

Performance Assurance – Framework for the regime

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Background

- The Gas Performance Assurance Group have been meeting since early 2013
- Over that time they have considered:
 - the means of identifying the key elements to assure settlement accuracy
 - reporting required to underpin future accuracy
 - the framework and tools necessary for the assurance regime
 - the need for policing and administering the regime
- Progress to date has been slow and it was agreed in March that it would be beneficial to hold two workshops to thrash out the detail of the three key aspects:
 - independent study/incentives
 - the framework
 - the administration/policing function

These slides have been produced to aid the workshop in considering the framework options and scope to get a firmer model for the Performance Assurance Regime

The Framework..... Guiding Principles

- Ofgem is keen to ensure that any framework does not require continual and complex modifications to bring in performance monitoring or implement behavioural changes
- Whilst primary focus of the PAF is settlement accuracy, it has also been suggested that incentives are needed around data quality, which can impact customer service/experience
- Some Shippers have expressed a desire not to be accountable to their peers
- At the March meeting it was discussed that the PAF should be:
 - Transparent
 - Proportionate
 - Predictable
 - Supports continued improvement/development
 - Fit for purpose
 - Fair

It is proposed that these principles are upheld through consideration of how the framework should operate, which will be explored in the next few slides

What aspects should be included?

- In considering other Codes, there are a number of different aspects that could be included in the Gas PAF, although it may be appropriate to phase these:

Aspect	Include/exclude
Market Entry	
Performance monitoring/assurance	
Peer comparison	
Market exit	
Qualification	
Disputes/error resolution	
Breach/default	
Error monitoring	

How should assurance be achieved?

- Considering the aspects to be included with the Gas PAF, how should assurance be achieved?:

Aspect	Include/exclude
Detection – assessment, analysis	
Incentives	Include*
Preventative measures	
Education	
Risk register	Include*
Reporting/monitoring (e.g. serials)	
Improvement Plans	
Escalation	
Audit	

* In discussion so far these two elements have been seen as the “cornerstone” for the Gas PAF

Enacting the Performance Assurance Regime...

- To consider how the Gas Performance Assurance Framework should be enacted it is worth discussing a number of aspects:
 - Should the Framework be set out in existing governance arrangements? If so is this just envisaged as UNC?
 - Should there be a PAF Overview Board? If so should this be encompassed in the existing UNC Workgroup/Sub-committee structure?
 - What would be the role of the PAF Overview Board?
 - Is there a need for an independent party to administer the PAF or could this be done by Xoserve?
 - Should there be a dispute process over incentives?
 - What should Ofgem's role in the process be?
 - How will the guiding principles be upheld/assured?

Considering the Options....

- OPTION ONE: Framework set out and governed under the UNC

Management/governance	<ul style="list-style-type: none">• Rules/governance under the UNC• Sub-committee reporting to the UNCC• Would the Gas Forum process still be used for appointments?• Could binding decisions be taken?• Would parties be happy with oversight via the UNCC?
Change management	<ul style="list-style-type: none">• Any changes to the framework would be via MODs to the UNC• Is there an option to “devolve” the ability to make changes to the sub-committee if these meet an assessment of not being material?• Would using the MOD process be too time consuming?
Costs	<ul style="list-style-type: none">• Met through management of the UNC• How would costs be spilt between parties?

Considering the Options....

- OPTION TWO: Framework set out in contract with third party

Management/governance	<ul style="list-style-type: none">• Rules/governance under contract with third party• Management/governance either overseen by Committee or run under contract by the third party• Could this be run like an AUGE type arrangement?
Change management	<ul style="list-style-type: none">• Process established as part of the contract with the third party• Could a more streamlined process be developed outside of the UNC? Would this introduce more complex change arrangements than at present?
Costs	<ul style="list-style-type: none">• Met via contract terms

Considering the Options....

- **OPTION THREE: Hybrid of options 1 and 2**
 - This could be an arrangement similar to the AUGE, but with enhanced arrangements picking up lessons learned from the AUGE process
- Are there any other Options???

It is important to assess all of the options against the principles that the group is working to and keep in mind that the Performance Assurance Regime is expected to encompass the Transporters, the Shippers and Xoserve