

**Performance Assurance Workgroup Minutes**  
**Wednesday 04 February 2015**  
**Elxon, 350 Euston Road, London NW1 3AW**

**Attendees**

Bob Fletcher Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan	(AM)	British Gas
Andy Miller	(AMi)	Xoserve
Angela Love	(AL)	ScottishPower
Carl Whitehouse*	(CWh)	first:utility
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter*	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
John Peters	(JP)	Engage Consulting
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Naomi Anderson	(NA)	Engage Consulting
Richard Pomroy	(RP)	Wales & West Utilities
Steve Mulinganie*	(SM)	Gazprom

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/PA/040215>

**1. Introduction and Status Review**

**1.1. Declaration of Interest**

AMi declared that Xoserve may have an interest in an administrative role.

**1.2. Review of Minutes**

The minutes of the previous meeting (13 January 2015) were approved.

**1.3. Review of Actions**

**PA1104:** ScottishPower (AL) to provide a list of issues for inclusion in the risk assessment model.

**Update:** A list had been provided and published in advance of this meeting. **Closed**

**PA1201:** *Reference Meter read validation failure* – ScottishPower (AL) to consider the worst-case scenario associated with an upward AQ trend and also consider the benefits/drawbacks of examining data that goes further back than 2014.

**Update:** This action had been superseded. NA thanked contributors for their comments and confirmed that these had been incorporated into the report where possible. **Closed**

**PA1203: Reference late or incomplete check reads** – National Grid Distribution (CW) and Xoserve (EL) to provide a view on drift and check reads for all Transporters.

**Update:** EL reported that collation of information to input into the model is continuing and that an update is to be provided at the next meeting. **Carried forward**

## 2. Workgroups

### 2.1. 0506 – Gas Performance Assurance Framework and Governance Arrangements

The Workgroup Report is due for submission to Panel on 18 June 2015. Minutes and other meeting papers are located at: <http://www.gasgovernance.co.uk/0506/040215>.

## 3. Risk Study Update

### 3.1. Consideration of Independent Study Final Report

In a presentation, NA gave an overview of the finalised deliverables (published on the Independent Risk Study page), and drew attention to the Dynamic Model User Guide. The Study's main findings were summarised and each area was outlined in more detail. Other risks had been noted for the Performance Assurance Workgroup's (PAW) consideration. Various points were discussed as the presentation progressed.

#### *Offtake Metering*

CW observed that this area was now much less of a risk than previously noted, and that the risk rating/assessment should be updated to reflect this diminution. However, SM stated that he still considered it to be a risk and had concerns about Offtake metering and its accuracy. GE suggested it could be monitored and reviewed over the next few years. EM believed there would be improvements going forward, and observed that some of the measurement errors had existed before the time of the Network Sales. CB said that she expected to see errors diminish over time and this will flow through to the data. NA then explained how she had approached the historical data. EM reiterated that the Transporters were targeting a lot of effort into this area to achieve significant improvements. BF pointed out that currently there was only one live measurement error in progress.

**Action PA0201: Final Report - NA to provide the spreadsheet of comments received/changes made for publication.**

#### *Dynamic Model Ownership*

Questions were raised regarding ownership of/access to the model and any potential copyright issues. AL suggested referring it to the trade parties who funded it. JD indicated that the model was free to be used, and a brief discussion followed. JD will consider whether Crown Copyright can be established so that the model can be made publicly available.

**Action PA0202: Dynamic Model Ownership - JD to consider whether Crown Copyright can be established so that the model can be made publicly available.**

#### *"Fair" use of AQ corrections process*

The findings were discussed. It was suggested this might be a challenge on the rules or the way Shippers are behaving in respect of the rules. EL suggested this needed further clarification. 'Fair' use could be extended to cover use of a flag. GE noted potential abuses. CB queried, was it a question of an AQ not being corrected that should be? Examples were discussed. What was the risk if it was done or not done, and how would this be identified? Further examples were considered. JP explained what Engage had tried to quantify and how validation might fail. SM suggested that a subgroup could clarify the context, assess and address and monitor over time. NA observed it is an extension of some of the current risk where AQs are too low. It highlights the need for Shippers to manually work through and

amend as quickly as possible. CB believed there was a legitimate time to use this avenue. NA added that all Shippers should be amending in a consistent manner.

