

**Performance Assurance Workgroup Minutes**  
**Tuesday 13 January 2015**  
**at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

Bob Fletcher Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AMa)	British Gas
Angela Love	(AL)	ScottishPower
Carl Whitehouse*	(CWh)	first:utility
Chris Warner	(CW)	National Grid Distribution
Edward Hunter	(EH)	npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
John Peters	(JP)	Engage Consulting
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Matt Jackson	(MJa)	British Gas
Naomi Anderson	(NA)	Engage Consulting
Rachel Hinsley	(RH)	Xoserve
Sean McGoldrick	(SMc)	National Grid NTS
Steve Mullinganie*	(SM)	Gazprom

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/PA/130115>

**1. Introduction and Status Review**

**1.1. Declaration of Interest**

Consideration deferred.

**1.2. Review of Minutes**

The minutes of the previous meeting were approved.

**1.3. Review of Actions**

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

**Update:** AL apologised before explaining that she would email the information in due course. **Carried Forward**

**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:** AL advised that having provided an extensive list of comments to Engage, she now needs to ensure that they have all been considered. **Carried Forward**

**PA1202:** *Reference Insufficient Maintenance of the Supply Point Register* – Engage (NA) and Xoserve (EL) to consider what definition for the 1:20 event would be appropriate and consider how best to incorporate consideration of other elements (i.e. correction factors and incorrect reads etc.) and provide a view.

**Update:** NA explained that after working closely with Xoserve, the information provided by them (Xoserve) had now been incorporated within the latest version of the Engage report. **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 explained that she is awaiting provision of the information that would then be passed on to Engage to include within the risk model. NA added that so far Engage had utilised (drift and check read) estimations for modelling purposes. **Carried Forward**

**PA1204:** *Reference 12. Fair Use of the AQ correction process* – Engage (NA) and Xoserve (EL) to consider inclusion of SSP correction mechanisms, including any possible requirement for manual interventions from Shippers.

**Update:** NA explained that following detailed discussion at the previous weeks workshop, the model had now been updated accordingly. **Closed**

**PA1205:** Engage (NA/JP) and Ofgem (JD) to organise a ½ day workshop (possibly 07 January 2015) in which to host a meeting specifically aimed at reviewing the Engage model(s) in more intimate detail.

**Update:** NA advised that a workshop had been undertaken. **Closed**

## 2. Workgroups

### 2.1. 0483 - Performance Assurance Framework Incentive Regime

(Report due to Panel on 16 April 2015) – Papers at:  
<http://www.gasgovernance.co.uk/0483>

### 2.2. 0506 – Gas Performance Assurance Framework and Governance Arrangements

(Report due to Panel on 16 April 2015) – Papers at:  
<http://www.gasgovernance.co.uk/0506>

### 2.3. 0509 - Permission to release Protected Information to Authorised Third Parties

(Report due to Panel on 19 March 2015) – Papers at:  
<http://www.gasgovernance.co.uk/0509>

### 2.4. 0520 - Performance Assurance Framework Incentive Regime

(Report due to Panel on 18 June 2015) – Papers at:  
<http://www.gasgovernance.co.uk/0520>

## 3. Discussion

### 3.1. Ofgem Update

Whilst no specific update was provided, JD did indicate that with regards to the AUG related modifications, it is more likely that Ofgem would approve one of these rather than reject both.

### 3.2. Value Chain Update

EL explained that work remains ongoing and that a clear delivery date is not available at this time, although attendees noted that the meeting on 17 February would focus on completing this work.

### 3.3. Project Plan Update

AL provided an update on the latest version of the project plan focusing attention on the most important changes, as follows:

Line 15 – push out to end of January;

Line 16 – whilst on today’s agenda, it would be part of Engage’s report conclusions and could also be included within workgroup 0483 or 0520 development (subject to the report outcomes and recommendations) – extended to the end of February;

Line 17 – changed to the beginning of January and concluded now;

Line 18 – relating to 0483/0520 so push out to end of February;

Line 31 – awaiting the Engage Report, so push out to end of February;

Line 35 – push out to the end of February;

Line 36 – push out to the end of February;

Line 37 – keep as February and include under 0506/0506A development;

Line 40 – error in report and push out to March;

Lines 41 & 42 – push out to March;

Line 54 – Engage’s report work has highlighted some areas for consideration therefore push out to end of March, and

Lines 83, 84 & 85 – duplication therefore removed.

