

Performance Assurance Committee Minutes
Tuesday 14 March 2017
at Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andy Clasper	(AC)	Transporter Member
Angela Love	(AL)	Shipper Member
Fiona Cottam	(FC)	Observer, Xoserve
Fraser Mathieson	(FM)	Transporter Member
Greg Mackenzie	(GM)	Shipper Member Alternate
John Welch	(JW)	Shipper Member Alternate
Kish Nundloll	(KN)	Transporter Member
Lisa Saycell	(LS)	Shipper Member
Mark Jones	(MJ)	Shipper Member
Rachel Hinsley	(RH)	Observer, Xoserve
Shanna Key*	(SK)	Transporter Member
Tricia Quinn	(TQ)	Ofgem

Apologies

Colette Baldwin	(CB)	Shipper Member
Mitch Donnelly	(MD)	Shipper Member

*via teleconference

Copies of non-confidential papers are available at: <http://www.gasgovernance.co.uk/PAC/140317>

1. Introduction and Status Review

LJ welcomed everyone to the meeting and explained that Kish Nundloll is taking up the iGT vote whilst Hilary Chapman has rescinded her vote, as expected.

1.1 Confirm Quorate Status

The meeting was declared quorate.

1.2 Apologies for absence and note of Alternates

Colette Baldwin (Shipper Member) absent, no alternate appointed, and Greg Mackenzie as Alternate for Mitch Donnelly (Shipper Member) absent, and John Welch as Alternate for Edd Hunter (Shipper Member), and

1.3 Review of Minutes (14 February 2017)

FC pointed out a typographical error on page 3 whereby “Terms ~~of~~ Reference” should read as “Terms of Reference”. Thereafter, the minutes of the previous meeting were approved.

2. Procurement of a Performance Assurance Framework Administrator (PAFA) - Update

FC advised that the process remains on track. Further updates on progress made will be provided when appropriate. *(This agenda item will remain as a ‘place holder’ until such time as Xoserve has relevant information to impart to the PAC.)*

3. Performance Assurance Framework (PAF) Document for the (Gas) Energy Settlement Performance Assurance Regime (Framework Document)

LJ advised that the document was submitted to the February 2017 UNCC for approval and was subsequently returned for re-consideration of how expenditure oversight is achieved.¹

When asked whether or not members wished to amend the document, or return it back to the UNCC unaltered. A brief debate ensued during which it was noted that, whilst PAC does not have a specific budget per se, the funding of the PAFA would be managed via the CDSP route.

LJ reminded all that the PAC effectively receives its remit from the workplan and risks, which would be consulted upon. If members felt that this was appropriate then it would be reasonable to return the document as-is and request approval.

Members agreed with the general principle, but felt that there was merit in further clarification of the underlying need to avoid fettering PAC's investigations whilst maintaining oversight against expenditure

TQ supported the view that PAC should not be constrained when undertaking assessment work for gas settlement issues.

LJ then undertook some onscreen amendments/additions to the paragraph 8 statements to better reflect member's views; the key to the issue related to the PAC being able to justify any expenditure in an appropriate manner. AL indicated that she remains concerned that in some instances, the PAC may not be able to provide sufficient justification, especially in areas where confidentiality is of paramount importance.

It was agreed that following these latest changes, the document should now be resubmitted to the 16 March 2017 UNCC for approval.²

4. Electricity Incentive Regime overview

During an onscreen review, British Gas provided an explanation behind the presentation whereupon attention initially focused on slide 3 – Incentives.

GM explained that the term 'Incentives' in this example does not refer to paying parties to meet their performance requirements. Furthermore, within the electricity market it is the suppliers that are the key performance party. It was also noted that proposals to make the BSC Agents (in essence data aggregators) more accountable under the BSC provisions, are being considered at this time.

When asked, GM confirmed that the 'Peer Comparison' information is available on the Elexon web site and suggested that adopting the electricity model for UNC Modification 0520A purposes might be seen as being a little too harsh.

In considering the 'Removal of Qualifications' and 'Breach and Default' aspects, GM pointed out that as far as he is aware, these options have not been utilised to date. He also believes that there would be industry participation before an issue ever reached these stages.