CW referred to read submissions and frequencies - should these be reviewed? Perhaps frequency could be increased to drive performance and the making of amendments in a timely fashion. CB observed that AQ correction was supposed to be used in a quite limited way because behaviours are changing? It should be done in a balanced way. NA gave examples of how Shippers might be able to 'game' with this process, if a Shipper decides to be completely disengaged with the Xoserve process. There is no mandatory obligation to correct Correction Factors. CB referred to the Thermal Energy Regulations. NA indicated that Xoserve is discussing with Shippers but there was no onus on any party to report/manage this. AL was more concerned with parties not putting reads in at all (by the line in the sand), rather than reads failing validation. JP reiterated the risks identified with AQs and noted that there may be drivers not to correct failed readings when considering line in the sand. AL suggested that clauses could be included in contracts to address this. JP observed it was an enormous number compared to other potential risks.

#### *Incorrect Asset Details*

NA gave a brief overview. Responding to AM's questions, EL explained how it would be known if a read factor was wrong such as the imperial/metric identifier; post - Nexus there would be controls in place (basically a small population).

#### *Use of Estimated Reads for Products 1 and 2*

AMi questioned estimated reads and actual reads, for monthly read sites were these a significant risk if they were read the following month? NA explained. Loads on these sites were discussed.

SM questioned the rankings of the risks. NA explained that cumulative risk can be significant in the model, and suggested that PAW take this away and review when access to better data was available - the model could be updated and it might be considered then that the risk had reduced.

AMi gave an example of where it ceases to be an issue; GE agreed. JP commented that it was classed as an initial allocation risk, and can therefore reduce quite quickly.

GE queried why Products 3 and 4 had been excluded (volume being in the 10s of millions in Product 4). NA responded that Products 3 and 4 have a profile to follow. Differences in actuals and estimates are believed to be greater in Products 1 and 2, rather than in Products 3 and 4.

#### *Quantification of Risks*

This was illustrated in a table. The rankings can be changed following final reconciliation. AMi questioned why the AQ correction process only applied to Product 4. NA explained, i.e. specifically where the read fails tolerances.

NA gave a brief overview of the rankings. Moving on in her presentation, and addressing the items in order of their ranking, NA then outlined the key points and recommendations to be made in respect of:

- Theft of Gas;
- Use of the AQ Correction Process;
- Use of Estimated Reads for Products 1 and 2;
- LDZ Metering Errors;

- Incorrect Asset Data on the Supply Point Register;
- Use of WAR for EUC03 and above;
- Unregistered Sites; and
- Shipperless Sites

#### *Use of Estimated Reads for Products 1 and 2*

CW drew NA's attention to Modifications 0466 and 0466A, suggesting an awareness of these would be useful. NA sees a gap in Product 2 in terms of a suitable incentive regime. AMi reiterated the obligations/liabilities placed on the Transporters.

#### *Use of WAR for EUC03 and above*

NA observed this was a principle risk to initial allocation and a potential risk to final reconciliation, and suggested that these sites should have a valid read; 25% of sites did not have a meter read in the window. AL referred to the peakiness of a load, noting the potential for a site to have an advantage through not having the correct WAR Band/profile. NA suggested this was an area that might require monitoring.

#### *Unregistered Sites and Shipperless Sites*

AM observed there was reporting in these areas. EM added that the risk is more on theft of gas where the meter flows gas and that the site is Shipperless as this is a legitimate status. The Transporters visit sites for safety reasons, usually following a meter removal. CB asked if there might be a risk of double counting with some sites. NA explained the assumptions made and the data used for the model. CW added there was not a clear line for these 'categories'. NA referred to Modifications 0424, 0425 and 0410A, and that some resolutions may have occurred in response to these modifications? EL believed these regimes have just commenced; much work was going on with site visits, etc. EM added that Modification 0431 reports had just gone out and some sites have been resolved. NA believed these areas should be monitored. CW explained current reporting and the Transporters' aspirations for Theft of Gas going forward coupled with SPAA reporting by end of February 2015.

