

Performance Assurance Workgroup Minutes
Tuesday 16 December 2014
at Energy UK, Charles House 5 – 11 Regent Street,
London SW1Y 4LR

Attendees

Bob Fletcher Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AMa)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Angela Love	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter	(EH)	npower
Emma Lyndon	(EL)	Xoserve
John Peters	(JP)	Engage
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Naomi Anderson	(NA)	Engage
Richard Pomroy	(RP)	Wales & West Utilities

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/PA/161214>

1. Introduction and Status Review

1.1. Declaration of Interest

Consideration deferred.

1.2. Review of Minutes

BF undertook an onscreen review of the proposed amendments to the 26 November 2014 minutes, provided by AL on behalf of ScottishPower, during which those parties present accepted the suggested changes.¹ Thereafter, the minutes of the previous meeting were approved.

1.3. Review of Actions

PA1101: Engage (JP) to publish an explanatory document on the operation of the risk assessment model.

Update: NA explained that the explanatory document had been published on the Joint Office web site in advance of the meeting and then requested that the documents provided by Engage are also published on the 'Independent Risk Study' page as well. **Closed**

¹ Post meeting note: a revised set of minutes (v2.0) for the 26 November 2014 PAF meeting have been published on the Joint Office web site at: <http://www.gasgovernance.co.uk/PA/261114>

PA1102: Joint Office (BF) to set up a separate publication page on their web site for information on the risk assessment model.

Update: BF advised that a dedicated 'Independent Risk Study' page had been created on the Joint Office web site as previously requested. **Closed**

PA1103: Engage (NA) to look at the controls and highlight any that are identified as inadequate for consideration by the Workgroup.

Update: NA explained that the details behind the action would be covered within the Final Gas Market Settlement Risk Report. She pointed out that following receipt of several comments from interested parties, further development of the report is ongoing.

AL highlighted ScottishPower concerns relating to changes to paragraphs 5.5.2 and 3.2.2 that are not immediately obvious to the reader. Responding, NA suggested that incorporating the changes within the report ensures that Xoserve's role and requirements are clearly identified. As far as the paragraph 3.2.2 change was concerned, this has come about following an internal Engage review.

AL requested a change marked version of the report be provided to enable clear understanding of, and transparency for, any changes made to the report – NA indicated that this would be provided in due course.

NA went on to highlight that as far as the KPI aspects are concerned, Xoserve's involvement and requirements are clearly identified within the report, although she did accept that this might be better positioned under the governance arena. Closing, NA explained that in compiling the report she has endeavoured to 'balance' including comments received against making sure all bases are covered. **Closed**

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

Update: AL suggested that as far as the Xoserve elements are concerned, these have been covered off. However, to be fully certain she will double check and provide an update at the next meeting. **Carried Forward**

2. Workgroups

2.1. Workgroup 0483 - Performance Assurance Framework Incentive Regime

(Report due to Panel on 16 April 2015) – Papers at:

<http://www.gasgovernance.co.uk/0483/300914>

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

(Report due to Panel on 16 April 2015) – Papers at:

<http://www.gasgovernance.co.uk/0506/300914>

2.3 Workgroup 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/0509/300914>

3. Discussion

3.1. Ofgem Update

Consideration deferred.

3.2. Draft Modifications

Consideration deferred.

3.3. Business Rules

Following a brief discussion it was agreed that this section was no longer needed in future as the modifications are now 'in flight'.

3.4. Value Chain Update

EL explained that she did not have a specific update at this time but did point out that further work drilling down to a lower level of detail would be needed in due course.

3.5. Risk Study Update – Dynamic Settlements Model presentation

BF asked, and those present indicated that they would be happy to consider this short notice item.

Opening, NA advised that whilst an early (draft) view of the model had been provided to the Joint Office previously the expectation is for a more developed version to be provided in due course – any feedback/comments before close of play on 09 January 2015 would be welcomed.

The most salient points discussed during a detailed debate on the various aspects of the presentation, the captured below:

Model Principles – in explaining the rationale behind the proposed (1:20 event based) approach JP confirmed that the two large shippers referred to in bullet point three are made up of two of size similar to 'big six' shippers and that the analysis focuses on throughput rather than portfolio size.

The basic assumption is that two wrongs do not make a right, and that in terms of the model, the focus is on the scale of the error based on the first event – disjointed corrections are basically ignored for purposes of the model;

Binomial & Poisson Distribution – some wondered whether or not utilising both binomial and Poisson approximations would make it easier to model – a point acknowledged by JP;

1. Identified LDZ offtake measurement errors – when asked NA advised that 8 years of data had been used for the analysis and that the distribution applied is based on the 1:20 event and not the worst case as indicated.

