safety to enable sufficient openness in any likely discourse.

AL indicated that she was engaged in looking at the PA Modifications, their interactions and business rules to identify any gaps/overlaps and intended to bring some information to the next meetings.

Page 7 (Section 4) - AMi to amend the end of the first paragraph.

Page 7 (Section 5) - AL to reflect the changes made here (for Modification 0506).

Page 11 (Section 6.3) - AMi to update this section (change process).

A discussion ensued on how the PAFA would be instructed and costs established. If a party were not sitting on the PAC would there be any visibility of costs? BF assumed there would be a scope and estimate for the first year to inform the consultation on Modifications 0506 and 0506A. AMi indicated that the charges would be in the public domain through the Agency Charging Statement (ACS). There were no costs associated with Modification 0506A. CB observed it was hard to understand what all the modifications would cost (now and in the future). This was briefly discussed. There were concerns regarding control of the work/cost - the group will have direction of these and can commit the industry to costs that may not be required by all parties. AM outlined his perceptions of Modifications 0506 and 0506A. AMi clarified that Modification 0506A creates a framework through which a service can be requested. AL explained how costs would be controlled under Modification 0506 (tender). BF commented that both modifications were very similar and that true costs will only be known once one is approved. AMi observed that it needs a service and its scope to be defined (in the modification) to obtain an estimate/costs to be incurred. BF questioned how a proper scope could be defined if the committee was not composed the 'right' persons with sufficient expertise.

AL, MJ and AMi will consider appropriate revisions to their documents/Modifications and return to Workgroup.

4.2 Performance Assurance Committee Terms of Reference

The document was reviewed; AMi gave an overview.

AL raised concerns that the Gas Forum was not in a position to assess any candidate's suitability.

Page 2 (Section 2.3) - It was suggested that quoracy should be 2 Shippers and 2 Transporters, and that the order of the words in the second sentence of the first paragraph be amended.

MJ and AMi will consider appropriate revisions to the document/Modifications and return to Workgroup.

4.3 Performance Assurance Framework Administrator Scope

The document was reviewed; AMi gave an overview. It was suggested that the references to 'Xoserve' be amended to 'Transporters' Agent'.

Section 5 - JK questioned what would happen if the scope was not agreed - should it default to the previous year? This was discussed. It was felt that the scope should not be limited by Xoserve's ability to deliver; the Transporters could source elsewhere. It was suggested that Xoserve should provide early warning of identification if exceeding budget.

Examples of Schedules had been included for illustration of how the arrangements might look, and these were explained. A report specification was required before it could be assessed what the costs might be.

MJ and AMi will consider appropriate revisions to the document/Modifications and return to Workgroup.

Referring to Modification 0506A, AL asked how Xoserve would be managed in view of the regime - Modification 0506A does not cater for this? CB was more concerned about how Xoserve interpret/apply adjustments - this could cause an inadvertent impact on the market - and also questioned why should Xoserve be exempt from Performance Assurance. CW referred to discussions under the RbD Sub-committee (this body will disappear following Nexus implementation) where it had been questioned if a similar replacement body was required to audit Xoserve's activities. How this might be addressed was currently being considered. CB reiterated her concerns that Xoserve would be managing data and the Shippers have no control - this should be monitored in some way. It should not always be assumed that everything in Xoserve works perfectly. EH suggested this should slot into the FGO work (performance measures).

It was recognised that this group really needed some reassurance from Xoserve. CW suggested it needed to be considered by MJ, perhaps as a separate regime. CB believed it should be addressed now and that the PAWG should not be concluded without doing something about it.

BF referred to outputs from the Data Quality group that may need consideration, as there were concerns about the lack of controls around data quality and accuracy which may have negative impacts on consumer switching.

5.0 Consideration of Issues and Questions from Panel in respect of Alternate Modification 0506A

The UNC Modification Panel raised the following questions when it assessed Modification 0506A at its January meeting, and requested that the Workgroup give these specific consideration.

“Question 1: *Clarity is required around the proposed timeline for the PAFA role - what happens when the proposed administrator service times out?*

Question 2: *Consider the costs of the service to be provided and include a benefits analysis.”*

AMi had provided initial written responses to these questions, but recognised on a further reading that these should be reconsidered. The responses will be revised and republished.

6.0 Legal Text

Consideration deferred.

7.0 Development of Workgroup Report

Consideration deferred.

8.0 Any Other Business

8.1 Shipper Agreed Reads (SARs) Process

AMi referred to the Engage Report. He has discovered that Xoserve has been sending a 'Transfer Read Performance by Shipper' report to Ofgem and Shippers (in the Shippers'

Performance Packs), and suggested that this should be included in Modification 0520. AMi confirmed that currently there was no charge made for this report.

An example of the report (based on Change of Supplier information, January - November 2014, covering 90% of the transfer market - but not including all Shippers) was provided to the group. A discussion ensued. The target should not be on SARs performance but on read submissions. Further analysis may be needed; there may be a need to review/remove some of the issues that affect acceptance e.g. timings - may be received too late to get into Xoserve's systems.

9.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 17 February 2015	Elaxon, 350 Euston Road, London NW1 3AW (Pink Room)	Consideration of Value Chain Requirements and Workgroup 0506/0506A impacts.
10:30, Tuesday 24 February 2015	Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	<i>To be confirmed</i>
10:30, Tuesday 24 March 2015	Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	<i>To be confirmed</i>
<i>April 2015</i>	<i>To be confirmed</i>	<i>To be confirmed</i>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0506 1101	26/11/14	2.0	EL to investigate the areas of concern with regards to manual workarounds.	Xoserve (EL)	Carried forward
0506 1202	16/12/14	1.2	To provide a 'strawman' around the proposed Review Framework Committee.	ScottishPower (AL)	Closed
0506 1203	16/12/14	1.2	<i>Related to Action 0506 1202 - to double check whether or not there are any potential Transporter Licence impacts.</i>	National Grid Distribution (CW)	Closed