AL explained that she would now update the plan to include elements for 0506A and 0520 (but not 0509) before asking AM to consider what steps he would like adding for his 0520 modification.

## 4. Risk Study Update

### 4.1. Gas Settlement – Risk Assessment Model

NA indicated that the latest version (0.3) of the risk assessment document had been published on the Joint Office web site the previous day. Continuing, she then focused attention on the most recent round of changes made to a certain number of the identified risks, and a summary of the discussions over and above the main points provided within the presentation, are captured as follows:

#### Risk 1 – LDZ Allocation Error

NA explained that correction of some anomalous data had been undertaken, but pointed out that the impacts of this were immaterial in nature.

#### Risk 5 – Use of estimated meter reads for products 1&2

JP explained that whilst the risk had now been split into products 1&2, the parameters for these products remain the same and users could now model each separately.

#### Risk 7 - Incorrect asset data on the supply point register

Scenarios added to cater for main consumption risks and each scenario split by product (1-4).

#### Risk 9 – Late Check Reads

NA explained that users would now be able to independently select parameters if they wished to.

Engage has assessed the meter check reads across all products.

#### Risk 10 – Shipperless Sites

NA explained that the detection rates had now been changed, whilst assumptions have been based around modification 0410A/0424/0425 provisions (i.e. GSR visit timescales and reporting requirements etc.).

NA pointed out that at the recent workshop, an assumption had been agreed that where a party withdraws from a site erroneously, this invokes a settlement risk. AM pointed out that Ofgem remains concerned about retrospective adjustments.

EL indicated that the information had already been provided to Engage after which, NA suggested that this would be included in their subsequent report. She also suggested that Engage would be more than happy to amend the model to include a supplementary 'base case' position to sit on top of the current yearly based analysis pot (the model is based on annualised data with the assumption that Shipperless sites would be detected yearly). AL advised that this matter had been discussed in detail at the recent workshop and suggested that once Engage come up with a new guidelines document, the workgroup could then consider whether or not the model works okay.

#### Risk 12 – AQ Correction Process

NA suggested that this is now potentially an area of significant change and risk due in part to recent changes to AQs, allied to what appears to be very little incentive on Shippers (with a three fold AQ value over and above the average) to resolve matters – model now allows users to monitor the situation more closely.

#### Risk 14 – Approach to retrospective Updates

NA explained that rather than being an estimation exercise, this was now based on latest 2012 data as provided by Xoserve relating to circa 5k adjustments. EL explained that Xoserve could not guarantee that all adjustments would be retrospective but it is the only data available at this time.

#### Risk 15 – Unregistered sites

NA suggested that it might be prudent to change the phrase 'created by Transporters' as this is not really what is meant.

In briefly discussing whether or not an obligation on Transporters would be appropriate, EM suggested that MAMCoP provisions should prevent meters being installed without a gas supply contract being in place and pointed out that if parties abided by Code and MAMCoP provisions better, then there would/should not be any unregistered sites. JP wondered whether looking to identify who was paid for providing what service might be a way of identifying where the obligation might sit. He went on to add that Engage's report would identify the level of risk involved in order that parties could assess an appropriate course of action to follow. It was noted that whilst the risks are lower than the 'original' estimation, they still remain high even on an individual basis.

When asked, NA confirmed that some feedback had already been provided by interested parties. Engage are on target to publish the 1<sup>st</sup> draft of the Final Report on Friday 16 January 2015, and request that parties provide their feedback by no later than Friday 23 January 2015. Thereafter, the aim would be to refine the report based around the feedback provided.

