
Performance Assurance Workgroup Minutes
Monday 11 November 2013
Energy Networks Association, 52 Horseferry Road, London
SW1P 2AF

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Angela Love	(AL)	ScottishPower
Colette Baldwin	(CB)	E.ON UK
Edward Hunter	(EH)	RWE npower
Erika Melen	(EM)	Scotia Gas Networks
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Mark Jones	(MJo)	SSE
Matt Jackson	(MJ)	British Gas
Rob Johnson	(RJ)	Wingas

1. Introduction

BF welcomed all to the meeting.

Following the last meeting AL had clarified that Xoserve had no interest in tendering for the independent study work, but remained an interested party in relation to any consequential service provision.

2. Review of Minutes and Actions

2.1 Minutes

The minutes from the previous meeting (23 October 2013) were approved.

2.2 Actions

PA07/01: *Terms of Reference* – Ofgem to develop and circulate for comment.

Update: Under development; to be circulated for comment. **Carried forward**

PA07/04: *Industry Funding Communication* - Letter to ENA, Energy UK and ICoSS seeking provisional agreement to funding of academic study.

Update: Circulated at this meeting for comment. **Carried forward**

PA08/02: *Tender Advertisement* - Provide a link to the dedicated area on Ofgem's website.

Update: To be provided when in place. **Carried forward**

PA09/03: *Issues Log* - AL to circulate Issues Log.

Update: Circulated. **Closed**

PA10/01: *Elexon Measures/Tools* – (a) AL to circulate Elexon’s presentation to those present; and (b) all parties to consider what value there might be in the adoption of some/all of the Elexon measures/tools.

Update: a) Circulated; and b) Under consideration; to be examined as discussions progress and AL to add to the Plan. **Closed**

PA10/02: *Reporting* - Review the list of reports and consider if any additions/removals are required and what the outputs should be.

Update Under consideration; to be examined as discussions progress and AL to add to the Plan. **Closed**

PA10/03: *Project Plan* - Present an overview of the Performance Assurance Project Plan to the Project Nexus Workgroup at an appropriate meeting.

Update: An overview was likely to be presented at the December Project Nexus meeting. **Carried forward**

3. Discussion

3.1 Declaration of interest - *by any Party who would look to carry out the academic study or PAF Administrator role*

None made.

3.2 Update on Independent Study - *Ofgem*

JD circulated a draft copy of the proposed letter, and outlined the Terms of Reference, minor details of which were still to be finalised. JD added that Ofgem had been looking at the AQ Review process and to inform its decisions relating to Nexus, he was intending to issue a formal Information Request, part of which will relate to read performance (to gauge the extent of any mismatching between Shippers and Transporters). He queried should this information also be made available to the Independent Study partner, and was this also an opportunity for other information to be included in the scope of the Request. Noting that Ofgem was reluctant to proliferate Information Requests, he would like to include anything seen to be necessary in this initial one.

The ITT letter will be circulated to the group and confirmation regarding the content is required before ITT can commence. JD confirmed that he still anticipated meeting the Easter target. The contract to establish the framework should come in by the autumn, and it will need to be fully up and running by 01 October 2015.

3.3 Workshop Reporting Options

AM’s document (a strawman for reporting requirements) was considered and discussed. MJ outlined the background, indicating there was a need to monitor minimum standards as in the UNC, and to monitor how parties were operating in relation to Settlement and Nexus, and suggested that reporting prior to Nexus it would help the group to understand the current levels of performance and this would better inform assessment of risk and the potential cost of improving performance and enable the setting of appropriate targets.

Measurement and Targets - AM confirmed he was not looking to impose incentives on lower level of reporting, more on the top-down approach.

Meter Reading Submission and Read Validation - There was a requirement to perform to a certain standard for meter reading submission and as a minimum this should be monitored. Is some form of lower level of reporting also required? Should it be split out into separate key areas? It was suggested that it be put into some form of spreadsheet similar to those produced by AL.

Reconciliation – The whole PA framework is being designed around the need to reconcile gas so this is a critical area. It was questioned whether this might replicate the AUGE's responsibilities. There might be some overlap but AL believed this reporting would be useful for the AUGE to draw upon.

