UNC Modification	At what stage is this document in the process?
# UNC 0674: ## Performance Assurance Techniques and Controls	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

To provide an effective framework for the governance of industry performance that gives industry participants mutual assurance in the accuracy of settlement volume allocation

	The Proposer recommends that this modification should be: • assessed by a Workgroup This Modification will be presented by the Proposer to the Panel on 15 November 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.
	High Impact:
	Medium Impact: Shippers
	Low Impact: Transporters

Contents

Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	08 April 2019
Workgroup Report presented to Panel	20 August 2020
Draft Modification Report issued for consultation	21 August 2020
Consultation Close-out for representations	11 September 2020
Final Modification Report available for Panel	04 October 2020
Modification Panel decision	15 October 2020
Supplemental Report Stage	
Workgroup Review	23 August 2021
Review of Amended Modification	02 February 2022
Review of Variation Request & Legal Text	28 February 2022
Modification Panel Consideration of Variation	17 March 2022

Any questions?

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1 Summary

This Modification is proposed by ScottishPower on behalf of the Performance Assurance Committee.

What

In operating the PAF (Performance Assurance Framework) the PAC (Performance Assurance Committee) have identified some weaknesses and limitations in the performance assurance regime which are impacting the effectiveness of the performance assurance model.

Why

The PAC have a number of examples where performance issues have been identified and have not been remedied over a prolonged period. This has resulted in settlement inaccuracy over extended periods.

PAC are keen to prevent such situations occurring (through new performance assurance principles, proportionate incentive mechanisms and a progressive series of escalating controls) and when performance issues occur, they are curtailed speedily.

How

The Proposer on behalf of PAC proposes to modify the UNC to define the following outcomes:

I. Require UNC Parties to adhere to a basic principle that their negligence, poor performance or bad behaviours must not distort settlement even when such behaviours have not specifically proscribed within the UNC.

II. Determine additional tools and processes available to the PAC in its work in the provision of performance assurance within the code.

III. Allow the Performance Assurance regime to be more agile and responsive to the information it is receiving by empowering the PAC to determine and action an appropriate response at any time.

IV. Provide PAC and PAFA (PAF Administrator) access to any standard reports already being provided to individual UNC Parties within performance packs e.g. shipper performance packs.

V. Allow PAFA access to such data as reasonably approved by PAC to allow PAFA and PAC to carry out performance assurance activities (e.g. risk assessment and performance monitoring).

VI. Require UNC Parties to take action to improve their performance and remedy issues if it is identified and requested by the PAC.

VII. Require UNC Parties to provide and adhere to any plans of action they provide.

VIII. Ensure that where it is proposed adding to or changing UNC performance standards within the UNC and performance monitoring is required, the report requirement must be added to the modification.

The CDSP will be required to provide a ROM (rough order of magnitude) for the production of the monitoring reports needed for that proposal, for the modification workgroup to determine if the cost of a report is not deemed prohibitive.

IX. Specify the tools available to the PAC to incentivise, drive and require performance behaviours and to document these in a new ancillary document under PAC (UNC sub-Committee) governance.

X. Suitably empower the PAC, as an elected, independent body, to make decisions for and on behalf of the UNC Parties in respect of Performance Assurance matters.

XI. Ensure that the PAC budget does not act to constrain the duties and requirements of the PAC.

XII. Provide clarity that UNC parties (Gas Transporters (GTs), Independent GTs (IGTs), Shippers etc.) and CDSP fall under the remit of the PAC and performance assurance measures to be applied.

2 Governance

Justification for Authority Direction

The modification will impact the performance assurance regime, which ultimately seeks to have a positive material impact on parties and therefore competition between them. It also seeks to increase the authority of the PAC, to allow it more decision-making powers which is likely to materially impact specific parties.

The modification:

i. is likely to have a material effect on:

   a. competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and

   b. the uniform network code governance procedures and the network code modification procedures;

ii. is likely to discriminate between different classes of, or individual, parties to the Uniform Network Code where their individual performance fails to meet UNC requirements or otherwise adversely impacts on settlement accuracy.

iii. Is likely to impact consumers through improved competition (e.g. in tariffs, services, etc), due to the anticipated improvements to settlement processes where they are otherwise not fair and equitable across parties.

Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- be assessed by a Workgroup

The detailed business rules in this modification should be reviewed by a workgroup to ensure there are no unintended consequences or loop holes in the governance requirements that would thwart the performance assurance intent of this modification. Additionally, the modification should act as an incentive to meet the required UNC performance levels and a disincentive to make commercial decisions that detrimentally impact competing parties.

This is a complex Modification Proposal and will require stakeholder engagement. The contractual requirements of the PAFA (Performance Assurance Framework Administrator) may also be impacted. The ancillary documents must also be drafted for initial adoption.

