

UNC Workgroup 0506 0506A Minutes
Gas Performance Assurance Framework and Governance
Arrangements
10.30 Tuesday 05 May 2015
at Energy Networks Association, 52 Horseferry Road, London
SW1P 2AF

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andy Clasper	(AC)	National Grid Distribution
Andy Miller	(AM)	Xoserve
Angela Love	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
David Mitchell	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy	(RP)	Wales & West Utilities

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0506/050515>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 June 2015.

1.0 Review of Minutes and Actions

1.1. Minutes

AL provided a brief outline of her proposed amendments to the 21 April 2015 minutes. Moving on to consider the suggested change to the AUGÉ statement regarding anonymised data, BF pointed out that he had in fact stated anonymised as the action on EL was simply to double check requirements.

Thereafter, the minutes of the previous meeting were approved.¹

1.2. Actions

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

Update: AM advised that with regard to action 1101, the previous proposal to defer had now been superseded by recent events that would require a Project Nexus re-planning exercise.

AM provided a brief overview of the 'Performance Assurance Workgroup – A Summary of one of the assurance activities undertaken against Xoserve process and control activities' document that had been published (on the main PAF

¹ Post meeting note: an amended version of the 21 April 2015 minutes was published after the meeting.

Workgroup web page) prior to the meeting and explained that as far as item 4 is concerned, the Type II report is the one that Xoserve currently follows.

In considering item 5 – Results of the ISAE 3402 audits, AM explained that whilst Xoserve procures the service on behalf of Transporters, the information generated only goes to a restricted audience comprising key finance department personnel within the respective Transporter organisations.

AM advised that none of the assurance reports have identified any material defects in controls associated with the provision of services and AM considered that Xoserve believe they perform well. CB noted that whilst this might appear to be the case, there had been occasions when Xoserve had sent one shippers portfolio to another in error, this suggested not all controls were effective. AM acknowledged that this has occurred and is a failure in a control on a manual process. One of the aims of the new UK Link system is for more information, particularly invoice supporting information, to be sent via the IX, so reducing further any manual intervention.

CB asked if the assessor checked back to the UNC rule to check compliance with the UNC. AM advised this was not the case. CB then asked how new changes are signed off. AM advised that as part of the change process the Gas Transporters sign off the solution and thus the solutions compliance with UNC. **Carried Forward**

0506 0303: Xoserve (AM) to look to provide examples of the various Xoserve Charge Out Rates.

Update: AM pointed out that an explanatory document relating to this action (and also actions 0401 and 0402) had been published ahead of the meeting.

Briefly examining the document, AL suggested that the Xoserve proposal could possibly work for Modification 0506 purposes. **Closed**

0506 0306: *Reference draft 0506 Guidelines Document* – Scottish Power (AL) to consider whether an iGT UNC Modification is required to include the iGTs within the Performance Assurance Framework Regime.

Update: AL advised that she had corresponded with Gemserve who have suggested that npower might be raising an iGT UNC modification relating to this matter in due course. It was acknowledged that example charge out rates were potentially commercially sensitive information. **Carried Forward**

0506 0401: EL to report what is the current process internally within Xoserve surrounding the provision of anonymised data to the AUGS.

Update: As per action 0303 above, AM advised that an explanatory document relating to this action had been published ahead of the meeting. **Closed**

0506 0402: EL to investigate the implications of User Pays and Xoserve's tendering process in relation to PAFA.

Update: As per action 0303 above, AM advised that an explanatory document relating to this action had been published ahead of the meeting.

AM also reminded those present that Xoserve had previously stated that they believe that they should be subject to the scheme whilst at the same time fulfilling the role of the administrator. This should not be confused with administering the bid process and submitting a bid, as these would be conflicting activities. **Closed**

0506 0403: CW to confirm how other Transporter services are funded which are not User Pays by definition.

Update: CW confirmed that other services, which are not User Pays (UP) by definition, are catered for within their charges.