Scaling Adjustments, Retrospective Updates, and Transporter Activities – General monitoring of these areas was suggested, to give a sense of whether the processes were working well.

AM also drew attention to Modification 0469 and the reporting proposed under that modification.

A general discussion ensued regarding key inputs/sensitivities and what targets to set - this would be clearer after the conclusion of the academic study. It was suggested that Xoserve might be invited to elucidate on the current position. Referring back to retrospective updates, attention was drawn to Modification 0434, which proposed automation of the process. What would trigger audit requirements? CB referred to concerns expressed on the electricity side regarding retrospectivity.

AQ – MJ indicated that the table had been derived from the Project Nexus BRD expectations. Details of current Xoserve reporting were discussed. Under the current arrangements it was still not covering all the questions being asked or presenting a full picture. MJo observed that greater visibility was required and a clearer understanding of how the reports were put together and what data was being used and on what basis, so that viable comparisons could be made (like with like; avoiding double counting, etc). JD suggested this should be the responsibility of one body (underlying logic, interpretation, etc) and AL suggested this might form part of the Performance Assurance Administrator's role. It was a case of analysis rather than churning out statistics. Version control of documentation would be a plus and a holistic view rather than disparate products/interpretations, etc. BF commented that if the rules were clear there should be no need for interpretation; the PA Administrator's role would be to clarify the rules. It was believed that Xoserve would be able to provide information more/less as needed depending on eventual requirements.

Meter Reading Performance - The output from Ofgem's Information Request could be shared with the group; it was being generated to enhance reporting and AQs next year but circumstances may have changed by then and a different focus might be required. A report needed to be dynamic capable of responding to any new issues that may arise. It should also be capable of being stripped of redundant data when necessary. Meter reading performance and submission were two different areas. Some items may sit under SPAA, eg meter exchanges. It was also noted that quality and accuracy were not necessarily the same.

Must Read Reporting – It currently tells when one is due, not that anything has been done about it. This was discussed. BF asked if the iGT must read reporting should mirror the GT reporting and AL noted this for further consideration with her absent colleague, EC.

Ratchet Charges – The avoidance of these through movement through classes was briefly discussed. It will need further consideration.

Shipperless Sites – Should reporting be included? It was noted that other modifications, eg 0425 and 0410A, were addressing this. Visibility should be maintained (monitor and review).

Other areas for consideration were noted by AL – filter failures, AUG reports, 0425 and 0410A reports, correction factors. Reference was made to the Ops Forum and it was commented that discussions there did not always lead to certainty about how things would be taken forward and resolved. BF reiterated what was included in Xoserve's list of reports and it was suggested that Xoserve be invited to explain in further detail and to participate in the next meeting.

Nexus – What would be relevant under Nexus was discussed. It was suggested that the area of ‘opportunities to change products’ should be reviewed to moderate any occasions where the process might be open to misuse.

AL also suggested that reporting should look at volumes of energy as well as number of sites to help assess the scale/degrees of risk.

LJ observed that Xoserve might not have the same sort of data available for NTS direct connects and VLDMCs and the group may need to contact National Grid NTS direct for further clarification (this information may not be publicly available) - should it be assumed that the meter owners on these sites are doing all they should? It was noted this might be a small population but can involve big numbers.

Action PA 11/01: Reporting – Transpose data from AM’s strawman into AL’s Reporting spreadsheet, and add a column to include a short summary of the purpose of each report.

3.4 Project Plan Update

The action plan had been updated and this was reviewed. AL drew attention to various tasks.

Task 8 – JD indicated this may be covered under the ToR (one of the issues still to be resolved); the study partner may invoice direct.

Task 9 – Ofgem will do this.

Task 10 – By end of November. The evaluation scorecard was displayed and reviewed, and no changes were proposed.

Task 25 – Close, and add new task: Invite Xoserve and consider output.

Task 26 – By December.

Tasks 27 and 28 – Discuss at December meeting.

Tasks 30 – 34 – Suggested start to look at, at next meeting.

Task 30 – Consideration of categories of parties to include. A discussion ensued. It was necessary to understand the flows of information through the chain, and it was noted that SPAA reports on certain items/entities. JD indicated a need for end-to-end assurance of the data. This should be reviewed and other parties brought in at appropriate times. Expectations of what is required before/after this group’s stretch of governance should be set out, and then what happens either side can be tracked. Assumptions/decisions should be captured on a (Issues?) log.

