

Performance Assurance Workgroup Minutes

Wednesday 21 May 2014

Ellexon, 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 Clasper	(AC)	National Grid Distribution
Angela Love	(AL)	Scottish Power
Colette Baldwin	(CB)	E.ON UK
Ed Hunter	(EH)	RWE Npower
Emma Lyndon	(EL)	Xoserve
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Rob Johnson	(RJ)	Wingas
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at: www.gasgovernance.co.uk/PA/210514

1. Introduction and Status Review

1.1. Minutes (09 April 2014)

The minutes of the previous meeting were approved.

1.2. Actions

0802: Tender Advertisement - Provide a link to the dedicated area on Ofgem's website.

Update: JD requested the action be carried forward. **Carried forward**

0301: Ofgem to discuss and agree funding considerations with ENA, Energy UK and ICOSS and provide an update.

Update: JD reported there had been preliminary discussions with Energy UK; these were ongoing. **Carried forward**

0401: EL to look at existing arrangements (incentives/sanctions, etc) relating to invoicing under the current Market Exit process operated by Xoserve.

Update: EL reported that all arrangements are covered in UNC TPD V and X, and before exiting the market the party concerned must meet all obligations. There were processes in place to manage this. The EBCC oversaw and made recommendations relating to insolvency/debt recovery where a party suddenly ceased trading. EL encouraged the Workgroup to look at the provisions in the UNC and she would be happy to field any questions to discuss with the Xoserve Energy Credit Manager. **Closed**

0402: Appropriate mechanism for the incentive re-allocation – Look at treatment under the electricity model and consider.

Update: Considered. **Closed**

0403: Third Party contracting - Confirm what role the Transporters might be prepared to fulfil.

Update: AC requested clarification on these potential requirements. SM suggested a mechanism was required through which it was possible for the PA body to place a contract

for services, eg audits, perhaps what is similar to the AUGÉ appointment. Assuming the industry was happy to fund any requirements, a procurement process would still need to be in place. **Carried forward**

0404: Consider other options for a special purpose vehicle (SPV) for the next meeting.

Update: Considered at this meeting. **Closed**

0405: *Modification 0483* - Provide a presentation on USRVs/filter failures for the next meeting (21 May), and investigate Modification 0640 to clarify if this offers an appropriate model.

Update: EL gave an overview of the current USRV and Neutrality regimes. It was noted that the Mod0640 regime relates reconciliation rather than operating as an incentive regime (AQ reconciliation of threshold crossers moving from SSP to LSP) and will fall away once Modifications 0432 and 0434 are implemented. **Closed**

0406: *Modification 0483* - Develop models of settlement patterns to help inform Modification 0483.

Update: Under consideration. **Carried forward**

0407: *PAB Powers/Data Warehouse Information Access* - EL to check on permissible levels/ranges of access by third parties to cross-industry information.

Update: EL reported that there was currently no facility for this sort of arrangement. There was a requirement under Project Nexus for being able to pull reports from the system. SM referred to the example of the AUGÉ, where underlying data might require to be audited. **Closed**

0408: *PAF Reporting Considerations (Line 44) – Must be Read:* Potential age profiles - EL to check on the details and level of reporting.

Update: EL confirmed there was no reporting on these aspects. If required this would have to be developed. Requirements would need clarification – ie what part of the process would need to be 'assured'. This was briefly discussed. It was likely that a complete new report would have to be built and may have to be considered post-Nexus. It was suggested that a 'high-level community report' might be required. AL noted this for logging on the Project Plan. **Closed**

2. Discussion

2.1. Declaration of Interest

None made.

2.2. Ofgem Update

Actions were to be carried forward; nothing further to report.

2.3. Special Purpose Vehicle (SPV)

Not discussed.

2.4. Business Rules – Review of draft

A number of comments had been received and these reviewed in turn, with clarifications given where appropriate.

Framework Principles

It was suggested there were certain perceptions/expectations relating to a body called a 'Board' and that 'Committee' was perhaps more appropriate.

Composition/governance

It should be a standalone body with separate Terms of Reference and membership. An escalation route needed clarifying, as was the means by which it was invested with its

powers. This was discussed. It was suggested that it would best sit under/report through the UNC Committee (UNCC). BF explained the process currently being undertaken for the role of Independent UNC Modification Panel Chair – the eventual incumbent would also be the Chair of the UNCC.

It was suggested there might be two very separate roles within the concept of PA Administrator, one as a Secretariat for meetings and one as an Agent to cover analytical requirements. Various aspects were discussed.

It was suggested that it would be reasonable and acceptable to have the Joint Office (JO) fulfill the Secretariat role (Chair, Secretary and meeting administration, etc). The example of the Energy Balancing Credit Committee (EBCC) was alluded to, and BF explained how this was constituted and operated. It was noted under financial emergency situations that Xoserve, rather than the JO chaired the EBCC emergency meetings, because of the financial aspects and very short notice decisions required.

