

Stage 02: Request Workgroup Report		At what stage is this document in the process?
<h1>0575R:</h1> <h2>Consider the Performance Assurance Reporting Requirements for Transporters</h2>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; margin-bottom: 5px; display: flex; align-items: center;"> 01 Request </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center;"> 02 Workgroup Report </div> </div>
<p>Consider reporting requirements of Transporter Performance to be used under a Performance Assurance Framework, taking account of the risks identified in the Engage Consulting study of settlement risk and the reporting carried out by the Transporters in relation to metering.</p>		
	<p>The Workgroup recommends that the Panel now consider this Report and agree:</p> <ul style="list-style-type: none"> Request that Transporters should provide quarterly updates to the Performance Assurance Committee on their performance against offtake metering objectives (reporting to be agreed at the Shrinkage Forum); It should be noted that a modification may be raised in the near future to extend the portfolio of reports provided to PAC following the implementation of Modification 0520A - Performance Assurance Reporting; and That Request 0575R should be closed. 	
	High Impact: None	
	Medium Impact: None	
	Low Impact: Shippers and Distribution Network Operators (DNOs)	

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About this document:

This Report will be presented to the Panel on 18 August 2016.

The Panel will consider whether the Request should be closed.



Any questions?

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1 Request Summary

Why is the Request being made?

Ofgem recently approved Modification 0506V which established a Performance Assurance framework. Under this modification proposal it is recognised that Transporter, Shipper and the Transporters' Agent performance should be subject to performance monitoring to understand activities that impact on settlement accuracy (potentially with a view to incentivising performance). Through the extensive development of the Performance Assurance framework, a study was instructed by Ofgem to look at the risks to settlement accuracy post-Nexus. Within the output from that study¹ it was recognised that there could be risk imposed on the settlement process through performance of the Gas Transporters.

Specifically within this report there were two risks that related to the Transporters:

- Identified LDZ Offtake Metering Error
- Undetected LDZ Offtake Metering Error.

Whilst the Transporters have checks in place around Offtake meters there is no general visibility of the regime to allow Shippers to understand this or give assurance of how these checks are being performed to ensure that the potential for metering errors is minimised. In addition a number of Transporters have advised that they are replacing orifice plate meters with new technology and therefore it is an opportune time to understand the regime each of the Transporters has deployed and any amendments that they are making to the monitoring/assurance regime.

Scope

The Review considered all forms of offtake metering and the current and proposed regime of checks under both the Offtake Arrangements Document, Measurement Error Notification Guidelines, the audit arrangements that the Transporters and National Grid Transmission have in place and the work of the Gas Examiner. This allowed a picture of the landscape of checks to be set out for Shippers.

Impacts and Costs

There would be no additional impacts or costs associated with implementing the recommendations in this Report.

Recommendations

The Workgroup recommends that the Panel now consider this Report and agree:

- That Transporters should provide quarterly updates to the Performance Assurance Committee (PAC) on their performance against RIIO offtake metering objectives; and
- That the Request be closed.

Additional Information

Further information related to the independent risk study is published on the Joint Office website at this location <http://www.gasgovernance.co.uk/pa/IndRiskStudy>.

¹ http://www.gasgovernance.co.uk/sites/default/files/Gas%20Market%20Settlements%20Risks%20Quantification%20Section%202%20V2.0_Final.pdf

2 Impacts and Costs

Consideration of Wider Industry Impacts

No impacts are anticipated to the wider industry following the conclusion of this Workgroup Report.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation the implementation of any of the recommendations in this Report.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	<i>Not applicable</i>
Proposed charge(s) for application of User Pays charges to Shippers.	<i>Not applicable</i>
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	<i>Not applicable</i>

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> There are no changes proposed to operational practices. However, there may be benefits to networks in sharing best practice to ensure there is a common approach to the management and maintenance of offtake meters.
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None

Impact on Transporters

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> Minor costs may be incurred should reports be provided to the Performance Assurance Committee.
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None
Standards of service	<ul style="list-style-type: none"> None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None
UNC Committees	<ul style="list-style-type: none"> Provision of a report to the Performance Assurance Committee.
General administration	<ul style="list-style-type: none"> None