3 Why Change?

The electricity performance assurance regime in the Balancing and Settlement Code (BSC) costs approximately £3m to provide the regime.[1] This modification does not advocate this level of expenditure nor the more prescriptive style of this regime, but it does advocate that the Code supports some additional investment to deliver a 'harder-hitting' assurance that parties anecdotally indicate they require and which are expected will deliver better returns and competitive efficiencies from improved performance, less settlement uncertainty and likely attendant improvements in customer service.

The existing Performance Assurance Reports do not provide context and the potential impact of performance behaviours on settlement accuracy. The PAC has an annual budget of £50k for reports from the CDSP (Central Data Services Provider). To put this in context – the PAC explored amending one of the existing PARR reports and the CDSP indicated that one option for doing so would use £45k of the annual budget (Ref: PAC minutes 20 November 2018 ROM). Such a budget limitation can constrain the PAC's ability to identify, assess and bring to account poor behaviour.

Since the implementation of Project Nexus on 01 June 2017, a number of issues have impacted settlement allocations. These and the length of time issues have been endured have had a direct effect on the financial and commercial health of market participants and ultimately customers. The absence of a stronger PAF, is likely to have prolonged settlement distortion and therefore, in part, high and volatile UIG.

To date performance remedies are limited to PAC instructing the CDSP or PAFA to engage with the failing participant proactively and asking the PAFA to write a formal letter requesting the issue be resolved.

This is having limited effect in some instances but is simply ignored in others.

To cite 3 examples:

- There have been significant issues with the reconciliation of mandatory DM (daily metered) sites since the implementation of Nexus in June 2017. As at November 2018, there were still 32 sites that have not had a retrospective consumption adjustment since June 2017. Actions taken to remedy this situation have included direct engagement by the CDSP (Xoserve) and a letter from Ofgem to involved parties. It took nearly a year to resolve the root causes for 177 DM meters.
- Product Class 3 read performance, despite Xoserve's engagement with the involved Shippers, is still well below the performance target.
- All shippers have access to shipper information packs and dashboards that highlight performance in many other areas. Where processes are failing and the shipper has the management information indicating that, there are no consequences of Shippers failing to act on these reports and no controls that PAC can employ to support Shippers in improving their performance.

Ofgem, the PAC and the industry have discussed the benefits of incentives to improve settlement accuracy and reduce risk. For example, in the level of reads accepted into settlement.

Ofgem has on a number of occasions advised that they want to see improvements to the performance assurance scheme developed in the gas market – including in their determination on Modifications 0473/A and 0506V.

[1] Page 42 Annual BSC Report 2017/18

Additionally, Ofgem, in their decision letters on Modifications 0619/A/B, requested that industry parties increase “the frequency and quality of meter read data being submitted to the Central Data Services Provider” and in their decision letter on Urgent Modifications 0642/0642A/0643 they requested that “To the extent that Xoserve depends on data provided by third parties, including the provision of frequent and accurate meter readings, it is expect to work with those parties and the PAC to ensure that these requirements are identified and being met.” Improved read performance was also a recommendation of CMA. There is currently no effective mechanism for meeting these challenges, aside from relying on Shippers best intentions, which is not currently delivering adequate read performance or settlement certainty.

Despite introducing a risk-based PAF, the PAF is currently limited to monitoring performance reports and writing letters to the Market Participants displaying poor performance.

The UNC obligations provide no consequences for failing to meet obligations or target measures where they exist and no incentives to meet them. There is no mechanism to hold to account the performance of failing parties; and target measures provide no indication of how they might impact settlement quality nor is there evidence that impact on settlement is considered in making decisions to modify UNC obligations.

