

Performance Assurance Workgroup Minutes
10.30 Wednesday 8 April 2015
at 31 Homer Road, Solihull, B91 3LT

Attendees

Andy Clasper	(AC)	National Grid Distribution
Andy Miller	(AM)	Xoserve
Angela Love	(AL)	ScottishPower
Bob Fletcher (Chair)	(BF)	Joint Office
Carl Whitehouse	(CW)	First Utility
Colette Baldwin	(CB)	E.ON
Edward Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Jonathan Kiddle	(JK)	EDF Energy
Karen Visgarda (Secretary)	(MB)	Joint Office
Mark Jones	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve

Copies of all papers are available at: <http://www.gasgovernance.co.uk/PA/080415>

1. Introduction and Status Review

1.1. Declaration of Interest

None declared.

1.2. Review of Minutes

The minutes of the previous meeting were approved.

1.3. Review of Actions

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

Update: The Workgroup agreed to close this action as the information is already accessible via the Ofgem Website and therefore in the public domain. It was also assumed that the information/model would be bound by Ofgem's existing copyright policies. **Closed**

2. Workgroups

1.4. 0506 0506A – Gas Performance Assurance Framework and Governance Arrangements

(Report to Panel 18 June 2015) – Papers at:

<http://www.gasgovernance.co.uk/0506>

1.5. 0520 – Performance Assurance Framework Incentive Regime

(Report to Panel 18 June 2015) – Papers at:

<http://www.gasgovernance.co.uk/0520>

3. Discussion

Performance Assurance – v – Market Error

AL provided an overview of the 'Performance Assurance - v – Market Error presentation. AL explained that following the provision of the Engage report, it appeared an appropriate time to revisit this presentation to look at Performance Assurance in more detail. AL provided a brief onscreen view of the content, encompassing reconciliation, Settlement Accuracy, Market Errors and the impact on the industry as whole post the Nexus implementation. AL talked through the potential introduction of a 'Safety Net' that could be produced to address any issues that fall outside the remit of Performance Assurance Framework (PAF) e.g; a dispute process. AL suggested there might be an option to work together with DESC with regards to controllable errors and settlement accuracy, as currently happens within the Electricity market with Supplier Volume Allocation Group (SVAG), providing a resolution framework. CB felt the scope of SVAG was wider than more involved than DESC and so was not a good analogy to use in these circumstances. AL stated that she had presented this content to the Shippers and Ofgem regarding what are the risks within Modifications 0473 and 0473A and the overall change process. General discussion took place within the Workgroup surrounding the area of resolution and the impacts of meter exchange data and the current lack of openness/clarity of the AUG process. BF stated that once either Modification 0506 or 0506A was implemented then the PAC would be formed to look at these specific issues and to provide a robust solution or appropriate incentives.

The Workgroup agreed to keep in mind the suggestions in the presentation when considering the development of the PAF and its post implementation activities.

4. Xoserve analysis of East Midlands LDZ meter reading information

AM advised that since October 2014 Xoserve had been undertaking a detailed analysis of meter reading information for the monthly, six-monthly and annual meter read frequency supply points in East Midlands LDZ. The analysis had not extended to daily read meters.

Each meter has a required meter reading frequency and it is therefore possible to determine when a read is outstanding with regard to its meter read frequency.

AM explained the context of the data with regards to 'read' and what is 'unread' together with the associated percentages per month, per Shipper. He explained that the 'unread' meter would 'roll on' to the next monthly values, so each read cycle includes a core number of sites, which are never read.

Three papers on the analysis had been prepared, one on overall read submissions had been presented at the 6th March meeting, the remaining two were presented at this meeting.

4.1 Summary report of East Midlands unread AQ

AM advised that this report presented the results of the analysis that specifically looked at the amount of unread AQ for each of the read frequencies; monthly, six-monthly and annually.

For each meter read frequency category the total number of supply points and the total AQ was determined. This helps understand the scale of any unread AQ which may help inform future actions.

CB asked if the proportion of sites read from a portfolio was on a flat profile over the year or did it fluctuate with peaks and troughs. CB also wanted to understand what type of customers were in the 6 monthly read cycle as she had no knowledge of this read frequency prior to this meeting. AM advised that the numbers per frequency are in the report

and there appeared to be no material fluctuation in numbers per month over the period. He did not know what type of customers they were as this information is not available to Xoserve. MJ was under the impression that 6 monthly read sites were mixed, ranging from domestic into non domestic with a significant number being nominated on this read cycle for unknown historical reasons.

AM explained each table in the report. AM drew the workgroups attention to the pareto analysis in section 4. For each meter reading frequency it was the case that a small number of Shippers were responsible for the majority of the AQ. This may help inform future actions.

4.2 Performance Assurance methodology results

AM presented the results of the analysis and methodology. He advised that the report detailing the methodology had been presented at the October 2014 meeting and that today's update was the results of the analysis for the six months July – December 2014.

The methodology uses a target figure against which Shipper performance is measured and then a factor used to determine the percentage contribution to risk.

In presenting the Monthly Read frequency population AM highlighted that as well as using made-up shipper short codes, a number of shippers had been removed from the analysis entirely to preserve Shipper anonymity for the exercise. Within the monthly results, 5 shipper results are shaded, these are 5 of the 7 larger Shippers who together are responsible for 80-90% of the AQ – as shown in the report presented earlier. AM considered it was important to consider this aspect as it showed that a few Shippers could make a material impact to the results – assuming that any risk is actually created in the first instance.

CB observed that if the AQ is fully reflective of the actual consumption then any late reads are not creating any risk. AM agreed and considered that any analysis creates more questions than answers. AM considered the next steps might be to consider the duration the AQ is unread and the reconciliation variance to assess potential risk. CB stated that Elxon had undergone a similar exercise and had set a read performance target of 97% across the industry. AL commented that Ofgem had stated they did not want arbitrary targets set but wanted incentives based on evidence. Discussion took place within the group regarding how could a target be set and how could this realistically be measured and whether it would be seen as a controlled or un-controlled risk. CW asked if there could be a negative risk contribution and AM stated that this could be correct.

The Workgroup discussed the concept of a performance regime and how one may be structured. It was accepted that to develop one in isolation of sufficient data may mean it is not effective and does not meet its aims.

AM stated that as the discussions had proved it is a very complex and in-depth process and that just focusing on East Midlands LDZ had taken considerable resource, and even at this point there are still many outstanding questions or the need for more focused analysis on certain aspects to the supply points.

5. Any Other Business

AM requested guidance on the best way to present then Workgroup Report for 0506 and 0506A, as it is likely to be over 50 pages in length. BF agreed to sense check the document which AM is to prepare.

6. Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 21 April 2015	Energy Networks Association (Room 4 - <i>Note: Maximum capacity 20 persons</i>)	Including Workgroups 0506 and 0520.
10:30, Tuesday 05 May 2015	Energy Networks Association (Room 4 - <i>Note: Maximum capacity 20 persons</i>)	Including Workgroups 0506 and 0520.
10:30, Monday 18 May 2015	Energy Networks Association (Room 4 - <i>Note: Maximum capacity 20 persons</i>)	Including Workgroups 0506 and 0520. <i>Workgroup Reports 0506 and 0520 are due at 18 June Panel</i>

Action Table					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA0202	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)	Closed