Next Steps

The action plan will be updated/reviewed as further progress is made. In the meantime any further comments/suggestions regarding the plan should be forwarded to AL.

3.5 Risks and Issues Logs

AL had circulated this for review. The Workgroup’s thinking/decisions will be documented on this log.

Item 1 – Technical audit approach? Suggestion of a central provider/agency agreement/contract to act on a party’s behalf. It may need to be written into the ASA or whatever replaces it.

Suggestion that ‘the role of the AUGÉ’ be added to the log. JD counselled against specifically labelling roles as Shipper, Transporter, etc – better to refer to Originator/Recipient of data, Quality Assurer, etc.

It was commented that the Nexus modifications were going to replace the AUGÉ role, but now there appeared to be discussions on its retention. The AUGÉ was a very small part of an assurance regime which if robust enough would make up a minimal requirement.

Item 2 – Register should be dynamic, and not confused with performance assurance itself.

Item 3 – Brief discussion of level of assistance that should be given to poorly performing parties. Perhaps overall targets the industry wants to reach would require review/re-assessment and then a Shipper’s Performance improvement plan put in place to drive performance (two level approach).

Item 4 – Cover when PAFA role is addressed. PAFA can make recommendations to the body it reports to, but a ‘sponsor’ may be required to raise any modifications. It should have some role in progressing things. Change ‘Assurance’ to ‘contract’.

Item 5 – It should be clear this is a market risk register. Initial study arranged through Ofgem contract; ongoing arrangements to be through PAFA.

Item 6 – Assessment of materiality; concern that parties not directly involved may have influence on decisions. A committee was not necessarily a good idea, but depends on description/scope of role. Some matters might be commercially sensitive/market specific. Add as a separate risk. Electricity examples were discussed.

Item 7 – Standards are already in UNC – the issue is the non-performance and failure to remedy. Consequence of not achieving is the risk. Escalation if failure to meet standards? What is actually being monitored? The study should offer some conclusions that can be evaluated against the current position, ie are UNC standards reasonable or not.

Item 8 – Period of grace free from financial liabilities –should a year’s reporting (especially for small parties) form part of the grace period or should financial penalties be imposed from the outset? Bearing in mind there were often lots of risk and ‘teething problems’ in transition phase, faults may be evident. It was better to confirm that Nexus was working properly before accepting any penalty regime. The introduction of phased targets with steadily increasing performance levels was suggested. Monitoring should still take place in transition period. Add new item- All reports to be made public (after a sensitivity check).

Item 10 – Discussed. Should you bundle with existing UNC sanctions or with energy invoicing in UNC TPD S? Who can terminate? Escalation route? Use of a market breaker methodology?

Item 12 - A dispute/appeals process is required.

Item 13 – A UNCC sub group, eg Standards of Service Sub-committee.

Items 14 and 15 – Yes; to be confirmed: compulsory/by exception, costs socialised? A forensic level of audit may not be necessary. A number of points still to be considered: Failing parties or a sample across industry – if of industry benefit to review then a smear back? Should individual audits be paid for by those subjected to one? An audit could be broken down by activities and funded in different ways?

Item 16 – All, potentially.

Item 17 – Yes, can comment.

Item 18 – Yes.

Item 19 – Tender process to address PAFA failings/new appointment/reappointment; include termination date in contract.

Item 20 – Yes, 12 monthly.

Item 21 – Add new item ‘limitation on liabilities’ - PAFA/others/Service Provider? Under the regime assume there will be a cap on parties.

Item 22 – What will be the cost of helping/not helping? A ‘critical friend’ educational role for post Nexus staff? If whole industry benefit – smear. Need to define who should receive help/scope. Should there be certification of readiness to enter the market?

Item 23 – To be defined; too early to say. Discussion of various scenarios. Incentive/penalty should be painful enough to encourage a party to achieve the required industry performance level. Need to map out process and discuss who then needs to fill the defined roles.

Item 24 – Yes – via the central study?

Item 25 – Review of other codes/processes. Could have an end-to-end process that includes all parties (MAMS, SEC, etc). Could be governed such that it delivers a cohesive process, via Code of Practice?