4 Code Specific Matters

Reference Documents

Performance Assurance Framework

UNC TPD Section V

UNC General Terms B

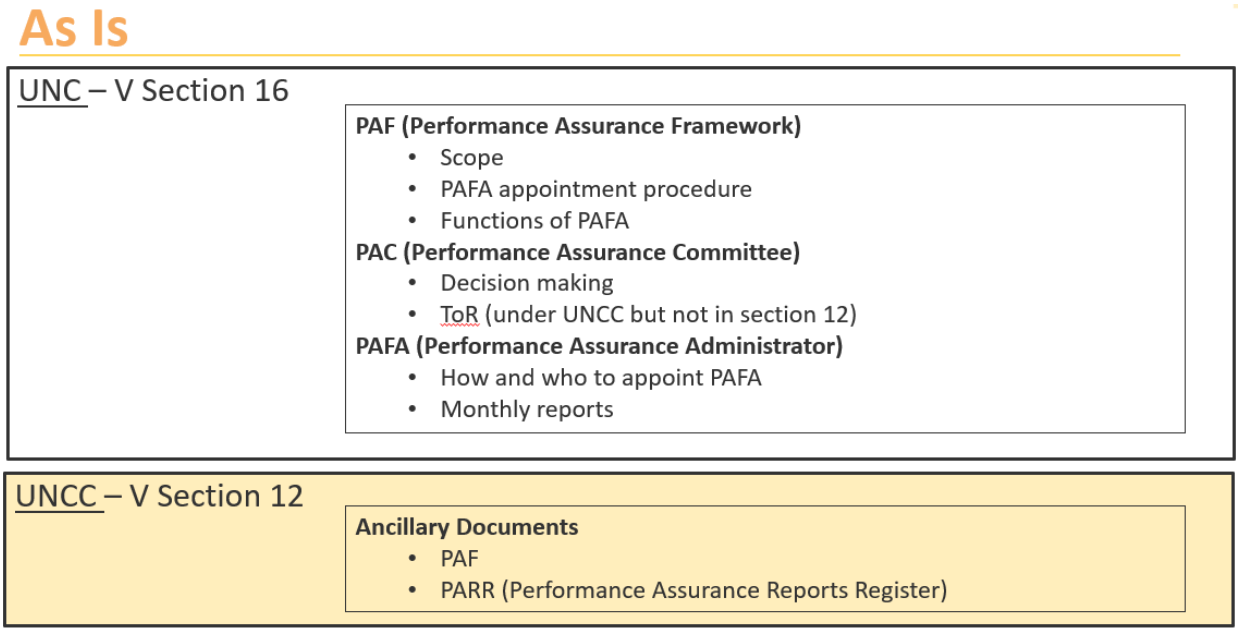
UNC - Modification Rules (section 6.1.1)

Knowledge/Skills

Knowledge of settlement risk or other performance regimes would be an advantage.

5 Solution

The current Performance Assurance regime is represented diagrammatically below:



The modification will move Performance Assurance to a new regime represented diagrammatically here:

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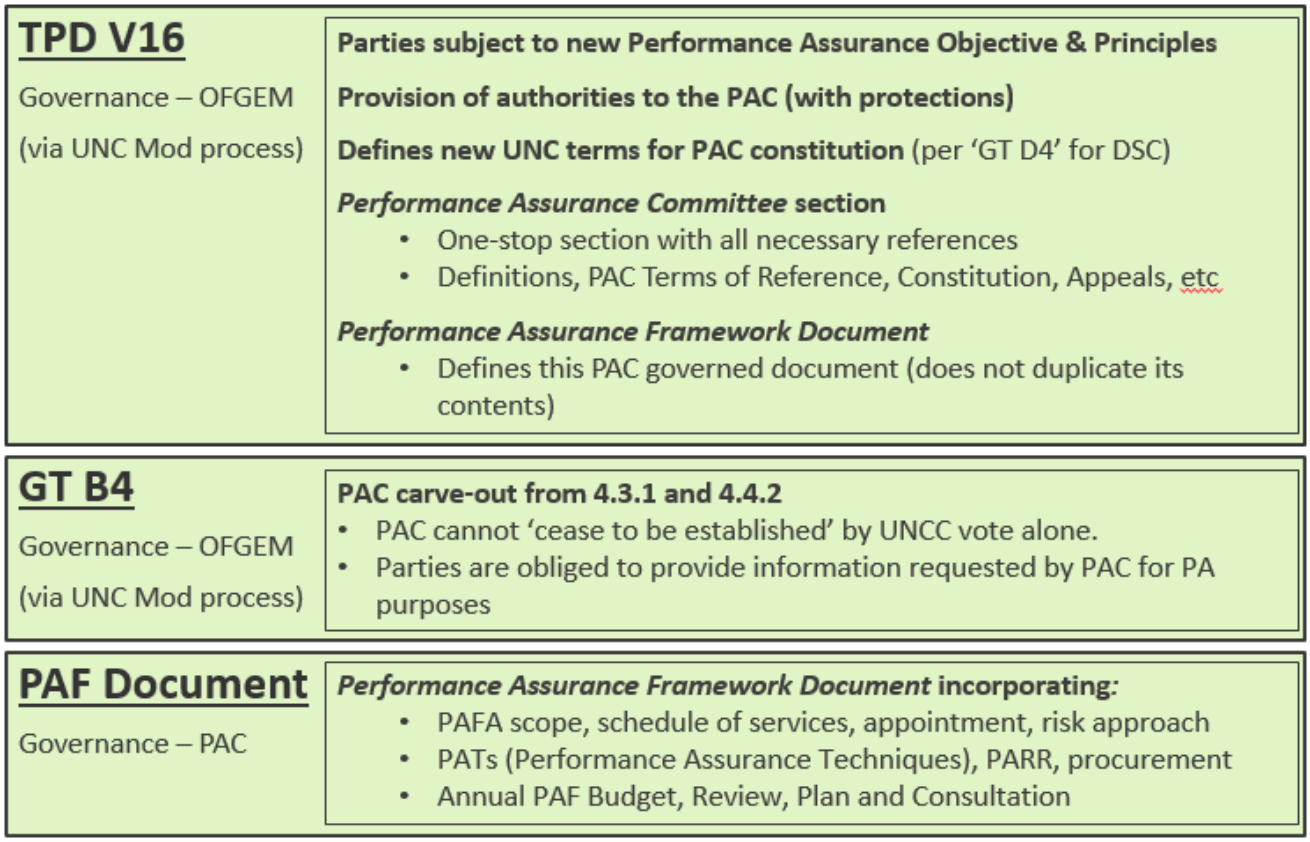

In summary the solution is to oblige UNC Parties (transporters, shippers) and CDSP (via DSC 3.5) to comply with an objective of equitable settlement and to cooperate with other Parties to further this objective.