When asked whether or not regional Transporter variations had been taken into account as part of the analysis, JP advised that the model is looking at average values, however he pointed out that it would be easy for users to amend various variable parameters within the model to suit their needs. He suggested that whilst this was not directly within Engage's current work scope, they could provide the facility. He pointed out that the model seeks to simulate reconciliation and associated risks.

When asked, NA advised that whilst they (Engage) had considered the level of the error involved, the individual measurement error details can be quite sketchy. AL pointed out that Ofgem's last Price Control had identified some Network differences and that this might be helpful to Engage in developing the model features further.

2. Undetected LDZ measurement errors – CW advised that he expects that the National Grid experts would be providing feedback on this area in due course.

JP highlighted that Engage's analysis around the 10% of errors remaining undetected, suggested that these errors last for circa 300 days duration. BF suggested that the measurement error report(s) should provide a guide to potential start / end date(s) for any errors.

NA suggested that with more data, accuracy would improve.

3. Meter read validation failure – AL enquired whether or not the analysis seemed to assume a downward AQ trend to which NA suggested that potentially it does,

although it could equally be the other way (i.e. an upward trend). In suggesting that the worst case scenario would/could be associated with an upward AQ trend, AL undertook an action to consider and provide a view and perhaps go back further than just 2014 data.

NA suggested that Engage could look at considering a longer run average, or alternatively users could always change the model variables themselves. AL suggested that it might also be prudent to look at the 'Business As Usual' (BAU) read data to possibly obtain a more realistic set of data. JP pointed out that it is not just the (AQ) reviews (validation processes) that are important, it is the whole process that is being considered and reflected in the analysis.

RP went on to suggest that the unread meters aspects present a dangerous assumption to which JP replied that if a party deliberately does something to gain an advantage (often referred to as 'gaming'), then that constitutes another type of risk – the models are aimed at identifying validation failures and it is acknowledged that there are other variables that could be in play. Should the Workgroup believe that there is a gaming risk, how this would be addressed is very difficult to come by.

AL voiced her concern that previously, questions (British Gas) had been asked around the accuracy of utilising the Xoserve version of the East Midlands LDZ data, as it was thought to be suspect. When asked whether the analysis contained simply failed validation read data or whether it also includes data for where NO read had been provided, NA was uncertain – it was suggested that perhaps Xoserve could provide the relevant data.

Moving on, CW reminded those present that post Project Nexus go live tolerances and validations are being tightened up.

AL felt that the information does not seem to identify duplicate reads to which NA confirmed that these had been removed from the analysis. AL suggested that the Modification 0081 'AQ Review Process – publication of information' reports could provide a (indirect) BAU assessment by subtracting one report value from that of another.

New Action 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.*

4. Failure to obtain meter readings within the settlement window – a brief discussion took place around the value that had been utilised for variable settlement window purposes with CB observing that the maximum settlement window occurs at close-out and that this may have little or no impact for modelling purposes.

CW indicated that he believes that Shipper non compliance with read submission provisions remains the main risk, whilst AL suggested that it is not just the number of sites, but the volumes involved that are important. RP warned that care would be needed to ensure that the various models are applying a consistent set of basic parameters. JP confirmed that whilst the model does not take into account items such as time and cost, it does include market share movements. Having said this, Engage are mindful that further refinement of the model(s) would bring benefits.

When asked whether or not Engage had considered the SSP/LSP split data, NA indicated that in terms of risks 3 and 4, these are based on product 3. Furthermore, the analysis utilised Xoserve's 6 monthly read data. She admitted that a better understanding of WAR bands would also assist Engage in developing the model further. CW reminded those present that the Workgroup needs to be mindful of ensuring that data utilised in any analysis is reflective of Code requirements and provisions (i.e. there is no such concept of a 6 monthly read).

5. Estimated reads used on daily read sites – CW asked those present to bear in mind that other than Class 1 mandatory sites, any site could be included in Class 2 post Project Nexus go live and that this fact would result in a drop in Class 1 for those which are currently DM voluntary. AL suggested that the potential take up of Class 2 sites might be dependant upon Ofgem's decision on Modification 0473/0473A 'Project Nexus – Allocation of Unidentified Gas'.

In considering the average AQ increase by MPRN figure of 840,154kWh, AL enquired as to what percentage this was in terms of the average AQ increase, to which JP advised that whilst he did not have the information to hand, he could provide it, if required. NA highlighted that it may be different as the sites examined on this slide are increasing, but on the previous slide they were decreasing.

When pointed out, NA agreed that the sigma value should read as 8.22.

CB enquired as to what definition for a Shipper Engage had used in its analysis, in short does it include niche participants and does this potentially influence the analysis. Responding, JP suggested that the analysis is not just looking at behaviour patterns, but is based across a mix of Shippers. It was pointed out that the values and parameters could be amended by users to influence the results. (i.e. users can configure specific Shipper parameters within the model).

