

Performance Assurance Workgroup Minutes

Tuesday 30 September 2014

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

Attendees

Bob Fletcher Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andy Clasper	(AC)	National Grid Gas Distribution
Andy Miller	(AMi)	Xoserve
Andrew Margan	(AM)	British Gas
Angela Love	(AL)	ScottishPower
Ed Hunter	(EH)	RWE Npower
Emma Lyndon	(EL)	Xoserve
Jon Dixon	(JD)	Ofgem
Lorna Lewin*	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Richard Pomroy*	(RP)	Wales & West Utilities
Steve Mulinganie*	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/PA/300914

1. Introduction and Status Review

1.1. Declaration of Interest

AMi confirmed Xoserve's declaration of their intention to tender for the role of administrator at some point in the future and advised that currently they did not envisage any issues. Parties in attendance did not voice any objections to Xoserve's participation in the meeting.

1.2. Review of Minutes

The minutes of the previous meeting were accepted.

1.3. Review of Actions

PA0801: ScottishPower (AL) to examine the electricity market model for nominating and warranting of (the equivalent Review Framework) Committee members.

Update: Work is continuing and AL requested that this be carried forward. In light of later discussions, it was agreed to transfer this action to the responsibility of Workgroup 0506. **Carried forward and transferred to Workgroup 0506.**

PA0802: All to look at potential options for the Review Framework Committee (including terms of reference, quoracy requirements, etc.) composition and supporting election processes.

Update: Giving a brief background to the action, AMi indicated that it would be helpful to receive views on potential options to consider at the meeting being held on the following day. There was a short discussion, in which concerns aired at previous meetings were reiterated, relating to assurance of each party's independence; nominations, selection and election processes; deselection in the event of certain circumstances; achieving a fair spread of representation from across the industry; period of tenure, etc.

The powers of the Uniform Network Code Committee (UNCC) were briefly considered. It was noted that the current practice of annual election works well for appointments to all existing UNC Sub-committees, and there was some support for keeping consistency of practice and applying this principle to the inception of the Review Framework Committee. A 3 year tenure was mooted again, in the interests of having the benefits of experience and continuity. Set against this was the need to have in place a process or mechanism to effect an objective removal, eg if decisions/behaviour was deemed incompetent or biased. It was suggested that the UNCC might be able to vary the composition of the Committee.

BF noted the various views and observed these might be better expressed under the discussions relating to Modification 0506. Understanding the concerns that any Committee members should be experienced, BF suggested that consideration should perhaps be given to developing some specific criteria to enable appropriate selection. AM agreed that this was a good idea.

AM observed that deviation from the current practice for appointments to UNC Sub-committees could generate a review of how other Sub-committees were constructed. AL commented that the current process did not result in appointments that were widely reflective of the make-up of the industry. RP reiterated there was a model in place, and this should be the default, unless it could be demonstrated there were very good reasons to support any deviation. AL commented that an election process offered more than an appointment process; there was always an option to pay parties, but this was not currently proposed. It was reiterated that parties consider whether any other models might be usefully suggested.

EH referred to the Elexon process, which required parties to sign a document to confirm they would act independently. It was suggested that constitution and selection were two different concepts; composition might be looked at first, and then a CV process.

SM suggested using the existing model, and then if it was subsequently decided not fit for this purpose then changes to the model across the industry might have to be considered. AL drew attention to Modification 0495, which is trying to change current process.

AM believed there to be the two options:

- Use the existing process; or
- Adopt the electricity model.

The benefits of each should be compared and the length of time it might take in each case to form the Committee. In the short term some participants thought it seems sensible to use the existing process to get something in place, but parties should consider which was to be the preferred option.

It was agreed to transfer this Action PA0802 and Action PA0801 to the responsibility of Workgroup 0506. **Carried forward and transferred to Workgroup 0506.**

2. Workgroups

2.1. Workgroup 0483 - Performance Assurance Framework Incentive Regim
(*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>

It was queried why Modification 0509 had been taken to various other Workgroups. SM explained that discussion at other Workgroups had resulted in the Proposer's refocusing of the modification and reducing its scope to specifically met the needs of the independent study, and it had now reverted to the Performance Assurance Workgroup for further development.

3. Discussion

3.1. Ofgem Update

JD confirmed that he had nothing further to add over and above what had already been discussed.

3.2. Draft Modifications

There were no draft modifications to be discussed.

3.3. Business Rules

Consideration deferred.

3.4. Project Plan Update

The Project Plan was reviewed and the progress of various activities was noted. AL drew attention to tasks completed. Progress was discussed and the extension of various timelines was agreed. Some items were re- categorised and others were removed.

Item 16 - Suggested it should be split out. An interim review to assess the output of the Study was required. JD hoped to narrow down the review period to sometime in early December.

