

Performance Assurance – Update for the Project Nexus Workgroup

4th December 2013

A presentation by ScottishPower on behalf of the Performance Assurance
Workgroup to update on progress

Early discussion on Performance Assurance

- ScottishPower has a vision to ensure that customer benefit can be delivered from Project Nexus and has been working on this so that post-Nexus settlement risk is reduced. This forms three aspects, where the industry is working together:

Data Quality

Data to be cleansed and updated ready for Nexus population

Project Nexus Implementation

New functionality delivered to bring in site specific reconciliation and industry wide scaling factor

Performance Assurance Regime

Reporting/incentives to assure settlement accuracy

For this reason ScottishPower requested that Xoserve establish a data quality meeting to cleanse data ready for Nexus implementation and asked the MOD Panel to sanction the creation of a Performance Assurance Workgroup

Performance Assurance – the story so far...

- Ofgem requested that the industry establish a Performance Assurance Framework on a number of occasions over a lengthy period of time – as far back as January 2012
- Workgroup established by the MOD Panel – first meeting held in January 2013
- A number of meetings have been held and a Project Plan has been established to support the work of the group, with a view to delivering a Performance Assurance regime in time for the implementation of Project Nexus
- There appears to be solid support from the Shippers for a Performance Assurance regime
- Ofgem have advised that if the industry does not develop their own scheme, then they will mandate an arrangement that might not be what the gas industry wants

There is a feeling that the electricity model is not what is needed for the gas market and that the scheme introduced needs to be proportionate and efficient

Why is a Performance Assurance regime necessary?

- Under the current settlement arrangements there is limited reporting of settlement risk and inherent problems with data availability and quality e.g. shipperless sites, AQs of 1kWh, meter asset problems
- The Allocation of Unidentified Gas Expert (AUGE) has been looking at a large volume of error in the market to determine the market sector that has caused the error and uses statistical analysis to quantify proportions for each sector
- Project Nexus will require £20m of funding, which will ultimately come from customers, with the benefit of the new arrangements accruing to customers - if there is no Performance Assurance regime post Nexus, then these savings may not materialise

Work done to date

- Following extensive discussion about a Performance Assurance regime it was agreed that an independent study of settlement risk should be undertaken as this was seen as the best means of establishing the scope of a Performance Assurance Framework. This would:
 - Create an “in theory” risk register on materiality of process and data issues across the end-to-end settlement spectrum
 - Split risk by Transporter/Shipper/Xoserve (and possibly MAM)
- Although it was considered, the group ruled out establishing risk within the current arrangements and thought that focus should centre on post-Nexus arrangements. This was due to the work involved in creating a framework
- It was agreed that the objective of the group would be:

“to ensure that gas settlement has accurate allocation, control, self monitoring and governance post Project Nexus so that no undue commercial advantage can be derived from settlement”

Undertaking analysis of settlement risk

- Ofgem has agreed to procure an independent study of settlement risk post Nexus – this will determine variables impacting settlement accuracy and a model which can be managed by industry for performance assurance
- It is intended that, although Ofgem will procure the study, the three trade associations – Energy UK, ICSS and the Energy Networks Association will be asked to fund
- A letter from Ofgem to the trade associations is imminent
- It is proposed that the study should be concluded by April 2014

Management of the Performance Assurance regime

- It is proposed that there would be a Performance Assurance Framework Administrator (PAFA) , who will manage the arrangements of the framework – the Performance Assurance Workgroup is therefore looking at how this would work
- There are differing views about the requirement for and scope of any committee, however as details of how the regime would work in practice are considered this is becoming more clear
- There is a view from the Shippers that Xoserve would not be able to be the PAFA, as they would be subject to the regime

The Workgroup are now looking at reporting that is available now, what should be available now and what would be needed post-Nexus to monitor performance



Questions?