When asked whether or not this includes an 'assignment service' similar to the Modification 0513 provisions, CW explained the unique nature of the 0513 funding arrangements as being essentially between Ofgem and Baringa. He also suggested

that this should not be viewed as setting a precedent. AM also pointed out that the intention was to simply set out that 0513 was a UP modification. Furthermore, he advised that 'assignment service' is not a Code defined term.

When asked whether or not there would / could be anything added in to 0506 in order to allow Xoserve to be able to bid, CW advised that the DNs, for practical purposes, would always look to utilise Xoserve (as they are a known quantity and are a common agent). However, he did acknowledge that the DNs could engage other parties.

CW went on to add that whilst Xoserve could be 'locked out' of the bidding process, the DNs would look to allow them to tender – it was noted that current KPMG work may set a precedent here.

CW also felt that the Workgroup would need to take care when considering Xoserve's position when looking to complete the relevant objectives section of the Workgroup Report, as he doubts that the 0513 funding solution was a good example to follow – it was simply an expedient way to provide the necessary funding – not ideal, but a short term solution never the less.

AL wondered whether Ofgem could play a similar role (as to their 0513 one) for 0506 and suggested that there might be benefit in seeking a view from Ofgem in due course. Responding, CW pointed out that should the modification get implemented the GDNs would still look to utilise Xoserve, therefore he believes that the modification should state that Transporters would fulfil their obligations to appoint a PAFA. **Closed**

2.0 Consideration of Modifications 0506 and 0506A

2.1. Consider Amended Modification(s)

Apologising for the late provision of her amended modification, AL provided a brief overview of the latest round of changes to 0506 following the discussions undertaken at the previous meeting.

AL suggested that 0506A would need to consider what changes, if any it would need to be adopted to 'mirror' the 0506 ones.

A brief review of the changes was conducted, and the main points captured as follows:

Section 1 – Summary – Why Change?

AL agreed to re-consider who the term 'Party' refers to (i.e. Shippers / Shipper Users etc.).

Section 1 – Summary – Solution

When challenged, AL indicated that reference to the Transporter Agency is there simply to enable them (the TA) to assist in any necessary interpretations etc.

AL agreed to reconsider whether the PAFA scope needs to be a UNC related document. CW suggested the real issue is what needs to go into Code.

Section 1 – Summary – Relevant Objectives

AL agreed to consider removing reference to relevant objective c). BF pointed out that whilst the focus is on identifying the main ROs, any differing views would be captured within the Workgroup Report.

Section 1 – Summary – Implementation

It was acknowledged that should the Project Nexus go-live date be delayed, this area would need to be reconsidered. However, AL pointed out that she remains keen that 0506 is implemented as soon as reasonably practicable.

Section 3 – Solution

AL explained that in developing the new business rules she had looked at previous modifications such as 0229 and 0473 for a steer.

During a review of the proposed business rules CW suggested that BR1 should include a reference to competitive tender.

In considering BR3 and the reference to the Guidelines paragraph 6.1.1, CW indicated that in his opinion, this is the bit that would need to go into Code. During the discussion CW made reference to UNC TPDE Section 10 and questioned whether or not the 0506 proposal should really sit within the Guidelines document – he believes that the AUGÉ is a tried and tested model that sets a better precedent than 0229 provisions, as these are not necessarily a good example to follow. BF provided a brief explanation of the 0473 business rules before suggesting that AL needs to set out in a plain English description of the requirements needed as business rules in the modification.

RP advised that as a Transporter he would suggest including the BR3 requirements within Code, but as the legal text provider for 0506 / 0506A he can provide a different solution within the legal text as long as the business rules are specific and unambiguous.

New Action 0506 0501: Reference Amended Modification Business Rules – Scottish Power (AL) & Wales & West Utilities (RP) to liaise to consider development of suitable business rules in order to facilitate development of the legal text.

CW felt strongly that any contractual and (data) protection related requirements should reside in Code rather than the guidelines document. AM pointed out that Xoserve had previously sought to protect the smaller (portfolio sized) Shippers and believes that the potential impacts upon them should be included. Whilst not everyone agreed with this, BF suggested that it is a question the Workgroup could ask the Panel to consider as part of the Workgroup Report. AL queried how confidentiality and data protection are catered for under the AUGÉ.