Moving on to consider the 'Detective' slide, LJ enquired whether or not an audit was originally specified in the arrangements, or whether it is a product of a reaction to an issue especially as it 'feels' like an expensive option. Responding, AL advised that this is an annual item (value circa £2m p.a.) that the PAF UNC Workgroup considered but discounted on the grounds of cost.

¹ A copy of the 16 February 2017 UNCC meeting minutes are available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/uncc/160217>

² Please note: A copy of the Final Draft of the Framework Document was approved at the 16 March 2017 UNCC meeting. A copy of the meeting minutes are available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/uncc/160317>

GM advised that the 'Performance Monitoring and Reporting' aspects are similar to those proposed under 0520A, and suggested that further consideration of the finer aspects would be beneficial in order to ensure that requirements better dovetail with 0520A provisions. It was suggested that PAC might need to utilise targeted contact list names to better reflect the different potential issues (i.e. technical / non technical contact listings etc.).

When asked how this report mechanism relates to the previous peer comparison stage, GM explained that the peer comparison is a high-level perspective whereas the performance monitoring and reporting drills down to a more detailed perspective (i.e. on an individual anonymised basis). It was acknowledged that comparing the 0520A reporting aspects with the equivalent electricity model, especially how the anonymised information aspects work, is difficult.

When asked whether or not managers are appointed for each and every Error Failure Resolution (EFR) occurrence, GM advised that these instances are often escalated to named managers/senior managers for resolution. GM also advised that EFR's are mainly raised depending upon circumstances involved.

LJ advised that he would raise a new issue relating to the development of a specific contacts list, if deemed appropriate, with a target resolution date of no later than August 2017. FC explained how Xoserve utilises its contact lists.

GM then explained how the 'Technical Assurance of Metering Systems' is predominately an electricity market item only, where it aims to avoid socialised cost spillovers.

Moving on to consider the 'Preventative' slide, LJ observed that the gas market seems to be predominately a reactive approach, whereas the equivalent electricity model seems to be more proactive, so perhaps members should consider the matter further. Responding, some members suggested that there could be value in looking at this once PAC is up and running, as it is probably best to also await the appointment of the PAFA. It was noted that this aligns with Ofgem's desire to go beyond simply settlement related risks.

FC also suggested that members would also need to compare the electricity and gas system aspects (i.e. interactions via file flows and how these potentially impact settlement etc.).

In considering the 'Education' aspects, GM advised that P272 is currently coming on stream in the electricity market and has resulted in parties engaging across the board. LJ suggested that this has the appears to take the form of an implementation support mechanism, which feels like a good way to go. FC explained the Xoserve new entrant support mechanisms and how their Stakeholder Engagement Team is involved.

In considering the 'Qualification' and 'Re-Qualification' aspects, GM indicated that any mistakes could / would potentially incur socialised costs. FC reminded that Xoserve had witnessed poor performance during the RGMA transition and in essence, undertook a comparison exercise.

Moving on to consider the final 'Remedial' slide, GM explained that 90% of liquidated damages (in the electricity market) are distributed across parties based on their market share on a £/mWh.

AL noted that the 'Change Proposal' in the electricity side is similar to a UK Link Change Order in the gas market.

In considering the 'Error Failure Resolution' swim lane, it was noted that previous PAC discussions had aired concerns around potentially interrogating Company Directors and concluded that perhaps this is something to be avoided wherever possible.

GM advised that the 'Trading Disputes' mechanism essentially provides a re-opener option.

When it was suggested that considering a RAG (Red, Amber, Green) approach to the PAC reports might be beneficial, FC explained how the current corrections reports suppose a 100% performance as a minimum requirement, and as a consequence, can only ever be perceived as being either red or green.

LJ thanked GM for this informative presentation and asked members to consider the issues

raised in respect of good practices for the gas PAF.

5. Risks

5.1 Register Review

Not relevant at this time – placeholder for future meetings.

5.2 Revised Risk Methodology – Review/Approve

During an onscreen review, JW explained the progress made to date on the draft document, explaining that the most recent amendments amount to a tidy up exercise following the last meeting.

