

## Performance Assurance Workgroup Minutes Wednesday 26 November 2014

**Energy UK, Charles House 5 – 11 Regent Street, London SW1Y 4LR**

### Attendees

|                            |       |                            |
|----------------------------|-------|----------------------------|
| Bob Fletcher Chair)        | (BF)  | Joint Office               |
| Ian Hollington (Secretary) | (IH)  | Joint Office               |
| Andrew Margan              | (AMa) | British Gas                |
| Angela Love                | (AL)  | ScottishPower              |
| Azeem Khan                 | (AK)  | RWE npower                 |
| Chris Warner               | (CW)  | National Grid Distribution |
| Colette Baldwin            | (CB)  | E.ON                       |
| Emma Lyndon                | (EL)  | Xoserve                    |
| Erika Melen                | (EM)  | Scotia Gas Networks        |
| James Rigby*               | (JR)  | RWE npower                 |
| John Peters                | (JP)  | Engage                     |
| Jon Dixon                  | (JD)  | Ofgem                      |
| Jonathan Kiddle            | (JK)  | EDF Energy                 |
| Mark Jones                 | (MJ)  | SSE                        |
| Naomi Anderson             | (NA)  | Engage                     |

\* via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/PA/261114](http://www.gasgovernance.co.uk/PA/261114)

### 1. Introduction and Status Review

#### 1.1. Declaration of Interest

This was not discussed at todays meeting.

#### 1.2. Review of Minutes

There were no comments on the minutes from the previous meeting and these were accepted.

#### 1.3. Review of Actions

**PA0901:** *Reporting* - EL to present a 'reminder' of what will be provided.

EL confirmed that this would be included in a discussion during todays meeting.

**Closed.**

**PA1001:** NA to revise the project plan to increase the time allowed for phase 3 by one week and reduce the time for phase 4 by the same.

NA confirmed that this had been completed. **Closed.**

**PA1002:** AMi to prepare an anonimised report on Shipper meter read performance for publication on the Joint Office web site.

EL confirmed that a document had been published on the Joint Office web site, which she went on to discuss.

EL explained how the examples in the paper were split between monthly, six monthly and annual reads and that two reports are available. One shows the total reads received each month (regardless of the meter read frequency requirement) and the

other shows reads received against required reads as determined by the meter read frequency. She noted that the reports can lead to identification of the Shippers concerned and because of this Xoserve are not prepared to publish them until further guidance on this subject has been received from the industry as they are of the opinion that publication could drive industry behaviour. EM also said that a modification would be needed.

AL commented that although the information was useful it needed to be kept in the background, as it could influence the risk assessment activity.

AMa asked if any thought had been given to splitting the information by LSP and SSP as he thought that would be useful. The workgroup discussed this along with the accuracy of the information shown in the examples in the paper. EL confirmed that the data could be presented that way and said she would speak to Andy Miller about the accuracy of the figures in the examples. Picking up on AL's concerns she agreed that circulation of the data needed to be limited to the members of the workgroup. **Closed.**

## 2. Workgroups

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

(Report due to Panel on 18 December 2014) – 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 18 December 2014) – 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

This was not discussed at today's meeting.

### 3.2. Draft Modifications

There were no draft modifications to be discussed.

### 3.3. Business Rules

AL went through the draft Business Rules that had been extracted from Xoserve value chain development, discussing the comments that had been received during the recent workshops and asked everyone for their thoughts on the control measures that had been identified in the document and if they were sufficient. The potential impacts were discussed and AL went through the queries and suggested changes to the following items:

Section 1.2

Point 5) Amend the word Validate to read analyse

Point 13) Amend to read appropriate stakeholders with an organisation receiving their own data plus the model data once anonymised. There were no objections to this suggestion.

Point 14) Query whether the PAFA will carry out this work or Xoserve

Point 15 Amend to read Transporter and Transporter's Agent. BF asked for clarification if the term Transporter included NTS. The workgroup discussed this and AMa suggested keeping NTS in scope in case an issue that affected them was found. This was generally agreed by the workgroup as appropriate.

