Gas Performance Assurance Framework

This document is intended as a starting point for a discussion around a lower level of detail around how monitoring, reporting and incentivisation might work under the Performance Assurance Framework.

Risk-Based Incentivisation

The presentation provided by British Gas to the Performance Assurance Workgroup on 12th June 2013 proposed that gas which remains unreconciled for a long time presents a risk to the industry, and that incentivisation should be based on the level of risk that an individual shipper presents to other shippers. The incentive process should be predetermined, automated, simple and transparent.

- Is this the correct approach?
- Is a level of risk which is acceptable, and only shippers exceeding this are incentivised?
- What is the value of the risk? Is it calculated in pence per kWh of unreconciled energy?
- Is the modelling and quantifying of the risk contracted to a third party?
- How is the incentive calculated and applied? Is it a nil-sum reallocation of costs?
- Payments could be made into a pot by shippers who present a risk, and reallocated to shippers who bear the risk in order to mitigate it.
- How is the incentivisation process managed?

Reporting and Monitoring

Principles should be established about what is measured and reported, to whom, why and when:

- Is the audience an individual shipper, the PAF committee or the wider industry?
- Is the purpose of the report to monitor the effectiveness of the Nexus processes for the market as a whole, to help investigate problems, or to provide a basis for incentivisation?
- Are individual shippers named or anonymised, or do shippers only see their own data, is this compared to the rest of the market or provided in isolation?
- Is the monitoring and reporting undertaken centrally or by individual shippers?
- At what frequency are the reports produced?

Measurement and Targets

The Nexus Business Requirements Documents imply targets and measurement points within each of the processes. The following sections explore potential measurement points. It is not envisioned that any incentives would be applied to the lower-level processes such as meter reading submission, incentives would only be applied to the top level reconciliation and settlement processes.

Bottom-up vs. Top-down Approach

Targets and incentives should be set by firstly defining an acceptable level risk to settlement in terms of unreconciled gas, then working backwards to determine appropriate incentives, and acceptable performance levels for AQ calculation and meter reading acceptance. This top-down approach is preferred.

However, for convenience the following paragraphs follow a bottom-up approach, taking the expectations for meter reading performance from the Nexus BRD documents as a starting point, and working these up into AQ calculation and reconciliation targets. This is not the preferred method.

Meter Reading Submission

The Nexus Allocation, Reconciliation, Settlement and AQ processes all depend on receipt of valid meter readings in order to function.

The Business Requirements Document for Meter Read Submission states an expectation for meter reading timescales and meter reading frequencies for each meter reading product:

Product	**BRD Target**	**Must-Read**
1. DM, time critical	97.5% daily by 10am on GFD+1	
2. DM, not time critical	97.5% by end of GFD+1	4 months
3. Batched Daily	90% in month	4 months
4. Periodic	Monthly MRF, 90% in month; SSP Annual, 70% in 12 months; LSP Annual 90% in 12 months.	Monthly MRF, 12 months; Annual MRF 24 months.

The Meter Reading and Settlement BRD (Section 5.15 in v3.0) already has a requirement for reporting against the above standards.

Does this expectation define good performance, or are different or additional measurements required? When worked using a top-down method, good performance might be defined differently.

Read Validation

There are a number of potential measurement points in the read validation process.

- Readings which fail logic checks, are rejected or are missing. These will be reported to the responsible Shippers.
- Consumption adjustments on DM sites.
- Replacement reads outside of retrospective update process.
- Reads sent with override flag.

Would failures be apparent in the shipper's performance against the meter reading submission targets, or is further reporting and monitoring required at a more detailed level?

AQ

A basic expectation of the number of AQs which should be recalculated in each monthly AQ batch run, and also what the oldest non-calculated AQ should be, for each product, could be derived from the meter reading submission standards above.

Product	**Monthly AQ Calculation Target**	**Non-Calculated AQs**
1. DM, time critical	97.5% in month.	
2. DM, not time critical	97.5% in month.	None older than 4 months

3. Batched Daily	90% in month.	None older than 4 months
4. Periodic	Monthly MRF, 90% in month. SSP Annual, 70% in 12 months; 5.8% in month. LSP Annual, 90% in 12 months; 7.5% in month.	Monthly MRF, none older than 12 months; Annual MRF none older than 24 months.

An exemption may be required for newly connected sites until the required read history has built up.

A comparison with current AQ calculation rates in the AQ Review would help assess the suitability of these targets.

Other potential measurement points include:

- MPRNs where an AQ calculation attempt has failed.
- MPRNs where an AQ has been uncalculated for a long time.
- General AQ movements and trends, by shipper and for market sectors.
- Exceptional AQ changes.
- Use of AQ correction process and size of corrections.

Are the current Mod 81 reports required?

Reconciliation

Similarly to AQ, the meter reading submission expectations could be used to set a standard for reconciliation:

Product	**Monthly Reconciliation Target**	**Unreconciled MPRNs**
1. DM, time critical	97.5% in month.	
2. DM, not time critical	97.5% in month.	None older than 4 months
3. Batched Daily	90% in month.	None older than 4 months
4. Periodic	Monthly MRF, 90% in month. SSP Annual, 70% in 12 months; 5.8% in month. LSP Annual, 90% in 12 months; 7.5% in month.	Monthly MRF, none older than 12 months; Annual MRF none older than 24 months.

A comparison with current rates of LSP reconciliation would help to assess the practicality of these targets.

- Meter points and energy remaining unreconciled for a long time, by product.
- Size of unreconciled energy, compared to reconciled, aged by month.
- Average size of reconciliation, by product and EUC.
- Exceptional reconciliation energy and monetary values.
- Number of and energy associated with DM re-synchs.
- Number of in-valid reconciliations (USRVs).
- Size of RbD for LSP reconciliations which pre-date Nexus implementation.

Scaling Adjustments

The size of the Allocation Scaling Adjustment and Reconciliation Scaling Adjustment can be used as a general health assessment of the Allocation and Reconciliation processes.

Retrospective Updates

The use of the retrospective updates process should be monitored.

- Frequency of use
- Value and associated energy of Re-reconciliations
- Frequency and size of transportation charge adjustments

Transporter Activities

Do any activities undertaken by the gas transporters require additional control and monitoring as a result of project Nexus?