Item 26 – Group each level of the chain (if owned by a single company, and to avoid masking poor performance of one or more of its parts), ie at corporate level and at market product level.

Item 27 – Yes; should GTs start earlier (no Nexus impacts)?

Item 28 – Ofgem and Workgroup to consider PAFA.

Item 29 – Potentially through drawing attention to areas of high risk/materiality.

Item 30 – To be considered.

Item 31 – Definition of ‘body’ discussed; may need changes to the Licence to support/facilitate existence, but not obvious how that would be done – no changes to Licence?

Item 32 – Removed.

Item 33 – Considered above.

Item 34 – Dependent on process for appeals.

Item 35 – Mentioned earlier; ‘readiness for market’ testing may be required – barrier to entry? A clear justification would be required to impose this. Elements of risk to being ill-prepared, because no party operates in isolation in the gas market. Perhaps a requirement to clearly demonstrate an ‘understanding of the rules’ and how a party intended to discharge its obligations?

General

If liabilities are to be smeared back by market share to the parties impacted by the non-performance, then details of how this might be done will need serious consideration. What generates the risk and how it manifests itself will inform what/how it should be done.

Next Steps

AL will review the Risks and Issues Logs in light of today’s discussions, and see if any additions should be made to the Workplan.

3.6 Opportunities for Early Performance Monitoring

Under consideration; may be developed later.

Action PA 11/02: *Early Performance Monitoring* - Invite Xoserve to future meetings to drive the discussions on options and AQ issues.

4. Any Other Business

None raised.

5. Diary Planning

Further meetings of the Performance Assurance Workgroup have been arranged as follows:

Date	Time	Venue	Programme
17 December 2013	10:30	Consort House, 6 Homer Road, Solihull B91 3QQ	Reporting; other topics to be confirmed
21 January 2014	10:30	Room 3, ENA, 52 Horseferry Road, London SW1P 2AF	To be confirmed
04 February 2014	10:30	Solihull	To be confirmed
04 March 2014	10:30	Solihull	To be confirmed
01 April 2014	10:30	Room 4, ENA, 52 Horseferry Road, London SW1P 2AF	To be confirmed
May 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
June 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
July 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
August 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
September 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
October 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
November 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed
December 2014	10:30	To be confirmed when Nexus meeting dates known	To be confirmed

Action Table – Performance Assurance Workgroup

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA07/01	22/07/13	2.	<i>Terms of Reference</i> – Develop and circulate for comment.	Ofgem (JD)	Carried forward
PA07/04	22/07/13	2.	<i>Industry Funding Communication</i> - Letter to ENA, Energy UK and ICoSS seeking provisional agreement to funding of academic study.	Ofgem (JD)	Carried forward
PA08/02	21/08/13	2.1	<i>Tender Advertisement</i> - Provide a link to the dedicated area on Ofgem's website.	Ofgem (JD)	Carried forward
PA09/03	25/09/13	3.5	<i>Issues Log</i> - AL to circulate Issues Log.	ScottishPower (AL)	Closed
PA10/01	23/10/13	3.1	<i>Elexon Measures/Tools</i> – a) AL to circulate Elexon's presentation to those present; and b) All parties to consider what value there might be in the adoption of some/all of the Elexon measures/tools.	a) Scottish Power (AL) b) All parties	Closed Closed
PA10/02	23/10/13	3.4	<i>Reporting</i> - Review the list of reports and consider if any additions/removals are required and what the outputs should be.	ALL	Closed
PA10/03	23/10/13	3.5	<i>Project Plan</i> - Present an overview of the Performance Assurance Project Plan to the Project Nexus Workgroup at an appropriate meeting.	ScottishPower (AL)	Carried forward
PA11/01	11/11/13	3.3	<i>Reporting</i> – Transpose data from AM's strawman into AL's Reporting spreadsheet, and add a column to include a short summary of the purpose	British Gas (AM) and ScottishPower (AL)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			of each report.		
PA11/02	11/11/13	3.6	<i>Early Performance Monitoring</i> - Invite Xoserve to future meetings to drive the discussions on options and AQ issues.	Joint Office (BF)	Pending