

## **PAF Draft MOD Rules**

At the February Performance Assurance Workgroup it was considered and agreed that there will probably be at least three modifications needed to enact a Performance Assurance regime into the gas market. At that point it was anticipated that the three areas covered by the MOD would be the independent study/delivery of an incentive regime; governance of the regime and administration/policing of the scheme.

It was therefore agreed that the draft Business Rules previously published should be split into these three areas. This has been done below for consideration at the March meeting of the group:

### **Independent Study/delivery of an incentive regime**

1. Ofgem will procure the initial independent study and will ensure that the contract includes enduring confidentiality aspects within it.
2. The initial independent study will deliver an assessment of post-Nexus settlement risk and consider optimum meter reading submission and performance levels, which will be consulted upon by the Joint Office to collect opinions and issues from industry parties. Ultimately it will be the [PAFA] would will determine and deliver the finalized risk register.

### **Governance**

1. There will be annual risk assessment, building on the work and output of the independent study.
2. There will be a PAF overview Board, which will keep under consideration elements like improvement plans and consider what is recommended by the PAFA in respect of “critical friend”. If there are proposals that go beyond the initial scope of the PAF then such aspects are could be included through any Party raising a modification to develop, agree and introduce proportionate proposals.
3. The overview Board will consider incentives/penalties, which will be phased in following the introduction of Nexus functionality.
4. New entrants will be allowed 12 months grace from any penalties/incentives, however reporting will show their performance from when they enter the market.
5. The PAF overview Board will consider data standards under the UNC.
6. A dispute process over penalties/appeals will be introduced, with ultimate referral to Ofgem. Initial considerations will be undertaken by the overview Board.
7. The overview Board (or equivalent) will oversee the scheme.
8. There may be a need for audit, but this will be determined once the scheme has been established and the Parties have considered if this is needed.
9. The PAF overview Board will undertake an annual review of the scheme and create a report of the scheme, such report may be developed and

produced by the PAFA, with ultimate approval and publication by the PAF overview Board.

10. There should be a re-tender of the PAFA every [3] years to ensure that the service is benchmarked and that value for money and service are delivered.
11. The overview Board will review the PAFA contract and performance every 12 months.
12. There will be a “critical friend” role under the PAF. Requests for assistance will firstly be directed to the PAFA, who will consider the type of assistance required and determine how best this can be delivered, before making a recommendation and proposing this to the PAF overview Board for consideration.
13. The PAF overview Board will keep other governance arrangements under consideration, in particular following the delivery of the independent study.
14. There will be an appeals process established, with ultimate referral to Ofgem for decision.

### **Administration/policing of the scheme**

1. The PAFA would be a contracted entity.
2. The [PAFA] would determine and deliver the finalized risk register.
3. The PAFA would be granted access to Xoserve’s systems, have the ability to propose modifications (such modifications only being able to be raised by an UNC Party).
4. Taking the information available through Xoserve’s systems, the PAFA will create monthly performance reports by Corporate entity.
5. Performance monitoring will be undertaken by the PAFA on a monthly basis by Corporate entity and will be released to UNC Parties and will not be anonymous.
6. The PAFA will determine a “market breaker” test, based on the risk assessment.
7. The PAFA will flag up to the overview Board if there is any Party that might breach the “market breaker” test.
8. The PAFA will keep abreast of industry developments and submit responses based on experience seen within reporting and performance.
9. Whilst the PAF overview Board will undertake an annual review of the scheme and create a report of the scheme, such report may be developed and produced by the PAFA, with ultimate approval and publication by the PAF overview Board.
10. There should be a re-tender of the PAFA every [3] years to ensure that the service is benchmarked and that value for money and service are delivered.
11. The PAFA contract will have a limitation of liability, taking into account the value of the service procured.
12. There will be a “critical friend” role under the PAF and requests for assistance will firstly be directed to the PAFA, who will consider the type of assistance required and determine how best this can be

delivered, before making a recommendation and proposing this to the PAF overview Board for consideration.

**Other elements to be considered**

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Need to consider data standards under the UNC

Can the Transporters go early?

Need to make sure that the Independent Study flags any data quality elements into the data quality considerations ahead of Nexus delivery.

Might need to be a cap on charges.