#### *Further development of the Model and Performance Monitoring*

Suggesting views/next steps on further development and monitoring, NA offered to return to assess the approach/fairness of whatever was subsequently agreed.

Behaviours, performances, errors all create risk and measures to address (targets, rule changes, incentives) to eliminate/reduce risk need to be put in place.

AL was concerned that Network Losses and Shrinkage had not been included and addressed within the report. This was briefly discussed. JP indicated it was not a performance issue and does not change the settlement risk to Shippers. It was more of a commercial/retail risk that sits outside this study. JP referred to the following issues: length of window; NPV of the money; smeared back (how?), and exposures.

### **3.2 Conclusion of the Contract**

Observing that the report had now been completed and will be used to develop the Performance regime, BF asked if the contract was now to be closed.

JD believed the deliverables of the contract had all been satisfactorily met, and the contract would be closed. Noting that the contract was not 'open-ended', if any queries arose in the meantime JP could be contacted.

It was possible that a similar assessment exercise might be carried out in the future, and Ofgem would like to receive and assess views on how this contract/process had operated; a questionnaire was provided for stakeholder feedback, to assist closure of this contract and to suggest any improvements for consideration for future use of the process. AL suggested that more visibility would have been welcomed as changes were made to the report. JD responded that Ofgem had been satisfied that it had had sufficient oversight during progression. He reiterated the processes followed and gave assurance that all stipulations were met in terms of data protection and communication routes.

It was suggested that it would be useful to have some agreed process in place for future use should such an approach be required again; this might be able to be considered under FGO.

#### 4. Performance Assurance Plan

The Workgroup reviewed the updated plan. AL explained the updates made since the last review.

Line 15 - Completed.

Line 16 - To be kept to the end of February; include in the Modification 0520 discussions.

Line 17 - Completed.

Line 18 - To be kept to the end of February; include in the Modification 0520 discussions.

Line 31 - To be kept to the end of February; include in the Modification 0506A discussions.

Line 85 (previously Line 35) - To be discussed at the next PAW meeting.

Line 86 - To be discussed this month.

Line 87 - To be kept to the end of February.

AM suggested splitting out the SPAA references; GE observed this may be overtaken by events later in the year - the programme was falling behind and strategic decisions may be required. It was suggested that SPAA be pushed back and the UNC be prioritised.

Line 51 - End of February/March?

AL will update the plan to reflect today's discussions.

#### 5. Any Other Business

None.

#### 6. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 17 February 2015	Elexon, 350 Euston Road, London NW1 3AW (Pink Room)	Consideration of Value Chain Requirements and Workgroup 0506/0506A impacts.
10:30, Tuesday 24 February 2015	Energy Networks Association (Room 4 - <i>Note: Maximum capacity 20 persons</i> )	Workgroups 0483, 0506, 0509 and 0520.
10:30, Tuesday	Energy Networks Association	<i>Workgroup 0509</i>

24 March 2015	(Room 4 - Note: Maximum capacity 20 persons)	
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<b>Action Table (04 February 2015)</b>					
<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>PA1104</b>	26/11/14	3.6	To provide a list of issues for inclusion in the risk assessment model.	Scottish Power (AL)	<b>Closed</b>
<b>PA1201</b>	16/12/14	3.5	<i>Reference Meter read validation failure</i> – to consider the worst case scenario associated with an upward AQ trend and also consider the benefits/drawbacks of examining data that goes further back than 2014.	Scottish Power (AL)	<b>Closed</b>
<b>PA1203</b>	16/12/14	3.5	<i>Reference late or incomplete check reads</i> – to provide a view on drift and check reads for all Transporters.	NGD (CW) and Xoserve (EL)	<b>Carried forward</b>
<b>PA0201</b>	04/02/15	3.1	<i>Final Report</i> - NA to provide the spreadsheet of comments received/changes made for publication.	Engage (NA)	<b>Pending</b>
<b>PA0202</b>	04/02/15	3.1	<i>Dynamic Model Ownership</i> - JD to consider whether Crown Copyright can be established so that the model can be made publicly available.	Ofgem (JD)	<b>Pending</b>