In short, the changes focus on the ‘Scores’ on page 10 which are his initial attempt at setting these based around the risk map considered at the previous meeting.

When asked whether or not PAC members need to consult on this proposed amendment (as per the Elexon electricity model), LJ indicated that this would not be necessary as this is simply a PAC document; risk could always be reviewed as part of the annual workplan review. LJ suggested that the risk scoring does not necessarily need to relate to an absolute value and is more to do with provision of a consistent scoring approach across all risks. It was agreed to utilise the scoring as proposed for the time being with a view to revisiting the matter once the PAFA has been involved.

When asked, members approved the document as amended.

6. Monthly Review Items

6.1 Issues List

LJ briefly summarised the current issues and the PAC reviewed the status.

PAC002 - Update due 01 May 2017. **Carried Forward**

LJ pointed out that the issues list would be updated following the meeting.

6.2 Implementation Plan

The brief review focused on the February 2017 draft Plan with special attention being paid to the March, April and May columns.

Performance Assurance Committee - month-to-month activity and now colour coded by quarters.

The PAC reviewed the Q1 activities line by line, and AL noted the amendments to dates (February and March) – a brief line on line summary follows:

Q1 Line 15 – whilst there were no specific new items identified, it was noted that perhaps this should be reconsidered once the PAFA is on board. Thereafter, Ofgem (TQ) agreed to undertake a new action to consider;

New Action PAC0301: Reference the Implementation Plan (line 15) – Ofgem (TQ) to consider how the final risk methodology would be agreed.

Q1 Line 17 – Period changes – to be considered in due course;

Q2 Lines 18 & 19 – Effectiveness of the methodology and approach – to be considered in due course;

Q2 Line 20 – Performance Assurance Risk Reporting - Initial – brief debate on whether or not this is now a Q4 consideration concluding in leave ‘as-is’ for the time being until PAC are more happy with the reporting aspects;

Q2 Line 21 – pre-Nexus reports – consideration remains on going, and

Q2 Line 22 – Reports and whether they provide the expected insight into settlement risks – parties to consider whether the high level summary is sufficient or do we need a better industry engagement process (i.e. a communications plan based approach).

New Action PAC0302: Reference the Implementation Plan (line 22) – All parties to consider whether the high level summary is sufficient or do we need a better industry engagement process (i.e. a communications plan based approach).

Concluding discussions, LJ explained that at the next meeting the focus would be on the April/May items.

6.3 Ofgem Update

TQ provided a brief status update as follows and explained that the SPAA theft incentive modifications have now received their decisions and that Ofgem is now looking at post Project Nexus governance with a possible enduring role for the Data Management Group going forwards.

FM also explained that the Change Management meeting had discussed how the industry could/would potentially fill the discussion voids in the post Project Nexus world.

6.4 PARR Schedule 1 Reporting

Opening consideration of this item, LJ reiterated his concerns about how best to present the confidential elements to the PAC discussions and suggested that perhaps one workable option would be for Xoserve (FC) to lead the confidential part of the meeting and thereafter produce a set of notes for circulation to PAC members only, and thereby ensuring that confidentiality is maintained.

When FC made reference to how well she believed the previous meeting minutes had addressed the issue (i.e. they (Xoserve) provided a non confidential statement for inclusion in the main minutes), LJ suggested that perhaps including a statement within the main minutes that refers to the Xoserve confidential notes would be a better solution. It was agreed that some form of high-level summary for inclusion within the main minutes would also be beneficial.

Moving on, RH advised that her colleague, A Miller has suggested that we need a reporting register, similar to the UNC Modification 0506V provisions. *It was also noted that this also covers off outstanding action PAC0202 requirements.*

When RH explained that there were no reports for consideration at today's meeting due to the timing aspects around the release of the Shipper Packs on or around the 20th of the month, FC provided a quick pictorial representation of the timing aspects and noted that this initial proposed schedule could/would change once the PAFA comes on board (i.e. to take into account any PAFA related timing requirements). FC also pointed out that the proposed schedule relies on the information being extracted from the Xoserve system to trigger the start point.

When asked whether Shippers would receive the reports at the same time as PAC members, FC suggested that whilst this is a possibility, more consideration is needed before committing to it – some parties believe that roughly at the same time would be sufficient.