BF explained the role of the Consumer representative on the UNC Modification Panel. JD thought it would be better to have this representative present at meetings where risk was discussed to give the benefit of a different perspective. A regular attendance would not be required.

Ofgem's attendance was considered. A regular attendance might mean the loss of the benefit of an escalation route. JD would be happy for the process to run without Ofgem's direct involvement until such time as an escalation is required or something has gone wrong. He did not feel it necessary for Ofgem to be involved in the detail.

General membership was discussed. Reference to 10% seems to assume a minimum of 10 members? Phased refreshment over 3 year periods was suggested. The important thing was to make sure that the expertise available was relevant and current; a membership position should not be looked on as a sinecure. The requirements for membership may evolve as the market changes and any appointment/retention process should take account of this, as well as replacement following resignation – what rules should there be? BF referred to the experience of EBCC; it was often difficult to recruit members from a finite pool of a specialised field. There may be value in considering enduring appointments, with a review/reappointment facility if reapplications were considered acceptable. What was the optimum size for a Committee? Balance was important but expertise was more important than a 'constituency label'.

Decision-making and voting issues were considered. Voting could be based on a simple majority. If a deadlock was reached, should it be escalated to the next level, eg UNCC, or should there be a casting vote, or should a tied vote mean no mandate to carry forward and revert to status quo. What would abstention be construed as meaning? There should be an ability to declare an interest and abstain; continual abstention by a member might require a review of fitness of tenure. Simple majority appeared to be favoured, with abstention meaning the vote had been relinquished on that occasion. It was suggested sufficient flexibility was required at the outset to function effectively and once constituted, the Committee could then refine what was an acceptable voting framework once it better understood what decisions it was called upon to make.

Duties of the Committee

Audits and frequency would be at the Committee's discretion.

It was questioned whether the Agent who would do the analysis would have a budget for requisitioning/procuring of reports. How would these services/requirements be paid for? This was briefly discussed. Procuring and a mechanism for funding, including an application for a standing budget, if deemed to be required, could be considered following the setting up of the Committee. If reports were needed prior to Nexus being implemented then this group could apply to the Transporters in the first instance.

SM suggested splitting out and redefining the roles of Secretariat, Agent, Scheme Auditor and Issue Auditor.

Duties of the UNC Modification Panel in relation to the Performance Assurance scheme

An appointment process was considered, and in particular how to arrive at chosen candidates if 'oversubscribed'. JD suggested the UNCC members should each nominate an appropriate person but not from their own organisation.

Quoracy was considered; it was usually set at a minimum of 2 Shippers and 2 Transporters. It was suggested that meetings should be able to proceed with a minimum of 3 members capable of voting present. It was suggested that physical attendance at meetings should not be an issue – much could be done through the circulation of communications and taking views/votes through that means, or by teleconference.

Input of UNC Parties

AM believed that no party should be excluded from raising an issue it felt needed investigation. This was briefly discussed. JD suggested that it should be open to 'any person or party recognised as having a role within the UNC.'

General

AM summarised that the Committee would be Sub-committee of the UNCC, comprised of 10 members, and supported by a Secretariat (provided by the JO) and an Agent (identity to be confirmed). There would also be provision for Ofgem and Citizens Advice attendance where considered beneficial.

Next Steps

AL will revise the Business Rules to reflect the Workgroup's discussions.

2.5. Engagement with other industry governance bodies

Not discussed.

2.6. Interface with SPAA

Not discussed.

2.7. The role for Ofgem in PAF

Covered within the review of the Business Rules, see 2.4 above.

2.8. Incorporation of a PAF in the UNC

Not discussed.

2.9. Reporting Update

No update at this meeting.

2.10. Project Plan Update

The Project Plan was reviewed and the progress of various activities was noted. AL drew attention to tasks completed and timelines extended.

Items 10 – 20: Progress was dependent on the outcome of the ongoing funding discussions. Shippers were concerned that if this aspect was not resolved soon then the fall back position would be to raise a User Pays modification to achieve funding and this would add more delay to the process. Modification 0483 might also then require revision

to de-link certain aspects. JD explained the current position of the funding discussions. A further option might be that Ofgem itself commission the study.

Items 42, 43 and 44: AL suggested these might be considered at the June meeting.

Items 52, 53 and 54: AL indicated she had drafted a modification; she intended to revise it following the Business Rules discussions and then circulate for review.

3. Workgroups

The Workgroup had agreed at its meeting on 04 March 2014 that, rather than having separate Modification Workgroup meetings, all discussions should be contained within the main Performance Assurance Workgroup and the elements considered should be captured within the appropriate modification(s).

3.1 0483 - Performance Assurance Framework Incentive Regime

(www.gasgovernance.co.uk/0483 - Report to Panel due on 16 October 2014)

The modification had been revised and a draft published prior to the meeting. AM reiterated the focus of the modification, and suggested that the governance elements should be removed and a separate modification be raised to address that aspect.