AM then suggested that the business rules should also ‘cover’ instances where information is possibly published, in order to avoid the inadvertent release of commercially sensitive information. Responding, AL reminded everyone that it is envisaged that the PAC members would need to sign a confidentiality agreement and warrant their commitments. CW suggested the ‘key’ is identification of what elements should go into UNC TPD Section V provisions. AM acknowledged that currently 0506A does not include PAC confidentiality aspects, but might need to going forwards.

~~**New Action 0506 0502: Reference Amended Modification Business Rules – Scottish Power (AL) to seek a view on whether or not reads and AQs in a non aggregated form constitute personal data.²**~~

In considering the possibility that 0506 is to be implemented before Project Nexus, CW enquired as to whether or not the modification needs to be enhanced to take this into account. AM advised that whilst he has no issue with the concept of implementation prior to Project Nexus, he doubts whether Xoserve would be in a position to provide data to the PAFA ahead of Project Nexus go-live. AL highlighted that Xoserve would still generate Mod81 reports post the 2015 AQ Review and that this might be an area of consideration for the PAC.

BF suggested that 0506 could be implemented on a ‘bare bones’ basis, with the PAC subsequently considering requirements.

When asked, AM confirmed that consideration of 0506A would not be undertaken today as it now awaits the completion of 0506 before moving forwards.

² Removed at the request of AL at the 18 May 2015 Workgroup meeting.

2.2. Consider Associated Documents

High Level Cost Estimate (HLC) for Modification 0506

AM provided a brief overview of the document.

In undertaking a quick review of the high level cost estimate and timescales, he confirmed that the proposed solution is not comparable with the AUGÉ process, as that was a far more complex and costly.

CB enquired as to what the procurement exercise costs would be if the expected service costs exceeded the EU procurement threshold (circa £350k). AM advised he did not know at this stage but would see if a high level estimate could be provided.

New Action 0506 0503: Reference HLC for 0506 - Xoserve (AM) to look to provide a view on potential costs on a contract term based around the EU procurement threshold basis.

Performance Assurance Framework Risk Register for Modifications 0506 / 0506A

RH provided a brief overview of the document.

In considering item 3 – Risk Register, and specifically the statement relating to the PAC being responsible for assessing and agreeing on the score, AL suggested that this would need to be more prescriptive in order to avoid confusion.

Moving on to item 4 – Risk Actions, it was suggested that these are associated to the industry risk levels around the settlement process, rather than a specific individual or organisational level risk.

When considering item 5 – Risk Progress Report, it was suggested that the outputs may be affected by seasonal impacts and that it might be prudent to update / monitor on a monthly basis. Furthermore, it was felt by some that risk scoring would help to establish the needs relating to a particular risk.

Moving on to focus attention on the way in which the scores are calculated in appendix 2 (the three bullet points midway down on page 8), it was suggested that it might be worth pointing out the PAC role as well. Some parties felt that having the risk proposer scoring the actual risk itself is a potential process weakness (as they could be used / abused in order to falsely raise the profile of the risk) to which AM pointed out that the PAC would be required to approve / validate the scores thereby mitigating the concern.

In looking at the Risk Number 2 example, RH confirmed that PAC changes are tracked by updating the document, plus the changes would also be recorded within the minutes of the PAC meeting.

It was felt that further consideration of the risk register would be needed in due course.

Draft 0506 Guidelines Document for the Energy Settlement Performance Assurance Regime (v0.8)

In provided a brief overview of the document, AL advised that this builds upon the previous version (v0.7) prepared by Xoserve.

During the onscreen review, AL agreed to change the references to 'Appendix' / 'Appendices' back to 'Document' / 'Documents' (which is a defined term) where appropriate.

When CW enquired as to why the scope of works had been removed from the definitions section, AM explained that this is to reflect the differences between a contract and a scope of work. In considering the new 'Generic Terms of Reference' term AM felt that AL may have got this confused and therefore provided a brief overview of the AUGÉ generic terms of reference. RP pointed out that his remarks at a previous meeting were more about the order – AL agreed to consider amending.

Focusing attention on paragraph 6.1.1, AL suggested that sub paragraph (c) now reflected AM's point made at the previous meeting.

Looking at paragraph 6.1.1(d), AM pointed out that it is incorrect to refer to 'candidates' at this stage whilst suggesting that how you might identify the criteria to tender is a tricky matter, as it is unclear as to what is being procured which makes it difficult for the Transporters to tender – it was suggested that further consideration is required. AM also suggested that whilst PAC would have to be involved in identifying the level of knowledge and expertise, there are also procurement related impacts and event trigger ramifications to consider.

In considering what transparency should there be to the PAC, AM suggested absolutely none as it is a Transporter tendering process matter involving commercially sensitive information, with the only the report being related to where the bidders do not meet the necessary criteria.

Moving on to consider paragraph 6.2.1.4, AL agreed to double check and reconsider the current statement.

AM suggested that paragraphs 6.2.2.1 and 6.2.2.2 could be what is really meant by the term 'generic terms of reference'. He also suggested that the deleted statement which starts "*In the event that a PAFA cannot.....an explanation to the PAC*", should be reinstated.

On considering paragraph 6.3.2, RP advised that his WWU lawyers are of the view that this should be based on a 'reasonable endeavours' rather than 'all reasonable endeavours' basis that is a better reflection of case law.

AM suggested that paragraphs 6.3.2.1 through to and including 6.3.2.4 are superfluous as it is already 'covered' under the previous tendering section.

It was noted that paragraph 6.5.1 relates to CW's concerns around confidentiality and what constitutes personal data, at which point CW suggested that this would / should be covered off within the Code itself. AL queried if the legal text would cover this, as it was not specific under Modification 0229.

In considering paragraph 8, AM pointed out that under current Code provisions, the PAC might not be able to create an additional (appendix 7) document without prior UNCC approval. AL agreed to remove reference to 'add' or 'added'.

Modification 506 Gas Performance Assurance Framework and Governance Arrangements – Options paper discussion document on contracting model

During a brief review of the document AM pointed out that this is only an instruction purposes model to stimulate debate.

In considering the two options, AM noted that whichever one the Workgroup opts for would / could potentially have a 'knock on' impact on the PAC terms of reference. When asked for a view on which is the preferred option, AM remarked that regardless of the industry move towards an 'FGO world', he does not have a favourite at this time.

RP pointed out that Transporters currently have the obligation (to provide a suitable mechanism) that they discharge through Xoserve. When asked, AM confirmed that as far as option 1 was concerned, where a change request is proposed, Xoserve would only be involved in assessing the change. It was suggested by some parties that there would / could still be a need for an Xoserve role in option 1.

Workgroup views were divided on which option provides the best solution.

BF pointed out that the current AUG process only really works because of Xoserve's 'hands on guidance' for UNCC purposes – this was not necessarily a universally supported view and some parties noted that 0506 is looking to deliver a more focused performance framework, and indeed that is what the PAC is being set up to do.

AM felt that the document infers that the ideal solution may lie in a 'halfway house' that sits somewhere between the two options and that this is a matter that the Shippers would need to consider and provide views on in due course.

New Action 0506 0504: Reference the Options paper discussion document on contracting model - ScottishPower (AL) to look to canvas Shipper views on the most suitable option for the contracting model.

Uniform Network Code Committee – Performance Assurance Committee Terms of Reference (v0.7)

In referring the document published for the previous meeting, AL noted that under Modification 0506 Shippers are not on the PAC to represent their individual companies view, but to provide knowledge and experience. AM also suggested that in light of Xoserve's inclusion within the scope of 0506, they (Xoserve) should be given a vote. Currently the voting provisions for PAC state a 5:5 split between Transporters and Shipper voting members.

Some parties suggested that if Xoserve is granted a vote, then maybe this should be offset by the removal of one of the Transporter votes.

Whilst it was noted that Shippers are not necessarily on the PAC to represent their individual companies views, AM remained convinced that if Xoserve are to be included in the regime, then they should by rights, have a vote – views remained divided on this point.

When asked, AM suggested leaving the PAC voting proposals 'as-are' and Xoserve would look to raise their concerns during the formal consultation phase of the modification.

In closing, AM suggested that once the contracting model is bottomed out, the Workgroup could look to finalise the terms of reference.

3.0 Consideration of Legal Text

In light of discussions under item 2.0 above, further consideration was deferred.

4.0 Development of Workgroup Report

When asked, BF suggested that completion of the Workgroup Report at the next meeting is looking doubtful, as we will need to consider the impact of any amended modifications and preparation of the legal text. AL stated that she believed that she would have Modification 0506 and supporting documentation completed for the 18 May meeting. RP advised that WWU did not necessarily need all the documents, just as long as there was consistency and they are properly referenced.

Thereafter, in light of discussions under item 2.0 above, further consideration was deferred.

BF indicated that he would look to seek an extension to the Workgroup Reporting date of between 1 to 2 months at the forthcoming Panel meeting and also look to request that the Panel formally request provision of legal text. RP pointed out that unless he believes that all requirements are complete, he would not be in a position to agree to a formal request to produce legal text.

5.0 Diary Planning

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

Workgroup meetings are scheduled to take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Monday 18 May 2015	Energy Networks Association (Room 4 - Note: Maximum capacity 20 persons)	<i>Workgroup Report 0506 is due at 18 June Panel (Submission by 8 May 2015).</i>

10:30, Tuesday 16 June 2015	Energy Networks Association (Room 4 - Note: Maximum capacity 20 persons)	<i>To be confirmed</i>
10:30 Tuesday 21 July 2015	Energy Networks Association (Room 4 - Note: Maximum capacity 20 persons)	<i>To be confirmed</i>
10:30 Tuesday 25 August 2015	Ellexon (Orange Room - Note: Maximum capacity 30 persons)	<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, specifically resolution of outstanding item 2.10 in the 'Pre-Nexus Xoserve settlement intervention activities.	Xoserve (EL)	Carried Forward
0506 0303	24/03/15	2.1	To look to provide examples of the various Xoserve Charge Out Rates.	Xoserve (AM)	Closed
0506 0306	24/03/15	2.2	<i>Reference draft 0506 Guidelines Document</i> – Scottish Power (AL) to consider whether an iGT UNC Modification is required to include the iGTs within the Performance Assurance Framework Regime.	Scottish Power (AL)	Carried Forward
0506 0401	21/04/15	2.1	To report what is the current process internally within Xoserve surrounding the provision of anonymised data to the AUGÉ.	Xoserve (EL)	Closed
0506 0402	21/04/15	2.1	To investigate the implications of User Pays and Xoserve's tendering process in relation to PAFA.	Xoserve (EL)	Closed
0506 0403	21/04/15	2.1	To confirm how other Transporter services are funded which are not User Pays by definition.	National Grid Distribution (CW)	Closed

Action Table

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0506 0501	05/05/15	2.1	<i>Reference Amended Modification Business Rules – to liaise to consider development of suitable business rules in order to facilitate development of the legal text.</i>	Scottish Power (AL) & Wales & West Utilities (RP)	Pending
0506 0502	05/05/15	2.1	<i>Reference Amended Modification Business Rules – to seek a view on whether or not reads and AQs in a non aggregated form constitute personal data.</i>	ScottishPower (AL)	Removed at the request of AL at the 18 May meeting
0506 0503	05/05/15	2.2	<i>Reference HLC for 0506 – Xoserve (AM) to look to provide a view on potential costs on a contract term based around the EU procurement threshold basis.</i>	Xoserve (AM)	Pending
0506 0504	05/05/15	2.2	<i>Reference the Options paper discussion document on contracting model - ScottishPower (AL) to look to canvas Shipper views on the most suitable option for the contracting model.</i>	ScottishPower (AL)	Pending