It will also give PAC some additional authority to identify those areas of performance (whether in Code or not) which impact the objective, to require UNC Parties to improve in those areas, to impose sanctions where performance is below the required level, and to engage in discussion with relevant non-Parties where it is reasonably considered that they are impacting the objective. It will also require Proposer of a modification which adds or changes UNC performance standards or might impact a Party's performance against such standards to specify an appropriate monitoring report. The CDSP will be required to provide a ROM (rough order of magnitude) for workgroup consideration

The requirements below will be incorporated into the UNC.

(Associated changes will be made to the Performance Assurance Framework documents).

1) Introduce a new objective to the UNC, the Performance Assurance Objective (PAO)

The Performance Assurance Objective is:

a. To ensure in relation to a Day accurate and timely Settlement for the Day; such accuracy as would be expected if all UNC obligations were met.

2) Introduce a new requirement to the UNC for Parties to acknowledge that ~~overarching principle to the UNC~~

a. ~~The Modification Panel, UNCC, sub-committees and Parties must always ensure that~~ their acts (or omissions), and those of their sub-contractors, contribute positively or negatively to~~, and do not prejudice,~~ the achievement of the Performance Assurance Objective. ~~even when such acts or omissions are not explicitly proscribed under UNC~~

b. They will conduct their business to facilitate the achievement of the PAO

~~b.~~c. The acts or omissions of any other Party ~~(such as another shipper, supplier or their agent)~~ are not relevant for determining ~~do not absolve any other Party of~~ their performance in meeting obligations under the UNC.

~~c.~~d. ~~Parties acknowledge that~~ reports provided by PAFA or PAC shall constitute evidence of a Party's performance with regard to UNC compliance ~~, and shall be accepted as such~~ unless the Party evidence~~sd to~~ the contrary.

~~d. Parties will use these reports to self-monitor performance.~~

e. Parties will also respond to PAFA/PAC reasonable performance-related enquiries with the requested information, timeously and in accordance with such process as may be specified in PAF Document from time to time.

3) Introduce a new overarching principle to the UNC of collective co-operation towards the specified objective.

a. All UNC Parties acknowledge that each is dependent on the others for the achievement of the PAO and will cooperate wherever is necessary (whether explicitly required in UNC or not) to achieve the PAO

4) Responsibility for updating the PAF Document to PAC (and upon notice to Parties and publication of the revised document).

5) Define the PAC in V16, as an autonomous UNC sub-Committee following the principle used in General Terms D4 for DSC sub-Committees. PAC and PAFD will no longer be governed under Section V12 of UNC.

50 To facilitate comparison the following terms to be incorporated into V16 are shown under each main heading of General Terms Section D 4.1 – 4.5 (mutatis mutandis).

PAC COMMITTEE

a. Establishment and functions of the Performance Assurance Committee

In connection with the requirement to operate the UNC Performance Assurance Regime the following Network Code Sub-committee is established:

The Performance Assurance Committee (PAC)

The Performance Assurance Committee shall perform the functions and have the powers and duties provided in this section UNC V16, and the Performance Assurance Framework Document

The Performance Assurance Committee shall have control of the following documents:

- Document 1: Performance Assurance Reports Register (PARR)
- Document 2: The Risk Register
- Document 3: PAC letters of confirmation and company agreement
- Document 4: PAFA scope

Document 5: PAF Document

A PAC Committee may establish a sub-committee for such purposes (within the scope of its functions, powers and duties) and comprising such members and on such terms as it decides; and references to a PAC Committee include any such sub-committee.

The PAC Committee is autonomous, and the UNC Committee has no power to overrule a decision of the PAC or its sub-committees or reduce or qualify the scope of its functions, powers

No decision of the PAC shall be made or (if made) shall be effective if the decision would cause a party to be or act in breach of the UNC.

b. Constitution of the PAC

The PAC shall comprise representatives ("Committee Representatives") of each Customer Class as follows:

(a) 9 individuals appointed as representatives of Shipper Users ("Shipper User Representatives"); and

(b) 3 individuals appointed as representatives of Transporters and IGTs, of which:

(i) 2 shall be appointed by DN Operators ("DNO Representatives"); and

(ii) 1 shall be appointed by IGTs ("IGT Representatives").