Noting that the funding discussions had yet to be concluded, and assuming a negative outcome be reached, AM pointed out the possibility of the modification having to be revised to include User Pays elements. SM questioned if the modification was still appropriate or of value given the current position now reached in the Workgroup's discussions, and explained his views. AM reiterated the background to the formal raising of the modification, and the Workgroup's original belief that three modifications would be required given the knowledge and assessment at that time.

SM was concerned that the group was pre-judging the results of an academic study. The PAWG was to review the study's output, sense check it and then the PA Committee would take ownership and consider what action(s), if any, was required. There was an expectation to have the Committee in place before Project Nexus – would the study go to PAWG or the Committee? Nexus does not have to be in place before the study to commence, but what is done with the outcome may have to be considered in the context of Nexus.

AM summarised the intent of the modification, to provide assurance through the imposition of a published target (blank until the results of the academic study are known). The principles of 'polluter pays' had been discussed at the previous meetings; what the incentive should be was still to be agreed. The administrator would be Xoserve. EL drew attention to the Neutrality regime and pointed out that the effects on this and others would have to be worked through and considered.

AM was not considering withdrawing the modification at this time.

The table could be referenced to an ancillary document. This was purely about the methodology, not numbers specifically. Should it be evolved into an ancillary document?

Discussion then moved to the academic study and who sets what in motion. Who determines the adoption of the model at the outset? The study is procured; a model is established and validated by the PAWG; the model is passed to the Sub-committee to implement and re-use with emerging data, assess and react to findings accordingly.

It was suggested that the modification might need to be separated into two parts. AM would consider what amendments should be made and bring a revised version to the next meeting.

4. Any Other Business

4.1 Value Chain Development

EL gave a presentation on developing a Value Chain. Xoserve would like to propose this approach (based on its experiences in the development of business rules/logical analysis for the UK Link Programme) as an aid to the development of the Performance Assurance Framework.

EL explained the approach, which was illustrated with an outline of Xoserve's Value Chain. To replicate this for Performance Assurance would involve creating the first level with the Workgroup during an interactive workshop, and then further developing this at levels 2, 3 and 4. Xoserve will provide the business knowledge, facilitator and process modellers. The Workgroup will provide the requirements.

The Workgroup considered this and agreed to take up the offer. The next Performance Assurance Workgroup meeting (10 June 2014) will be dedicated to achieving this.

4.2 Sub-deduct metering

Not discussed; deferred to June meeting.

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 10 June 2014	Room 4 - Energy Networks Association (ENA), 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	Value Chain Development – to be facilitated by Xoserve Modification 0483 - Review Draft modification - Review
10:30 01 July 2014	Room 4 - Energy Networks Association (ENA), 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	<i>To be confirmed</i>
10:30 05 August 2014	<i>To be confirmed</i>	<i>To be confirmed</i>
10:30 September 2014	<i>To be confirmed</i>	<i>To be confirmed</i>
10:30 October 2014	<i>To be confirmed</i>	<i>To be confirmed</i>
10:30 November 2014	<i>To be confirmed</i>	<i>To be confirmed</i>
10:30 December 2014	<i>To be confirmed</i>	<i>To be confirmed</i>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA0802	21/08/13	2.1	<i>Tender Advertisement</i> - Provide a link to the dedicated area on Ofgem's website.	Ofgem (JD)	Carried Forward
PA0301	04/03/14	1.1	Ofgem to discuss and agree funding considerations with ENA, Energy UK and ICOS and provide an update.	Ofgem (JD)	Carried Forward
PA0401	01/04/14	3.3	EL to look at existing arrangements (incentives/sanctions, etc) relating to invoicing under the current Market Exit process operated by Xoserve.	Xoserve (EL)	Closed
PA0402	01/04/14	3.3	<i>Appropriate mechanism for the incentive re-allocation</i> – Look at treatment under the electricity model and consider.	British Gas (AM)	Closed
PA0403	01/04/14	3.3	<i>Third Party contracting</i> - Confirm what role the Transporters might be prepared to fulfil.	National Grid Distribution (AC)	Carried Forward
PA0404	01/04/14	3.3	Consider other options for a special purpose vehicle (SPV) for the next meeting.	ALL	Closed
PA0405	09/04/14	2.1	<i>Modification 0483</i> - Provide a presentation on USRVs/filter failures for the next meeting (21 May), and investigate Modification 0640 to clarify if this offers an appropriate model.	Xoserve (EL)	Closed
PA0406	09/04/14	2.1	<i>Modification 0483</i> - Develop models of settlement patterns to help inform Modification 0483.	British Gas (MJa/AM)	Carried Forward
PA0407	09/04/14	3.1	<i>PAB Powers/Data Warehouse Information Access</i> - EL to check on permissible levels/ranges of access by third parties to cross-industry information.	Xoserve (EL)	Closed
PA0408	09/04/14	3.5	<i>PAF Reporting Considerations (Line 44)</i> – <i>Must be Read</i> : Potential age profiles - EL to	Xoserve (EL)	Closed

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			check on the details and level of reporting.		