Reporting Milestones - These were discussed. EL confirmed what operational reporting would be provided pre/post Nexus; continued relevance will be reviewed.

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

Items 35 – 37: Add 'collected and distributed' to Item 35. Move to Modification 0506 Section.

Item 40 - Remove.

Items 41-42 - Move to Modification 0483 Section.

Item 58 - 81 - Move to Modification 0506 Section.

Item 65 - Add 'funding and resources' and clarify contracting parties.

Item 66 - Statutory role not required at this time. No requirement identified.

Item 70 - How will UNCC carry out these tasks? BF suggested some procedural documents will be required for UNCC to follow; these could be provided as part of the modification (Appendix).

Items 71 -72 - Dependent on Item 65.

Item 81 - Dependent on modification being approved, etc.

Item 83 - Remove.

Item 84 - It will be part of the normal modification consultation.

Item 85 - Dependency on the Study.

Item 87 - Move to Modification 0506 Section.

AL will update the Plan in light of today's review.

3.5. Value Chain Update

To be considered at the dedicated meeting on 01 October 2014 (this meeting will not be minuted).

4. Any Other Business

3.1. Settlement Risk - assessment

AMi referred to the use of a methodology for calculating and assessing how each Shipper contributes to or exacerbates the Settlement risk to the industry.

AMi indicated that results were becoming available, and outlined the approach taken to analyse Supply Points with a monthly read frequency. (AQ is assumed to be accurate; no account is taken of any inaccurate meter information.) He explained how the assessment process worked to define a risk to the industry in relation to unreconciled energy. The question would then be how to quantify the risk and its significance and decide if it was worth doing. The findings suggested that a two tier incentive regime might be appropriate, firstly in respect of read performance and secondly, the amount of unreconciled energy - a risk that the Shipper was placing on the rest of the community.

The industry average (August) is 65% of the monthly read sites, ie have been reconciled, but account needs to be taken of the AQ size of what remains unread/unreconciled - this is potentially the bigger risk. Every Shippers performance has been compared to the 'average position', and the spread does not come out even close to the average, ie from - 117 to +72; the best performance is +22. The ones closest to zero are the best performers. For July, assessment so far indicates Industry average to be 47%.

AMi intends to produce a report on the findings, and will recommend that DESC review and identify appropriate ways of using the data, perhaps using different statistical methodologies. The findings so far demonstrate that having a Performance Assurance regime in place will be worthwhile.

It was observed that the value of the 35% yet to be reconciled was as yet unknown - it could reconcile very close to expected allocated value, and so may constitute minimal if any risk. AMi noted that strong performance trends were evidenced. Targets could be assessed through the model to estimate the potential size of any risk thus created. AL had concerns that the focus 'relative to others' would drive the model and the targets.

AMi added that it could also allow testing of an incentive regime, developing performance targets for Shippers to consider if they could be reached and if the right behaviours would result.

The analysis was also being done for 6 monthly read and annual read populations. Some interim results were being assessed and were under further investigation. It was noted that some sites had not been read in the last 10 years. Sometimes it was not possible to say if a read frequency for a site was incorrect or why a Shipper was not able to read.

It is what is not read that presents the potential risk to the industry, and the size of the risk is dependent on the AQ and its ultimate failure to be reconciled. The assessed degree of risk could change daily, depending on the period over which sites remain unreconciled. Improvements in read submission can minimise the number of sites that contribute to the risk, but may not necessarily reduce the amount of unreconciled energy (dependent on size of AQ of unreconciled sites). MJ observed that under the current regime each year 75% of Aqs are out of date.

Xoserve was thanked for its work in this area. AMi will present a report at the next 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 28 October 2014	Energy Networks Association (Room 4)	<i>To be confirmed</i>
10:30 26 November 2014	Energy UK (Room F61)	<i>To be confirmed</i>
10:30 16 December 2014	Energy UK (Room LG8)	<i>To be confirmed</i>
10:30 20 January 2015	Energy UK (Room LG8)	<i>To be confirmed</i>
10:30 24 February 2015	Energy Networks Association (Room 4)	<i>To be confirmed</i>

Action Table					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA0801	05/08/14	3.5	To examine the electricity market model for nominating and warranting of (the equivalent Review Framework) Committee members.	ScottishPower (AL)	Transferred to Workgroup 0506.
PA0802	05/08/14	3.5	To look at potential options for the Review Framework Committee (including terms of reference, quoracy requirements, etc.) composition and supporting election processes.	All	Transferred to Workgroup 0506.
PA0901	30/09/14	2.4	<i>Reporting</i> - EL to present a 'reminder' of what will be provided.	Xoserve (EL)	<i>Due 28/10/14</i> Pending