For the avoidance of doubt NTS shall not have membership rights

For PAC to fulfil its role under the PAF, its Shipper members shall be appointed using the guidelines as defined in the UNC governed document:

'Uniform Network Code Panel, Uniform Network code committee (UNCC), Sub-Committees and Data Services Contract (DSC) Committees - Guidelines for the User Representative Appointment Process'

https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2019-06/UNC%20User%20Representative%20Appointment%20Process%20v3.0.pdf

For PAC to fulfil its role under the PAF, its membership must behave in a manner that is consistent with the principles of the PAF and the duties of the PAC.

PAC Members are representatives in their own right and do not represent the company by which they are employed.

All PAC Members and their alternates will be required to sign the following documents to assure that the Member will be attending and voting at the PAC in the interests of the GB gas industry and not representing any commercial interest or commercial body or interest group:

- Letter of Confirmation, which includes
  - Member impartiality
  - Non –Disclosure Agreement
  - Declaration of interest.
- Letter of agreement from Company Employing a committee member
- And if applicable, Letter of Agreement from company nominating a committee member

The documents listed above are controlled by the PAC and can be found in the PAC Framework Document.

c. **Committee members and alternates**

A list of all PAC Members and standing alternates is published on the Joint Office website.

Alternates need not necessarily come from the same company as the PAC Member. It will be for the PAC Member to consider the suitability of their alternate, in respect of experience and understanding of the issues that the PAC will deal with. For the avoidance of doubt a PAC Member can act as Alternate for another PAC Member

A single alternate may not represent more than one (1) other PAC Member

d. **Voting Arrangements**

This mod does not seek to make any changes to the extant voting arrangements for PAC as agreed by UNCC. The latest position on which is that UNC0732 has been approved and effective from 14th Sep 2020. TPD V16.2.1 has been footnoted as follows:

[5] Implementation of modification 0732FT effective 05:00hrs on 14/09/2020 will amend paragraph 16.2.1.

UNC0674 will be updated to reflect the legal text arising from UNC0732 for PAC voting majority

e. Proceedings of PAC Committee meetings

The meeting will be quorate where there are at least four Shipper User PAC Members and two Transporters (DNO and/or IGT) PAC Members present with a minimum of six PAC Members in attendance. ~~For the avoidance of doubt Alternates do not count towards quoracy (as per Mod Panel)~~

The Code Administration Code of Practice shall apply to the conduct of the meetings.

Information to be used within meetings will be provided to PAC Members, the Joint Office and the Ofgem representative via ~~a~~ secure means~~web portal~~.

PAC members, the Joint Office, PAFA and Ofgem shall treat all information as confidential unless it is clearly marked otherwise.

~~The default is~~ PAC meetings will be divided into ~~are~~ 'Confidential' ('~~closed~~' to non-Members) and 'Public' sessions (open to non-Members, but only by prior notification to PAFA at least 1 working day prior to commencement of the meeting). ~~PAC Members can agree to hold 'open' meetings~~.

With agreement of the Chairperson, and for example for the purposes of but no limited to developing the PAC arrangements or carrying out investigations into performance, PAC Members can invite 3rd parties and non-members to either Confidential or Public sessions of the meeting.

The CDSP may be required to attend (by one or more representatives) meetings of the PAC.

OFGEM shall have the right for up to 3 representatives to attend as observers.

Material distributed to PAC Members shall be marked either Confidential or Public as appropriate

6) **Appeal**

a. To enable it to deliver upon its purpose of identifying and mitigating gas Settlement inaccuracy, the UNC gives PAC the power to apply Performance Assurance Techniques (PATs) specified in the PAFD to various industry roles.

b. 4.5.2 The parties to whom the PATs are applied (the subject of a PAT) can be materially affected, financially, operationally or reputationally, by their application.

c. 4.5.3 The party subject to a PAT may believe that the accuracy of the information underpinning PAC's use of a PAT is materially and demonstrably incorrect. It may also believe that the procedure surrounding use of the PAT, as set out in the PAFD~~T technical document~~, has demonstrably not been followed, resulting in a material impact on them.

d. 4.5.4 In the following circumstances ~~W~~where PAC determines that

- a party is to be referred to OFGEM, or

– a party is to be the subject of a party-specific process audit (as defined in the PAFD)

the subject of the PAT is entitled to appeal the PAC's decision, initially to the PAC and finally to ~~potentially~~ to UNCC.

The decision of the PAC, having considered any new information that might arise from any subsequent UNCC appeal, is final.