Development of the user guide continues and it is hoped to publish this around the same time as the report. AL suggested that the workgroup would need to consider how risks would be managed going forward in a post Project Nexus world and that perhaps some of the user guide wording may need amending in due course.

When asked about ranking of risks, NA responded by giving the example that in Engage's view, the meter read aspects pose a smaller risk (due in part to the length of the meter read submissions window) than metering errors (i.e. the Aberdeen Metering Error etc.) or site specific max bands for instance.

AM suggested that where a risk imposes costs on the industry he would hope that the modelling would help to identify the risk and where any associated obligation should sit (i.e. GSR visits and how the risk evolves when no visit is undertaken). Responding, CW firmly stated that GSR cut off is a function of a meter being disconnected from a Transporters network which is a Gas Safety related issue, rather than a settlement one – parties remained divided over this matter as some still believe that there is a potential UG reporting requirement.

When asked whether or not the report would identify risks by product type and therefore potentially identify any Transporter related impacts, NA and JP advised that whilst the report would not explicitly include this, the model does allow users to set appropriate parameters.

It was acknowledged that there is a perception that Project Nexus would improve asset data and meter reading aspects.

Moving on, JP once again pointed out that in compiling the analysis and developing the model, Engage have ignored the value of money (i.e. potential market operation cash flow risk). CW suggested that this is a question for Shippers and that they would need to assess the potential risk to the industry – it was acknowledged that this matter might be difficult to assess accurately and that load impacts also have a bearing.

When asked, JP confirmed that the report would contain an ‘Observations’ section which could/would be used to potentially identify future work requirements.

AM noted that the outputs from this piece of work could/would be beneficial to the development of UNC Modification 0483 and that the modification may need to be ‘tweaked’ in due course.

When asked whether or not there are any process related issues for Ofgem, JD responded by stating that Ofgem accepts that there may not be 100% Workgroup agreement on all aspects, but as long as the Workgroup are (reasonably) happy with it as a piece of work, Ofgem would be happy to sign off.

**4.2. Dynamic Settlements Model presentation**

Covered under item 4.1 above.

**4.3. Consideration of Independent Study**

Consideration deferred.

**4.4. Reporting requirements from Xoserve/ SPAA**

Consideration deferred.

**4.5. Governance Arrangements – potential impacts from PAF**

Consideration deferred.

**4. Any Other Business**

None.

**5. 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 04 February 2015	Elexon (Room to be confirmed)	Consideration of Independent Study Final Report and Workgroup 0506/0506A.
10:30 17	Elexon	Consideration of Value Chain

February 2015	(Room to be confirmed)	Requirements and Workgroup 0506/0506A impacts.
10:30 24 February 2015	Energy Networks Association (Room 4)	Consideration of Workgroup 0483 and 0520.
10:30 24 March 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</i>

<b>Action Table</b>					
<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
PA1104	26/11/14	3.6	To provide a list of issues for inclusion in the risk assessment model.	Scottish Power (AL)	<b>Carried Forward</b>
PA1201	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>Carried Forward</b>
PA1202	16/12/14	3.5	<i>Reference Insufficient Maintenance of the Supply Point Register</i> - to consider what definition for the 1:20 event would be appropriate and consider how best to incorporate consideration of other elements (i.e. correction factors and incorrect reads etc.) and provide a view.	Engage (NA) & Xoserve (EL)	Update provided. <b>Closed</b>
PA1203	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) & Xoserve (EL)	<b>Carried Forward</b>
PA1204	16/12/14	3.5	<i>Reference 12. Fair Use of the AQ correction process</i> – to consider inclusion of SSP correction mechanisms, including any possible requirement for manual interventions from Shippers.	Engage (NA) & Xoserve (EL)	Update provided. <b>Closed</b>
PA1205	16/12/14	3.5	To organise a ½ day workshop (possibly 07 January 2015) in which to host a meeting specifically aimed at reviewing the Engage model(s) in more intimate detail.	Engage (NA/JP) & Ofgem (JD)	Update provided. <b>Closed</b>