In referring to the 'Performance Assurance Framework Document for the (Gas) Energy Settlement Performance Assurance Scheme – Performance Report Register, RH suggested that Shipper Packs for schedule 1 are released on a best endeavours basis – this was not a universally supported view however.

When asked why two emails are employed for Schedule 1B.1 through to 1B.4 purposes, FC explained that this approach satisfies the established I.T. security protocols for this interim pre-PAFA workaround process. LJ suggested that there might be value in considering staggering the release of the two emails.

FC pointed out that the correction factor sites report is provided in response to a specific obligation and that every single report potentially relates to a breach of the obligation.

FC went on to advise that there would be no SharePoint option developed for PAC purposes at this time, as these are only pre-Project Nexus related reports.

When asked about what PAC wishes to do regarding the UNC Modification 0570 reporting aspects, AL suggested that it might be prudent to await the decision on the modification before looking at the potential PAC impacts and requirements. AL pointed out that the main aspects had already been stripped out following Workgroup discussions.

7. Annual Workplan and Budget – *initial discussion*

Opening these initial discussions, LJ suggested that it might be beneficial to follow the Elexon model and to this end requested that British Gas (GM/MD) look to source a copy of the equivalent Elexon document(s) to utilise as a ‘strawman’ for consideration at the April meeting.

New Action PAC0303: Reference the Annual Workplan and Budget – British Gas (GM/MD) to source a copy of the equivalent Elexon document(s) to utilise as a ‘strawman’ for consideration at the April meeting.

LJ noted that as a gas specific consideration, this could possibly be based on an October to October period. In essence, we could look to undertake consideration of the strawman in April and work through and develop the solution(s) in May and June followed by a consultation process in mid July.

8. Review of Actions Outstanding

PAC 1004: PARR Schedule 2 Reports - Xoserve to collate report development questions/recommendations for review by PAC at a future meeting.

Update: Ongoing; deferred to next meeting. **Carried Forward**

PAC1103: PAF Framework Document – JW to provide a risk rating scale based on throughput, and suggested amendments to the current section wording; and also provide a separate Risk Approach document.

Update: It was agreed that this action was completed and could now be closed. **Closed**

PAC 1202: Electricity Incentive Regime - GM to prepare and present information on this at the March 2017 meeting.

Update: It was agreed that this action was completed and could now be closed. **Closed**

PAC 0104: “Nexus Manual Workaround Report” - AL and RH to bring to the next meeting for discussion.

Update: RH advised that as PwC are involved, it will now be April, May or June before she would be able to provide any meaningful information, especially as provision of the information requires Xoserve Board approval.

RH also pointed out that Xoserve are looking to take this opportunity to also collate several listings. **Carried Forward**

PAC 0201: Reference Gas Market Settlement Risk Assessment document – Framework of Analysis Assumptions - Joint Office (LJ/MB) to prepare a list of updated assumptions for consideration at the March 2017 Committee meeting.

Update: During a brief onscreen review of the (draft) list of assumptions, members agreed that PAC Reference item number 5 could be deleted as number 2 sufficiently covers off the matter. In noting that this subject also reflects her previous data transfer catalogue request,

AL also suggested that care would be needed around the PAFA making inappropriate assumptions. FC advised that all the identified process transactions are already documented.

It was agreed that this action was completed and could now be closed. **Closed**

PAC 0202: *Reference PARR Schedule 1 Reporting provision* – Xoserve (FC) to document the communication processes for formal PAC approval at the March 2017 meeting.