~~d.~~**e.** 4.5.6 The criteria for a valid appeal, is as follows:

i. The inaccuracy of fact or irregularity of procedure can be demonstrated

ii. A material inaccuracy of fact or irregularity of procedure has occurred, such that the outcome would be different if the correct information or procedure were used instead

iii. The appeal must be raised with the PAC within 1 month of the relevant PAC decision

~~e.~~**f.** 4.5.7 Procedure

a) The gas PAFA will assess any appeal in respect of whether the criteria for the appeal has been met, before presenting the appeal to PAC at the next practicable opportunity.
b) The PAFA's initial views on the validity of the appeal and the appropriate rectification will be presented to the PAC alongside the appellant's representations.
c) PAC's original reasons for applying the PAT will form part of the material PAFA reviews and provides to PAC to aid its decision on the appeal.
d) During the period between an appeal being raised and the PAC hearing the appeal, any obligations on the appellant, PAC and PAFA pursuant to a PAT which is wholly or partly the subject of the appeal will be suspended. The PAC's decision on the appeal will include guidance for resumption or termination of timescales for action under any of the PATs at issue.
e) The PAC will treat the matter as confidential. All meetings to hear the appeal will be closed and the meeting and the material presented for consideration during an appeal will not be published.
f) The appellant may be invited to present their case and their supporting evidence. Notice of the meeting will be not less than 14 Business Days.
g) The PAC will determine the extent to which it accepts the appeal. This could be wholly, partially or not accepted. The PAC may recommend or provide guidance on how or whether the application of the original PAC decision resumes or continues.

~~f.~~g. 4.5.7 Appeal Decision

a) Any communications from PAC, PAFA or JO in regard to the Appeal shall be directed to the PAP's Company Secretary (and cc'd to the PA Representative)
b) The PAC will respond in writing to the appellant within 10 Business Days of making their decision with the reasons for its decision.
.
c) Where, following the decision of the Performance Assurance Committee in respect of an appeal, the Appellant Party considers that the grounds of appeal in paragraph continue to be met the Appellant Party may, within five (5) Business Days after the publication of the Performance Assurance Committee's appeal decision, appeal to the UNC Committee , by notice given to the PAC Secretary setting out the basis on which it considers the grounds of appeal are met.
d) The UNCC will advise PAC of its observations and/or recommendations for PAC consideration.
e) PAC will then either amend or uphold its original decision, justifying any departure from UNCC's view and notifying the PAP within 15 Business Days. UNCC cannot however overturn or amend PAC's decision.

Although UNCC cannot override a PAC decision, this process creates 'administrative tension' which incentivises PAC to ensure that its determinations are robust, proportionate and fair, in order to avoid UNCC casting an alternative view of the appeal.

7) Section V16 will include amongst other things the following:

i. The UNC Performance Assurance Objective and other terms pertaining to PAC

ii. the composition of the Performance Assurance Committee membership (as per the present ToR 2.2);

iii. the basis on which Performance Assurance Committee members are to be appointed and from time to time removed and/or replaced. This to include that each User and its Affiliates holding more than one Gas Transporters Licence may submit up to one nominations for the purposes of the appointment process.

iv. the basis on which a person (not being a committee member) will be appointed to chair each meeting of the Performance Assurance Committee~~; to include a PAC-appointed PAFA employee if necessary~~

v. the basis on which a person (not being a committee member) will be appointed as secretary to the Performance Assurance Committee~~; to include a PAC-appointed PAFA employee if necessary~~

vi. the basis on which decisions of the Performance Assurance Committee may be appealed to the Authority. (see section 6 above)

vii. Definition of the Performance Assurance Framework Document and its purpose and governance (removing it from V12 and moving it to a PAC-governed document)

viii. UNCC will have no power to overrule a decision of the PAC or its sub-committees, or to reduce or to qualify the scope of PAC's functions, powers and duties (per GTD4 treatment for DSC)

ix. No decision of PAC shall be made if the decision would cause a party to breach UNC

x. Specify PAC controlled documents as being Performance Assurance Reports Register (PARR), The Risk Register, PAC letters of confirmation and company agreement, PAFA scope, PAFD

xi. Definition of the Performance Assurance Party being a party who will be subject to Performance Assurance Objective (either a Party to UNC, CDSP or any other party whose performance or non-performance of activities governed directly or indirectly under UNC) and whose acts or omissions could impact another PAP's contribution to the Performance Assurance Objective

8) Give PAC authority in the UNC, with relevant protections noted and in 9 below, to include:

a. To determine the performance and applicable assurance monitoring and incentive tools to be applied to a Party, consistent with those **defined in the PAFD**, as amended by PAC from time to time

i. PAC may (on a PAC majority vote) endorse a modification raised in accordance with ~~will be added to~~ "UNC – Modification Rules 6.1.1" ~~as a Proposer to raise performance-related modifications.~~ This has the benefit that the proposal is seen as non-partisan, and in the interests of the industry not in the interests of the~~a~~ single UNC Party proposing the~~a~~ modification. ~~***In particular if PAC considered that a modification was in the interests of industry performance assurance it might be difficult to get an individual shipper to act as proposer***~~ Controls ~~over this power~~ will be that the proposal is subject to agreement by a majority of PAC ~~members~~, and

~~ii.~~ restricted to changes reasonably considered to impact on the achievement of the Performance Assurance Objective (for example where rules on process or performance are proven to be unnecessary / ineffective).Such a modification is in no way ~~diferent~~different to any other modification and is therefore ~~S~~subject to the same process as for any other modification going through UNC Mod Panel.