Point 16) Query whether a payment would be received for providing this service.

#### Section 1.3

As a general note AL confirmed Scottish Power's view that the role of the administrator should be taken up by an independent body.

Point 4) Query the word necessary. BF asked whether a Terms of Reference was required and the scope of the committee was discussed. AL agreed to amend the document to include a reference to a Terms of Reference document with a link to UNCC to agree any amendments.

#### Section 1.4

Point 3) Query whether the PAFA would receive invoice payments.

#### Section 2 – 2.1

Point 1) The workgroup discussed the time of the year that the review ought to take place with views expressed about the advantages and disadvantages of it being at the end of the gas year or prior to it. AL's preference was for it to be done at the end of the gas year with the PAFA then being given two to three months to prepare their report with AMa suggesting the review should be done in time to allow the report to be published three months before the start of the gas year. The creation of a risk register was also suggested so that any relevant risks can be identified and categorised. AL agreed to refer to Modification 0330/0331 to see if any lessons could be learned.

Point 9) It was agreed that this should be amended to allow for informal recommendations to be accepted.

Point 12) It was agreed that this request will come from the industry.

#### Section 2 -2.2

Point 5) The trigger point was discussed and agreed to be ad-hoc with anyone being free to raise a risk via the risk template.

Point 7) It was agreed that this should also allow recommendations to be made.

Point 8) It was agreed that agreement would be reached through the Terms of Reference with DESC and EBCC committees suggested as suitable models to consider. BF advised that direction from UNCC should be taken when setting the Terms of Reference and objectives

#### Section 3.2

Point 5) BF confirmed that any proposed changes which would need to follow the Modification process would be issued to a workgroup in the usual way.

Point 6.2 AL agreed to recheck this item.

### **3.4. Project Plan Update**

This was not discussed further at today's meeting

### **3.5. Value Chain Update**

EL asked the participants to review and provide her with feedback on the Value Chain Update and Heat Map presentations that had been provided. She advised that

the Value Chain topic might be discussed further at a future workshop to be held potentially in the Spring of 2015. In reply to a question from BF she confirmed that this would not have an effect on the development of any modifications. AL also noted that it would not be prudent to hold off developing the modifications in the meantime.

### 3.6. Risk Study Update

NA went through the Gas Markets Settlement Risk Assessment document and asked for comments on the document generally and on the content of the consolidation of risks. She moved on to the issue of unidentified gas reconciliation adjustment and a discussion followed on whether it would match the reconciliation window. CW agreed to check and confirm this. He referred to the following publication

<http://www.gasgovernance.co.uk/sites/default/files/Reconciliation%20BRD%20v3.0-1.pdf> citing section 8.8.4 All Unidentified Gas Reconciliations are shared out across the preceding 12 month shares of latest consumption.

JP then explained the structure of the model and the interdependency between some of the risks and common data and parameter control. He also discussed the common model engine, which simulates a model nomination.

He went on to explain that seven shippers were used in the model with three being set as polluters and four set as polluted and that the evaluation of risk was based on a model used in the finance industry. In response to his enquiry this approach was generally accepted. He confirmed that an explanatory document would be published later on in the process.

**New Action PA1101: JP to publish an explanatory document on the operation of the risk assessment model.**

After discussing the best medium for publishing information on this topic BF agreed that the Joint Office would set up a separate publication page on their web site.

**New Action: PA1102: The Joint Office to set up a separate publication page on their web site for information on the risk assessment model.**

JP continued to discuss the normalisation process and the evaluation of risk. NA advised that the model is based on the post Nexus world and on an average LDZ. She also noted that the mix of organisations in the different product categories would be likely to be affected by Modifications 0473/0473A.

In reply to JP's question over everyone's thoughts on the risks that had been identified CW said he had concerns over the control measures and the assumption that had been made over the use of the product classes. JD asked if the controls are going to be factored in and JP replied that some risks and the consequent controls are inherent in the process. JD summed up the discussion saying that the identified risks and mitigation will be reviewed by the workgroup in due course.

