Gas Performance Assurance Framework January 2014









Background

The Performance Assurance Workgroup has been established to debate and potentially develop a performance assurance framework

ToR

To ensure that gas settlement has accurate allocation, control, self monitoring and governance post Project Nexus so that no commercial advantage can be derived from settlement.

Two Key Areas are agreed and being developed

- 1. Top-down cost reflective risk based incentive model
- 2. Lower level industry reporting



PAF incentive model is a top-down, cost reflective risk based approach

Nexus Process

Settlement Performance
The risk to all industry parties
is unsettled energy.

Reconciliation

2

Meter Reading Acceptance Retrospective adjustments

AQ

Calculation

Targets

% of energy settled to actual reads. Penalty £x per MWh of unsettled energy.

% MPRs recon'd in x months.

% AQs calc'd each month

% meters read in x months, by class.

Meter statuses Large AQ moves on CoS

Large final recs

Health-

checks e.g.

Size of RCA

Transporter

inputs

% of Retro-

spective

%

AQ

= 1

Example Scenario

Shipper has low volume of energy settled to actual reads compared with unsettled energy. Shipper incurs penalty. Why?

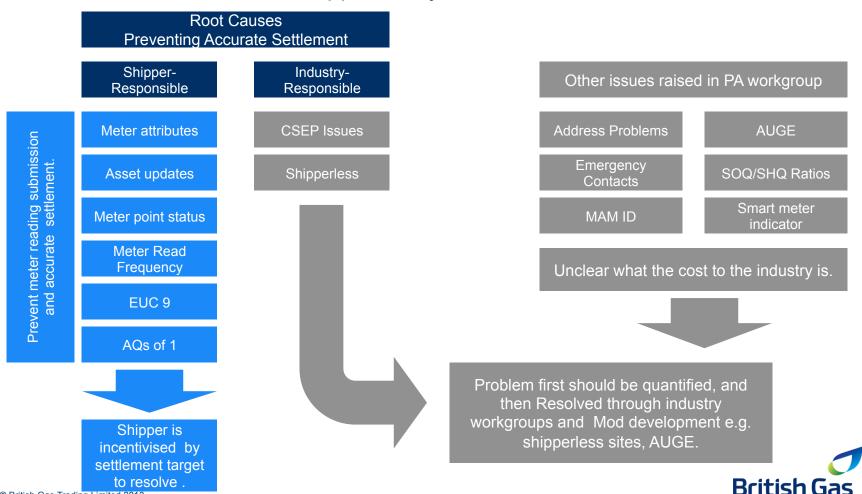
Shipper has low number of reconciled MPRs. Why?

Shipper has had too few reads accepted in class3. Why?

Shipper is incentivised to resolve root cause.

British Gas Looking after your world

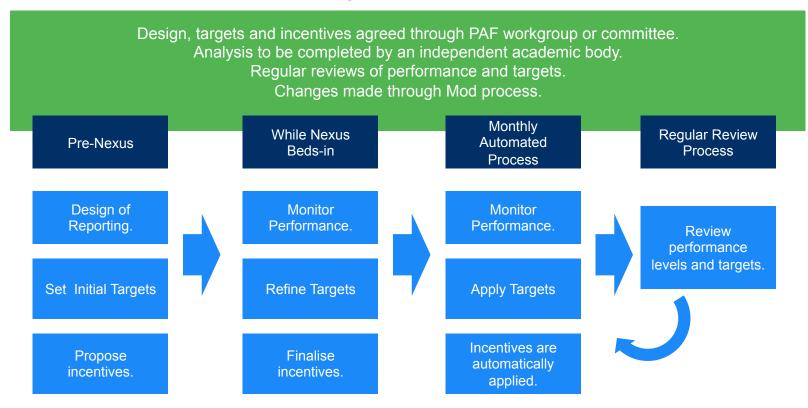
The incentive model can be supported by other work outside of the PAW remit



Looking after your world

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PA should be a fluid and evolving process





Lower Level Reporting (to be finalised in Q1, 2014)

- Meter Reading Submission
- Read Validation
- AQ vol recalculated
- Reconciliation
- Scaling Adjustments
- Retrospective Updates
- Market Accuracy
- Metering Errors

Administrator Role

Reporting, incentive administration & invoicing



Policing Administrator Role questions

- 1. What are we trying to fix?
- 2. Do we require lower level reporting before can identify other industry issues?
- 3. Is it an audit, that reports to PAW or a body with arbitrary powers?
- 4. Is this an auditor, 3rd party or Operational Risk function?
- 5. If incentive model is working correctly is this required?



Policing Administrator Role continued

British Gas has concerns with the development of this functionality

- The incentive model should work correctly and not require policing
- The project is more complicated risk of delaying main proposals
- It is not known what we are trying to fix
- Lower level reporting is required before additional changes identified
- The role will be arbitrary and potentially conflict with the incentive model
- Adds additional cost to the industry and requires business case