6. Read submission frequency for product 4 – in discussing whether or not this is similar to risk 3, it was noted that there are subtle parameter differences involved. However, it was accepted that Engage could split risk 3 to focus on the SSP market whilst risk 6 looks at the LSP market.

It was suggested that care would be needed in considering annual or profiling aspects alongside transportation requirements.

7. Insufficient Maintenance of the Supply Point Register – When asked NA explained that this risk is related to fuzzy matching and asset data mismatch or being incorrect. Potentially this could be viewed as two potential subsets of the meter read acceptance risk (asset data and meter point status). CW pointed out that unregistered sites are covered under Shipperless sites aspects.

NA went on to advise that Engage is having difficulty in defining the worst case scenario event and thereafter identifying the consequences, as they feel further clarity around this risk is need to aid their understanding. CW suggested looking at UNC TPD Section M for guidance.

AL believed that the problem is not just related to getting the read, it also relates to validation failures (i.e. correction factors, incorrect reads etc.). NA explained that the data had been evaluated around the imperial / metric recording, whilst EL suggested that Project Nexus is tightening up on various RGMA aspects.

New Action 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.

8. Change of Shipper – NA explained that this is related to the number of changes at the change of Shipper/Supplier point.

When asked if any consideration of replacement reads had been included, NA advised that whilst it had not, the information had been provided so should be easy to incorporate. JP pointed out that Engage would make the assumption that any replacement read is acceptable for purposes of this model.

CW pointed out that the SAR information had also been provided for this meeting and would be discussed later, whilst CB pointed out that the ICOP Report relates to LSP sites replacement reads which might also be useful.

9. Late or incomplete check reads – NA explained that she expects this risk to be a small one, however Engage would welcome feedback, especially relating to the 95% worst case aspects.

CW suggested that this area is aimed more at the Class 2 and 3 type sites in order to reflect the move to a SMART world – currently Transporters have a lack of meaningful data for this. NA suggested that Engage could look to develop this model over the coming weeks as more information becomes available.

New Action 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.

10. Shipperless Sites – CW advised that two types of site are involved – unregistered and shipperless. NA suggested that this model relates to where Shippers have registered the site but are subsequently withdrawing. AM remarked that if that is the case, a new unregistered risk would be needed.

In discussing sites that are never registered correctly, CW suggested that these would fall under the illegal banner and as a consequence would drop into the unallocated gas area for consideration. AM suggested that the UNC Modification 0424 ‘Re-establishment of Supply Meter Points – prospective measures to address shipperless sites’ and 0425V ‘Re-establishment of Supply Meter Points – Shipperless sites’ reports should help provide sufficient data. When asked, EL advised that the UNC Modification 0431 ‘Shipper/Transporter – Meter Point Portfolio Reconciliation’ report would not be able to provide the correct information.

CB believes that the real issue relates to identifying shipperless sites that are still consuming gas and then provided a brief explanation of the shipperless sites process and how recent modifications are advocating that a contract needs to be in place, plus an SPAA change for MAMS has also covered this issue. In her view it is only erroneous sites that are a concern.

CW suggested expanding the risk to include incorporation of 0425, 0425 and 0410A ‘Responsibility for gas off-taken at Unregistered Sites following New Network Connections’ requirements. It was also suggested that the Workgroup need to consider new connections process impacts associated to the SSP and LSP markets along with iGT considerations as well.

11. Theft of Gas – as TRAS has not been implemented as yet, Engage believe that there is value in including this risk.

In examining the data statement, AL suggested that as far as applying the VAR is concerned, allowing Class 1 – 4 would provide a better model. JP agreed to add the functionality to allow inclusion or exclusion of product 1’s.

It was suggested that the 10% of throughput value specified within the 95% worst case scenario, is too high.

12. Fair Use of the AQ correction process – when asked NA explained that this is partially framed around the enduring Project Nexus process, as Xoserve’s data has both aspects within it (i.e. pre and post Project Nexus go live related information).

AL suggested that consideration of UNC Modification 0450B ‘Monthly revision of erroneous SSP Aqs outside the User AQ Review Period’ requirements around SSP correction mechanisms might be worth including here.

New Action 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.

13. Lack of WAR Band calculation for qualifying sites in product 4 – NA explained that she would be discussing this area in more detail with F Cottam, Xoserve in due course. She then went on to explain why the focus is on product 4 and the perceived profiling risk associated with larger sites falling into product 4. JK suggested that this risk should also include product 3 considerations. Accepting that there may be some small product 3 related risk, NA would ensure that this is included in her discussions with FC.