Update: It was agreed that this action was completed and could now be closed. **Closed**

9. Agree Key Messages and Next Steps

7.1 Key Messages

It was agreed that the following information should be communicated:

- Procurement activities for the Performance Assurance Framework Administrator (PAFA) are on track
- Performance Assurance Framework (PAF) Administrator procurement remains on track
- PAF document has been clarified in respect of UNCC's concerns about budgeting and will be submitted to this week's UNCC meeting with a request for approval
- PAF Reports Register has been approved
 - Details the individual reports and schedules
 - Reports Register (PAC document 1) can be found at: <http://www.gasgovernance.co.uk/PAC>
- After considering how the broadly-equivalent Electricity Incentive Scheme operates, two new Issues had been raised:
 - There might be a need for PAF-specific contacts to be established; need to understand the purposes (such as operational process, commercial etc). For resolution by August 2017
 - There might be benefits in providing some 'preventative services' (such as systems/process verification, formal training etc.) to parties. For resolution by December 2017

7.2 Next Steps

Items scheduled for the next meeting (April):

- Procurement of a Performance Assurance Framework Administrator (PAFA) - Progress update if appropriate
- Regular monthly review/update items (Risk Register Review; Issues List; Implementation Plan; Ofgem update and PARR Schedule 1 Reporting update)
- Review of Actions outstanding
- Agree Key Messages and Next Steps

10. Any Other Business

None.

11. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Time/Date	Venue	Programme
10:30, Tuesday 11 April 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	The main focus will be to consider: <ul style="list-style-type: none"> • <i>Procurement of a Performance Assurance Framework Administrator (PAFA) - Progress update (where appropriate)</i> • <i>Regular monthly review/update items</i>
10:30, Wednesday 03 May 2017	Elexon, 350 Euston Road, London NW1 3AW	<i>To be confirmed</i>
10:30, Tuesday 13 June 2017	Solihull	<i>To be confirmed</i>
10:30, Tuesday 11 July 2017	Rooms LG5/6 combined, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>
10:30, Tuesday 08 August 2017	Solihull	<i>To be confirmed</i>
10:30, Tuesday 12 September 2017	Room LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>
10:30, Tuesday 10 October 2017	Solihull	<i>To be confirmed</i>
10:30, Tuesday 14 November 2017	Room LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>
10:30, Tuesday 12 December 2017	Solihull	<i>To be confirmed</i>

Action Table (as at 14 March 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 1004	10/10/16 <i>(reworded 08/11/16)</i>	7.	<i>PARR Schedule 2 Reports - Xoserve to collate report development questions/recommendations for review by PAC at a future meeting.</i>	Xoserve (RH)	Carried Forward
PAC 1103	08/11/16 <i>(reworded 13/12/16)</i>	3.	<i>PAF Framework Document – Provide a risk rating scale based on throughput, and suggested amendments to the current section wording; and also provide a separate Risk Approach document.</i>	PAC Member (JW)	Update provided. Closed

Action Table (as at 14 March 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 1202	13/12/16	4.	<i>Electricity Incentive Regime</i> - GM to prepare and present information on this at the March 2017 meeting.	PAC Member (GM)	Update provided. Closed
PAC 0104	10/01/17 (reworded 14/02/17)	6.	" <i>Nexus Manual Workaround Report</i> " - AL to liaise with RH and bring to the next meeting for discussion.	PAC Member (AL) & Xoserve (RH)	Carried Forward
PAC 0201	14/02/17	4.2	<i>Reference Gas Market Settlement Risk Assessment document – Framework of Analysis Assumptions</i> - Joint Office (LJ/MB) to prepare a list of updated assumptions for consideration at the March 2017 Committee meeting.	Joint Office (LJ/MB)	Update provided. Closed
PAC 0202	14/02/17	5.5	<i>Reference PARR Schedule 1 Reporting provision</i> – Xoserve (FC) to document the communication processes for formal PAC approval at the March 2017 meeting.	Xoserve (FC)	Update provided. Closed
PAC 0301	14/03/17	6.2	<i>Reference the Implementation Plan (line 15)</i> – Ofgem (TQ) to consider how the final risk methodology would be agreed.	Ofgem (TQ)	Pending
PAC 0302	14/03/17	6.2	<i>Reference the Implementation Plan (line 22)</i> – All parties to consider whether the high level summary is sufficient or do we need a better industry engagement process (i.e. a communications plan based approach).	All parties	Pending
PAC 0303	14/03/17	7.0	<i>Reference the Annual Workplan and Budget</i> – British Gas (GM/MD) to source a copy of the equivalent Elexon document(s) to utilise as a 'strawman' for consideration at the April meeting.	British Gas (GM/MD)	Pending