PAC may engage a 3rd party such as CDSP or PAFA to draft such a modification proposal before it is formally adopted by a Proposer in accordance with the Modification Rules. ~~Such mods could be drafted by (but not limited to) CDSP (include this as a Direct Function) or PAFA (include as per PAFD Scope of PAFA). (~~

*This will make industry change more agile … for example UNC721 & 722 could have been raised by PAC and drafted by Xoserve or PAFA immediately following the 24*th *March 2020 PAC meeting when the prospect of overstated allocation was first raised.~~)~~*

This also codifies a practice that has developed over the last couple of years in which certain modifications have been developed with contributions from, or raised on behalf of, PAC such as UNC0664 and UNC0674.

b. PAC will define those areas of a Party's or of Parties' performance which impact the PA Objective. PAC will set the tolerance threshold and determine those levels at which Performance Assurance Techniques will apply. PAC will require UNC Parties to improve in those areas and will have powers to impose sanctions where performance is below the required level, provided the thresholds, areas and sanctions/techniques are consistent with what is defined, as amended from time to time in accordance with provisions for 9 h) & i) below, in the PAFD

c. Require parties to respond to and meet PAC requests reasonably made in the context of performance matters and in pursuit of the Performance Assurance Objective. This requires a carve-out under GT Section B4.4.2

d. Deploy Performance Assurance Techniques (PATs) **described in the PAFD** as they deem appropriate, including applying derogations where reasonable and appropriate (for example where performance is impacted by pandemic, events of force majeure or industry developments).

e. Parties acknowledge that

   i. such techniques could include publishing on the Joint Office website the company names and performance (only) of Parties to allow peer comparison. Such information will be **limited to the performance measures outlined in PAFD** from time to time. In so doing, PAC will not divulge any information on the Parties' specific commercial or operational arrangements, the reasons for the level of performance or any details of the improvement plans.

   ii. PAC and/or PAFA and/or CDSP will engage with the PAP in a manner reasonably intended to support and encourage improved performance, This could require the PAP to describe, under confidentiality terms, its operational processes and commercial arrangements, with the sole objective of identifying where changes might be proposed that could improve achievement of the PAO.

f. The Proposer of a modification will be required to seek a ROM from Xoserve for workgroup consideration of the impact of their modification proposal where such proposal

   i. adds or changes UNC performance standards or

   ii. impacts a Party's performance against such standards to specify an appropriate monitoring report.

g. Definition of the Performance Assurance Framework Document and its purpose and governance (including PAC authority to make changes to the document))

h. Remove the UNC requirements for UNC approval of changes to PARR (remove PARR from UNC Related Documents and UNCC governance, delete V12.1 (h) and V16.5.2). PARR

becomes an Annex to PAFD subject to PAC Governance. The principle here is to remove unnecessary barriers to data access for PAC which reduce the effectiveness of performance assurance

i. Request reports or data that it deems required to understand performance issues, causes and materiality of impact on the Performance Assurance Objective

PAC will advise UNCC of any changes to data access rights.

j. Remove references to PARR Schedule 1 which is now obsolete.

k. Clarify that both PAC and PAFA may see all data requested un-anonymised, so including shipper names; this is not limited to PARR 'B' schedules as Xoserve interprets current 16.5.3. PAC members have signed confidentiality provisions and acknowledged that they're acting on behalf of GB Gas industry. PAFA are bound by confidentiality terms in their agreement with CDSP. There should be no reason to bar PAC from access to information that it reasonably requires for performance assurance

l. Such un-anonymised data or information to include anything that PAC reasonably requests in pursuit of their duties under UNC and at least but not limited to
   i. all data identified in DPM
   ii. all data available in DDP
   iii. all such other data items or information held by CDSP
   iv. anything else that CDSP can reasonably obtain subject to DSC approval.

m. PAC may establish a sub-committee for such purposes (within the scope of its functions, powers and duties) and comprising such members and on such terms as it decides

n. PAC may submit DSC Change Proposals which may include internal and/or external costs. Such requests are:

   i. limited to investigations and analysis of settlement, performance of PAPs and related matters reasonably considered to impact on the achievement of the Performance Assurance Objective (for example where rules on process or performance are proven to be unnecessary / ineffective), and

   ii. subject to agreement by PAC ~~a~~ majority vote ~~of PAC members~~, and

   iii. Subject to the same process as for any other proposals through DSC Change Management

o. Requesting the remedy of performance issues, even where there is no explicit prescriptive performance standard specified in the code, where that performance issue is limiting or preventing the achievement of the Performance Assurance Objective (PAO)