In moving on to consider the 95% worst case statement, AL questioned the use of the 5% of MPRNs value, to which NA responded explaining that she had extracted the figure from a previous document / correspondence that she could no longer find, but would again double check this during her forthcoming discussion with FC. However, both the 5% and 2% values would be earmarked for further clarification and qualification. Regardless, NA believes that there is value in retaining this risk, as some Shippers may, or may not, be savvy on this matter.

14. Fair use of retrospective updates – NA suggested that post Project Nexus go live data is unclear at this time. AL suggested that UNC Modification 0429 'Customer Settlement Error Claims Process' might provide some beneficial information, whilst CW suggested looking at UNC Modification 0434 'Project Nexus – Retrospective Adjustment' as well.

JD wondered if using gross volumes and corrections as a proxy, similar to the way the electricity (GVC model) side does, would work – this could be used as a guide and in the absence of anything better, it would form a good baseline. JP suggested that whilst the GVC model could work, it is quite a messy affair.

15. Next Steps – NA confirmed that a User Manual and updated model would be provided in due course, although she asked parties to note that the model may not have all its parameters 'bottomed out' by this coming Friday.

When asked how the report and appendices are expected to marry up, NA explained that any rule based risks, would not be included within the models, although the Shipper (not Transporter) performance risks are built in. JP pointed out that the model(s) do provide for average Transporter risks.

NA went on to inform those present that the various stages associated with the allocation risks have been compiled into one single risk.

NA requested that a two hour slot be made available at the January 2015 meeting in order to allow Engage to run through the report and model(s). BF summarised by adding that the next two meetings would be dedicated to focusing on Engage's work areas.

When asked, those parties present indicated that they would welcome a ½ day workshop (for the avoidance of doubt, this is not a Joint Office organised Workgroup meeting) organised and run by Engage to review the model(s) in more intimate detail. JD suggested that Ofgem might be able to provide a suitable room for up to 15 delegates in which to host this specific workshop.

New Action 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.

3.6. Project Plan Update

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

Line 15 – push date out to middle of January 15;

Line 16 – revisit once the Engage Workshop is organised and place on the January 2015 meeting agenda for discussion;

Line 17 – push date out to beginning of January 15;

Line 18 – already covered under new UNC Modification 0520 – AL to move;

Line 31 – once Engage provide the (final) model, Workgroup to consider expanding to include other areas.

Place on the January 2015 meeting agenda for discussion. Consensus was to drop the individual Workgroup items from the January agenda and replace with this item, as the matter is related to the Engage report anyway – will also allow scope to amend modification(s) if deemed necessary;

Lines 35, 36 & 37 – push dates out to February 2015;

Line 40 – as this matter potentially falls out of the work being undertaken by Engage alongside consideration of British Gas’s modification, keep ‘as-is’ for the time being;

Lines 41 & 42 – keep ‘as are’ for the time being;

Line 54 – change date to 04 February 2015;

Line 83 – consensus that this now falls under modification 0520 and look to push date out after first discussing with AM, and finally

Lines 84 & 85 – to be removed.

AL advised that she would update the plan and provide a copy to the Joint Office in due course.

4. Any Other Business

4.1 Shipper Agreed Reads (SAR) submission and acceptance statistics

CW provided a very brief overview of the document during which AL enquired what the relevance of the statement ‘most common rejection’ and what constitutes ‘most common’ in this instance.

5. 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 13 January 2015	Energy Networks Association (Room to be confirmed)	Consideration of Independent Study and any reporting requirements from Xoserve/SPAA Agreement of what current governance arrangements would potentially be impacted by PAF and whether anything new is required
10.30 04 February 2015	TBA	Consideration of Independent Study Final Report
10:30 17 February 2015	Elexon (Room to be confirmed)	Consideration of Value Chain Requirements
10:30 04 or 24 February 2015	Energy Networks Association (Room 4)	<i>To be confirmed</i>

10:30 24 March 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</i>
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Action Table					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA1101	26/11/14	3.6	To publish an explanatory document on the operation of the risk assessment model.	Engage (JP)	Update provided. Closed
PA1102	26/11/14	3.6	To set up a separate publication page on their web site for information on the risk assessment model.	Joint Office (BF)	Update provided. Closed
PA1103	26/11/14	3.6	To look at the controls and highlight any that are identified as inadequate for consideration by the Workgroup.	Engage (NA)	Update provided. Closed
PA1104	26/11/14	3.6	To provide a list of issues for inclusion in the risk assessment model.	Scottish Power (AL)	Update to be provided. Carried Forward
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)	Update to be provided.
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 to be provided.
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)	Update to be provided.
PA1204	16/12/14	3.5	<i>Reference 12. Fair Use of the AQ correction process</i> – to consider inclusion of SSP correction mechanisms,	Engage (NA) & Xoserve	Update to be provided.

Action Table					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			including any possible requirement for manual interventions from Shippers.	(EL)	
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 to be provided.