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none"> None
	<ul style="list-style-type: none"> None

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> None
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> None
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> None
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> None

Impact on UNC Related Documents and Other Referenced Documents	
Network Code Validation Rules (TPD V12)	• None
ECQ Methodology (TPD V12)	• None
Measurement Error Notification Guidelines (TPD V12)	• None
Energy Balancing Credit Rules (TPD X2.1)	• None
Uniform Network Code Standards of Service (Various)	• None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• None
Gas Transporter Licence	• None

Other Impacts	
Item impacted	Potential impact
Security of Supply	• None
Operation of the Total System	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None

3 Terms of Reference

Background

Ofgem recently approved Modification 0506V which established a Performance Assurance framework. Under this modification proposal it is recognised that Transporter, Shipper and the Transporters' Agent performance should be subject to performance monitoring to understand activities that impact on settlement accuracy (potentially with a view to incentivising performance). Through the extensive development of the Performance Assurance framework, a study was instructed by Ofgem to look at the risks to settlement accuracy post-Nexus. Within the output from that study² it was recognised that there could be risk imposed on the settlement process through performance of the Gas Transporters.

²http://www.gasgovernance.co.uk/sites/default/files/Gas%20Market%20Settlements%20Risks%20Quantification%20Section%20%20%20V2.0_Final.pdf

Specifically within this report there were two risks that related to the Transporters:

- Identified LDZ Offtake Metering Error
- Undetected LDZ Offtake Metering Error.

Whilst the Transporters have checks in place around Offtake meters there is no visibility of the regime to allow Shippers to understand this or give assurance of how these checks are being performed to ensure that the potential for metering errors is minimised. In addition the Transporters have advised that they are replacing orifice plate meters with new technology and therefore it is an opportune time to understand the change to the regime that the Transporters are proposing to deploy and any changes to the monitoring/assurance regime.

Topics for Discussion

Workgroup 1 – Information Gathering

- Background to the Offtake Arrangements Document and reporting
- Review of Measurement Error Notification Guidelines published at <http://www.gasgovernance.co.uk/OADDocs>
- Review of the Engage Report of Settlement Risk
- Update of new technology solutions being introduced for offtake metering
- Details of the inspection regime for each Gas Distribution Network
- Summary of existing incentives/reporting mechanisms

Workgroup 2 – agreeing the basic requirements and options analysis

- Agreement of any areas where best practice can be adopted
- Review of Performance Assurance Reporting requirements
- Identification of preferred options/solutions
- Determine any cost implications and other impacts

Workgroup 3 – finalising options and solutions

- Agreement of preferred options/solutions
- Finalise assessment of implementation costs of any solutions

Workgroup 4 – reporting

- Completion of Workgroup Report.

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft modification where appropriate.

Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate. The Proposer understands that the Gas Distribution Networks all operate different procedures and therefore believes that it will be important for each company to be represented and present to the Workgroup to allow an assessment of best practice to occur.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present.

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

4 Workgroup Assessment

Offtake Metering Risks

Following a presentation by the authors of the independent risk study, which was concluded in January 2015, it was noted that the study had identified two risks associated with offtake metering:

- R1. Identified LDZ Offtake Measurement Errors;
- R2. LDZ Offtake Measurement Errors that remain undetected.

Further information related to the independent risk study is published on the Joint Office website at this location <http://www.gasgovernance.co.uk/pa/IndRiskStudy>.

It was noted that the information used to identify these risks was based on reported errors prior to the date of the study and that DNO Transporters had reviewed their existing operating procedures and assets to seek improvements and reduce the levels of risk.

In addition the current Price Control Review commenced 2013 focusing on revenue linked to Innovation, Incentives and Outputs and as part of this process, DNO Transporters identify offtake meter error performance in their annual RIIO reports to Ofgem.

DNO Transporters' performance

Transporters provided information on their individual approach to mitigating risks associated with measurement errors and offtake metering errors.

It was noted that in general there were a number of approaches to reducing risk as follows (individual DNO Transporters used one or more of these approaches):

1. