

Appendix 1

Guidelines document for the Energy Settlement Performance Assurance Regime v 0.87

The Performance Assurance Framework is limited to energy once it has entered the Local Distribution Zone, including energy that is measured at the LDZ offtakes. Gas transported through the National Transmission System (NTS) and supply points connected to the NTS are excluded for the arrangements created by this Guidelines document^[1].

~~This document has been prepared on the basis that the Transporter Agency will tender for, and appoint the Performance Assurance Framework Administrator, and is therefore structured and written on this basis.~~

Prepared and maintained by the ~~Performance Assurance Committee~~ UNCC^[2]

Version History

Version	Date	Reason for update
0.1	December 2014	First draft
0.2	February 2015	Second draft for 24 th February PAW meeting
0.3	March 2015	Third draft for 6 th March PAW meeting
0.4	March 2015	Fourth draft for 24 th March PAW meeting
0.5	April 2015	Fifth draft for 21 st April PAW meeting
0.6	April 2015	Sixth draft for 21 st April PAW meeting
0.7	April 2015	Proposed cChanges to reflect Transporter Agency as PAFA tender party
0.8	May 2015	Eighth draft for 5 th May PAW meeting

Development of Rules

1 The requirement to publish the “**Energy Settlement Performance Assurance Regime**” document is specified in Section [xxx] of the Transportation Principal Document (TPD) of the Uniform Network Code (UNC). This section also provides for the document to be published and revised from time to time. The provision reads:

“1 Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website

2 The Rules set out below meet the Gas Transporter’s obligation to prepare Guidelines, while the Document Control Section records changes, which have been made to the Guidelines. The document is published on the Joint Office of Gas Transporters website, www.gasgovernance.co.uk

3 These guidelines can only be modified in accordance with the requirements set out in paragraph 12 of Section V of the UNC Transportation Principal Document, which reads as follows:

“UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT SECTION V – GENERAL

12 GENERAL PROVISIONS RELATING TO UNC RELATED DOCUMENTS

12.1 Purpose

The purpose of this Section is to establish generic governance arrangements in respect of the following UNC Related Documents (each a “**Document**” and collectively the “**Documents**”):-

- a) Network Code Operations Reporting Manual as referenced in Section V9.4;
- b) Network Code Validation Rules referenced in Section M1.5.3;
- c) ECQ Methodology as referenced in Section Q6.1 .1(c); and
- d) Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations as referenced in OAD Section D 3.1.5
- e) the Allocation of Unidentified Gas Document referenced in Section E10.1.1
- f) the Customer Settlement Error Claims Process Guidance Document referenced in Section E1.3.10.

12.2 Publication Requirements

Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.

12.3 Modifications

Should a User or Transporter wish to propose modifications to any of the Documents, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the

Uniform Network Code Committee or any relevant sub-committee where the Uniform Network Code Committee so decide by majority vote.

12.4 Approved Modifications

12.4.1 In the event that a proposed modification is approved by a majority vote of the Uniform Network Code Committee, the modification shall be implemented. Where the Uniform Network Code Committee fails to achieve majority approval the proposed modification shall be considered in accordance with the provisions set out in Section 7 of the Uniform Network Code Modification Rules unless the Uniform Network Code Committee determines otherwise.

12.4.2 Each revised version of a Document shall be version controlled and retained by the Transporters. It shall be made available on the Joint Office of Gas Transporters website.”

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~~definition, against which potential bidders for the PAFA will determine charges for service~~

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1. Definitions

The following terms shall have the following meanings:

'Change' means ~~a proposal for~~ the addition to, variation of, or removal of any of the services within the Performance Assurance Administrator Scope;

~~'Code Parties' means parties to the Uniform Network Code~~^[4]^[5]

'Employer Assurance Document' means a document signed by an Office Bearer of the employer of the PAC Member assuring that the PAC Member can attend PAC meetings and that they are attending and voting at PAC meetings in the interest of the GB gas market and that they will not be representing any commercial interest or commercial body;

'Energy Settlement' means the allocation and reconciliation of energy at supply point level;

~~'Generic Terms of Reference'~~
~~the standard terms of reference to be applied as basis of the contracts between the Gas Transporters and the PAFA for the administration of the PAF~~

~~'Handover Plan' means the document detailing the exit strategy as agreed by the Performance Assurance Committee and the Performance Assurance Framework Administrator~~^[6];

'Performance Assurance Administrator (PAFA) Contract' means the contract entered into by the Gas Transporters with a third party provider for ~~the services to provide~~ the Performance Assurance Framework Administrator ~~position~~^[7] ~~Scope of works set by the Performance Assurance Committee and agreed with the Performance Assurance Framework Administrator;~~

'Performance Assurance Committee' means the committee as referred to or described in Section 5;

'Performance Assurance Committee Document' means the series of documents detailed in Section 8 of these Guidelines, prepared and maintained to support the general operation of the Performance Assurance Scheme. These documents are governed by the Performance Assurance Committee and not by the Uniform Network Code Committee;

'Performance Assurance Committee (PAC) Member' shall be a voting member of the Performance Assurance Committee, such members being elected in accordance with Section 5.2;

'Performance Assurance Framework' means the framework as referred to or described in Section 3;

‘Performance Assurance Framework Administrator (PAFA [8])’

means the administrator as referred to or described in Section 46;

‘Performance Assurance Framework Administrator Contract (PAFA Contract)’

means the contract between the Gas Transporters and the PAFA for the provision of the PAFA Scope [9]

‘Performance Assurance Framework (PAF) Year’

means the year commencing on [1st October] each year.

‘Performance Assurance Framework Administrator Scope’

means the scope of works set by the Performance Assurance Committee and [10] ~~agreed with the~~ anticipated to be performed by the Performance Assurance Framework Administrator, as set out in Document 4;

‘Performance Assurance Scheme’

means the scheme as referred to or described in Section 4;

‘Performance Assurance Scheme Party’

means the scheme party referred to or described in Section 4;

‘Performance Report(s)’

means a report or reports defined in the Performance Report Register;

‘Performance Report Register’

means the register of agreed reports defined in Document 1;

‘Report Specification’

means the report specification defined in Document 2;

‘Risk Register’

means the register of risks defined in Document 3;

2. Introduction

These Guidelines set out the arrangements for the general administration of the Performance Assurance Framework.

3. Performance Assurance Framework

3.1 General

The Performance Assurance Framework (the “Framework”) is the overarching framework for the Energy Settlement Performance Assurance Regime. The Framework comprises the Performance Assurance Scheme and its operation, the Performance Assurance Committee and its operation, ~~the Performance Assurance Framework Administrator~~

~~Scope, operation~~ and provision of services to be provided by the Performance Assurance Framework Administrator^[11].

3.2 Goal

The goal of the Energy Settlement Performance Assurance Regime is:
“A demonstrably effective settlement regime for the gas industry where no one party adversely impacts another party as a result of its failure to operate to the defined settlement regime”.

3.3 Objectives

The Framework has the following objectives:

- To determine the appropriate reporting and analysis to measure energy settlement performance and risks to it
- To create a risk register and supporting analysis to assess risks and determine mitigation activities for energy settlement performance
- To report as necessary
- To create a regime incentivising the required performance

These objectives may be updated from time to time as the Energy Settlement Performance Assurance Regime develops.

4. Performance Assurance Scheme

The Performance Assurance Scheme applies to those UNC ~~actors~~parties that directly contribute to Energy Settlement performance i.e. those in direct control of the data inputs to Energy Settlement (the Performance Assurance Scheme Party(s)). For the avoidance of doubt this includes all Gas Transporters; their ~~Agent~~ ~~Transporter~~ Agency^[12] and Shipper Users.

The Performance Assurance Scheme will initially comprise reporting against certain performance indices and the management of a Risk Register comprising risks to Energy Settlement performance.

To meet the requirements of the Performance Assurance Scheme, two new roles are created; the Performance Assurance Committee (see section 5), and the Performance Assurance Framework Administrator (~~PAFA~~) ~~(see section 6)~~. ~~The PAFA is to perform a range of services to the PAC as defined in the PAFA Scope~~^[13].

The Performance Assurance Scheme may extend to include:

- Management of a risk model developed by a third party
- The operation of an incentive regime requiring the creation and settlement of incentive charges
- The provision of training and awareness services to existing and new Users
- Other activities yet to be determined

5. Performance Assurance Committee

5.1 General

The Performance Assurance Committee (PAC) has the roles and responsibilities as defined with in the Uniform Network Code Committee Performance Assurance Committee Terms of Reference.

The PAC is defined as a Uniform Network Code Committee, or any relevant sub-committee, with certain rights and responsibilities relating to the management of the Community's Performance Assurance Framework.

In the event of any conflict between the Uniform Network Code Committee Terms of Reference and the terms of the Guidelines for the Energy Settlement Performance Assurance Regime then the Uniform Network Code Committee Terms of Reference shall prevail.

6. Responsibilities under the tender process, appointment process, review process, termination process and provision of data for the Performance Assurance Framework Administrator Scope

6.1 PAC PAFA appointment criteria

6.1.1 The PAC shall produce a clear set of criteria for the appointment of the PAFA detailing (without limitation);

- a) ~~To be completed some examples are shown below~~The ability of the PAFA to produce, publish and maintain a Performance Report Register and the creation, management and maintenance of the PAF Risk Register which shall be in line with the Generic Terms of Reference, contained in these Guidelines plus any other criteria agreed by the PAC
- b) Changes to services are expected to be made in the future, therefore the PAFA should indicate its ability to deliver new services;
- c) The appointment is expected to be for a period of three years, with arrangements for a ~~maximum of two~~minimum 2 year initial period, with the option for a ~~one-year~~ extension;
- ~~5.1.1.1~~The consideration of the relevant knowledge and expertise of the candidates;s
- d) _____
- e) Details of how much weight / percentage should be placed for each set of criteria

6.1.2 Produce a clear scope of works and activities that the PAFA is required to perform against which the Gas Transporters can undertake a tender process. The scope of works is as detailed in Document 4.

6.1.3 Prepare the draft recitals / introduction for the PAFA contract.

6.2 Gas Transporter PAFA tender and appointment

6.2.1 Based upon the provision by the PAC of the requirements set out in section 6.1.T, the Gas Transporters will use reasonable endeavours to:

6.2.1.1 Undertake a competitive tender for the appointment of the PAFA

6.2.1.2 Use the criteria developed by the PAC to assess each tender bid as part of their assessment to select the preferred bidder^[14]

6.2.1.3 Select, agree terms and appoint the PAFA. Where the selected PAFA does not accept the appointment, invite the next most favoured PAFA in turn ; and

6.2.1.4 Upon acceptance of appointment, establish the contract with the

Prospective PAFA, in accordance with the Generic Terms of Reference.

6.2.2 The Gas Transporters will require that the PAFA:

6.2.2.1 Acts with all due skill, care and diligence when performing of its duties as the PAFA and shall be impartial when undertaking the function of the PAF, ensuring that any consideration of risks is equitable in their treatment of Code Parties and the Transporter Agency.

6.2.2.2 To compile the Performance Report Register and Risk Register in accordance with these Guidelines.

In the event that a PAFA cannot be appointed the Gas Transporters shall provide an explanation to the PAC.

6.3 Tender and PAFA appointment timescales and PAFA Contract extension

6.3.1 The PAC shall provide the final versions of document in section 6.1, to the Gas Transporters.

6.3.2 On acceptance^[15], the Gas Transporters shall commence the tender process, using all reasonable endeavours to:

6.3.2.1 Organise any meetings held in relation to the PAFA appointment;

6.3.2.2 Provide legal resource to prepare a tender document; organise the advertisement of the tender to all Interested Parties, in accordance with national and European legislation;

6.3.2.3 Communicate to Users the progress and outcome of the tender process;

6.3.2.4 Invite the prospective PAFA to take up the appointment use reasonable endeavours to appoint a PAFA within eight months of the provision of the documents.

6.3.3 The start date of the PAFA Contract will be as soon as reasonably practical.

6.3.4 At the end of each anniversary of the PAFA Contract appointment, the Gas Transporters shall seek feedback from the industry, including the PAFA, on the activities and performance of the PAFA for the provision of the PAFA Scope. The Gas Transporters shall produce a report for the PAC

6.3.5 In sufficient time prior to the end of the PAFA Contract first term (two three years), and if applicable second extension term (1 year), the Gas Transporters shall consult with the PAC to determine whether to extend the PAFA Contract, or allow the PAFA Contract to terminate and commence another procurement process.

6.4 PAFA Contract termination

6.4.1 In the event that the PAFA Contract is required to be terminated, the termination will be at the sole discretion of the Gas Transporters.

6.5 Code Parties provision of data or information to the PAFA

6.5.1 Where the PAFA requests data / information / services, required for the provision of the PAFA Scope, from Code Parties, Code Parties shall use reasonable endeavours to provide the information data / information / service, within the timescales requested. Such timescales having been previously notified to Code Parties.