9) PAF Protections

a. All shippers shall be required to nominate a person (and appropriate delegate) in their organisation to act in capacity as First Point of Contact in relation to all PAC correspondence (the "PA Representative"), such person to have appropriate seniority with suitable **knowledge and authority** so as to understand and instruct action to be taken in regard to such communication, including attending PAC if required and providing suitably informed escalation contacts up to director level should PAC require it.

b. PAC, PAFA, JO and CDSP personnel and any other party attending closed PAC meetings may not reveal the workings or the decision making process in reaching any decisions, save when required by law or due to an appeal from any affected party.

c. PAC, PAFA, JO and CDSP personnel and any other party attending closed PAC meeting are required to sign and adhere to undying non-disclosure agreements and any confidential material downloaded must be deleted when no longer required and when ceasing to attend the PAC (for whatever reason), whichever is sooner.

d. Using an approach similar to Section X for EBCC (which **avoids the need for each and every Party to provide separate indemnities**), Members (being persons) of PAC, PAFA and CDSP connected with a performance assurance decision should be protected from any litigation connected with the operation of the performance assurance regime

e. Performance Assurance Techniques shall be limited to those specified in the PAFD and as amended from time to time in accordance with 9. ~~g~~h) & i) below

f. PAC shall be prohibited from levying direct costs, liquidated damages or penalties for performance failure on PAPs (i.e. directly invoicing PAPs for charges of any kind) unless and until and only if such are specified in a modification approved for implementation by the Authority.

g. For the avoidance of doubt this does not preclude PAC from using PATs which involve the PAP incurring proportionate costs or resourcing activity that might reasonably be required to comply with PATs and with the Party's obligations under UNC.

h. PAC will conduct an **Annual PAF Review** by industry consultation, following which PAC will publish an **Annual PAF Delivery Plan** and **update the PAFD** by 1 month prior to the new Gas Year.

i. The process for this is outlined in the PAFD. It is intended to determine how effective the PAF has been, what changes are required (e.g. to the PAFD, to Code, to PAFA, etc) and what performance management actions will be taken during the upcoming year

ii. The consultation will commence 3 months before the start of the Gas Year.

iii. Following the consultation PAC will determine The PAF Delivery Plan and revise the PAFD accordingly.

iv. Both will be published simultaneously 1 month before the start of the Gas Year

~~iv.~~ i. Changes to PAFD can be proposed by any Party or by PAC on a majority vote at any time. The proposer of such change will be presented by the proposer and discussed in a Public PAC session. PAC will vote on the proposal, or any variant of it. A change supported by a PAC majority will be incorporated into PAFD and

10) PAC will be an elected and impartial committee with appropriate expertise to make assessments and judgements using the tools and evidence provided to inform actions in pursuit of the Performance Assurance Objective.

Individuals with an interest in any matter being discussed will declare it; PAFA will advise PAC if it becomes aware of potential conflict of interest. PAC members will apply their expertise without discrimination as representatives in their own right and vote at the PAC in the interests of the GB gas

industry and not representing any commercial interest or commercial body or interest group or the company by which they are employed.

11) Where PAC requests an interview with a party, the party is required to attend and send an individual(s) with the required expertise and authority.

12) PAC is a UNC sub-committee, established under TPD V16 and cannot be amended without Authority approval; and it cannot under GTB4.3.1. 'cease to be established' by UNCC.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None identified.

Consumer Impacts

No direct impacts identified.

Cross Code Impacts

The Proposer intends that the arrangements outlined herein should apply to IGT sites and for that reason will pursue the appropriate IGT UNC changes as IGT138. Note previous advice from early pre-mod discussions with the then IGT UNC Code Administrator noted that a reference in M5.9 and M5.10 to the required other provisions pursuant to this Modification could provide IGT UNC with the 'link' to the proposed performance assurance controls.

There may be an impact on the DSC and the contract between the PAFA and CDSP.

EU Code Impacts

None identified.

Central Systems Impacts

Some development to support new reporting and invoicing processes.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

d) It is believed that these proposals will reduce settlement costs by reducing volume uncertainty at nomination and allocation, thereby reducing the likelihood of Shippers building in risk premiums into budgets and customer contracts. It should also level the playing field between shippers in the costs of meeting UNC obligations and ensure that one party's commercial decisions do not adversely impact other parties. Together these will improve competition between Shippers (and potentially Suppliers) and reduce a potential barrier to entry for new Shippers.

f) The current PAF is having limited effect and therefore the value from associated expenditure is sub-optimal. It is believed that these proposals will improve the effectiveness of PAF and therefore promote more efficient implementation and administration of the Code.

8 Implementation

No implementation timescales are proposed. This Proposal could be implemented as soon as an authority direction is received and subject to DSC Change Management Procedures for any consequential system changes.

9 Legal Text

Text Commentary

To be provided by Transporters.

Text Commentary

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.

Refer separate document v4.3

11 Appendix 1 – Proposed PAF Document