AL raised the point about Xoserve having been recognised in the Engage Report as potentially contributing to risk, without a recognition of a concept of Xoserve performance risk. JP replied that the model does assume that Xoserve will follow the rules and CB agreed that Xoserve are not neutral in these processes. NA agreed to look at the controls and highlight any that are identified as inadequate for consideration by the workgroup.

**New Action: 1103: NA to look at the controls and highlight any that are identified as inadequate for consideration by the workgroup.**

AL asked about any involvement that Xoserve may have that could affect the accuracy of the process and JP replied that where this is possible it will need to be highlighted and documented. AL noted that there are a number of undocumented

processes that Xoserve are involved with that could have an impact on other parties and she outlined her areas of concern further in the 0506 workgroup. See item ref 2.0 in the workgroup minutes. NA advised that entering Xoserve into the model was something that had not been considered but JP noted that it was possible with EL commenting that post Nexus Xoserve should not have any input, a point that the workgroup went on to discuss. The culmination of this discussion was that there was a need for a documented list of areas of concern. AL agreed to provide this so that JP can include them in the model.

**New Action1104: AL to provide a list of issues for inclusion in the risk assessment model.**

Finally AMa asked if the report recommended if Xoserve need to be part of assurance regime and NA confirmed that it did not.

**4. Any Other Business**

**4.1 PAF Reporting Considerations.**

EL explained the document and asked for feedback on the workgroups requirements. She noted that many of the points identified are covered by the new Modification 0520 and informed the meeting of the data cleansing exercise that Xoserve has just completed. She also advised that where necessary amendments to information on meter adjustments can be made.

**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 16<br>December 2014 | Energy UK (Room LG8)                                  | <i>To be confirmed</i> |
| 10:30 13<br>January 2015  | Energy Networks Association<br>(Room to be confirmed) | <i>To be confirmed</i> |
| 10:30 04<br>February 2015 | Energy Networks Association<br>(Room to be confirmed) | <i>To be confirmed</i> |
| 10:30 24<br>February 2015 | Energy Networks Association<br>(Room 4)               | <i>To be confirmed</i> |
| 10:30 24 March<br>2015    | Energy Networks Association<br>(Room to be confirmed) | <i>To be confirmed</i> |

| Action Table |              |            |  |              |               |
|--------------|--------------|------------|--|--------------|---------------|
| Action Ref   | Meeting Date | Minute Ref | Action   | Owner        | Status Update |
| PA0901       | 30/09/14     | 2.4        | Reporting - EL to present a 'reminder' of what will be provided. | Xoserve (EL) | Closed        |

| <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> |
| <b>PA1001</b>       | 28/10/14            | 3.4               | NA to revise the project plan to increase the time allowed for phase 3 by one week and reduce the time for phase 4 by the same. | Engage (NA)         | <b>Closed</b>        |
| <b>PA1002</b>       | 28/10/14            | 4.0               | AMi to prepare an anonymised report on Shipper meter read performance for publication on the Joint Office web site              | Xoserve (AMi)       | <b>Closed</b>        |
| <b>PA1101</b>       | 26/11/14            | 3.6               | JP to publish an explanatory document on the operation of the risk assessment model.  | Engage (JP)         | <b>Pending</b>       |
| <b>PA1102</b>       | 26/11/14            | 3.6               | The Joint Office to set up a separate publication page on their web site for information on the risk assessment model.          | Joint Office (BF)   | <b>Pending</b>       |
| <b>PA1103</b>       | 26/11/14            | 3.6               | NA to look at the controls and highlight any that are identified as inadequate for consideration by the workgroup.              | Engage (NA)         | <b>Pending</b>       |
| <b>PA1104</b>       | 26/11/14            | 3.6               | AL to provide a list of issues for inclusion in the risk assessment model   | Scottish Power (AL) | <b>Pending</b>       |