6. Performance Assurance Framework Administrator

6.1 Appointment of the Performance Assurance Framework Administrator

~~A person shall be appointed and engaged by the Gas Transporters, in accordance with this paragraph 6.1, to act as the PAFA. The initial term of appointment for the PAFA will be for 3 years, with the option to terminate the service following 1 year, such termination to be agreed by a unanimous vote by PAC Members and advised to the Gas Transporters 2 months in advance of the 1st anniversary of the contract commencement.~~

~~6.1.1 The Gas Transporters shall be obliged to:~~

- ~~(a) prepare arrangements and documentation for the a tender for the appointment of a PAFA;~~
- ~~(b) conduct such tender on the basis of such arrangements and documentation;~~
- ~~(c) together with the PAC members, review and assess the proposals made by such persons tendering for appointment as the PAFA (referred to as “bidders”) pursuant to the tender;~~
- ~~(d) where appropriate (for the purposes of the selection of a bidder), enter into further discussions with one of more of such bidders, together with the PAC members;~~
- ~~(e) use reasonable endeavours to enter into a contract of engagement with the selected bidder; and~~
- ~~(f) operate and enforce (and, as and if appropriate, take steps to extend or terminate) the PAFA Contract.~~

~~6.1.2—This paragraph 6.1 shall apply for the purposes of the initial appointment of the PAFA and on each subsequent occasion on which (following the expiry without extension, or termination, of the engagement of the current PAFA) a PAFA is to be appointed.~~

~~6.1.3—The Transporters may agree amongst themselves, upon such terms as they may so agree, that the PAFA Contract shall be entered into by any one of the Transporters alone; but in the absence of such agreement they shall enter jointly into such contract.~~

~~6.2 Scope of Performance Assurance Framework Administrator role~~

~~The scope of the PAFA role is set by the PAC. Initially this is:~~

- ~~—Receiving recommendations from the PAFA on Performance Reports and any other information required from the Transporter Agency—~~
- ~~—Requesting and receiving information from the Transporter Agency on performance issues and metrics~~
- ~~—Maintenance, and publication, of the Performance Report Register~~
- ~~—Delivery of Performance Reports in accordance with the Performance Report Register~~
- ~~—Review of Performance Reports and consideration of effectiveness, providing recommendations to the PAC as required~~
- ~~—Creation, management, maintenance and reporting (including publication) on the PAF Risk Register~~
- ~~—Submission of Framework Risk Register reports to the PAC~~
- ~~—Support to the PAC in the PAC's review of proposed risks~~
- ~~—Annually, conduct a consultation on the effectiveness of the Framework and the submission of a report of findings to the PAC~~
- ~~—The maintenance of Report Specifications as required~~
- ~~—The documentation and maintenance of the processes undertaken by the PAFA to deliver services to and on behalf of the PAC, to a recognised quality standard~~
- ~~—Calculation of incentive payments and provision to the Transporters' Agent for billing purposes following any relevant grace period from scheme commencement~~

~~In addition the PAFA is to:~~

- ~~—Attend meetings of the PAC to provide support as required^[16]~~

~~In future the PAFA may:~~

- ~~—Manage any Risk Model provided by a third party~~
- ~~—Provide training and awareness services to Users~~
- ~~—Provide a Handover Plan to the PAC to support the PAC appointment of another party to the PAFA role~~
- ~~—Provide other services yet to be determined~~

~~6.3 Changes to services~~

~~Any changes to services are to be the subject of a Change request under the PAFA contract.~~

7. Potential extension of these Guidelines as other UNC modifications are developed

These Guidelines have been prepared for the establishment of the PAC and PAFA arrangements. It is recognised that there are current and potential future modifications, in development that may require the extension of these Guidelines. These Guidelines allow for future change.

8. Performance Assurance Committee Documents

The following Performance Assurance Committee Documents – hereafter referred to as “~~Appendices~~Documents”, will be used to support the general operation of the Performance Assurance Scheme. These ~~example Appendices~~Documents will be governed by the Performance Assurance Committee and published on the Joint Office website. Changes to these ~~Appendices~~Documents can be proposed by any UNC Party; the Performance Assurance Committee or the Performance Assurance Administrator. Changes to the ~~Appendices will be~~Documents are prepared by the Performance Assurance Framework Administrator and presented to the Performance Assurance Committee for approval.

NB: For the avoidance of doubt these Appendices are for example purposes only and may be amended or removed or added to by the PAC in the interests of the effective and efficient operation of the PAF.

~~Other Documents may be developed as and when required.~~

~~Appendix~~Document 1 Performance Assurance Framework – Performance Report Register

~~Appendix~~Document 2 Report Specification Template

~~Appendix~~Document 3 Risk Register

~~Appendix~~Document 4 Format of Performance Assurance Framework Administrator ~~Scope~~[17]

~~definition, against which potential bidders for the PAFA will determine charges for service.~~

~~Appendix~~Document 5 PAC Member Confidentiality Agreement

~~Appendix~~Document 6 Employer Assurance Document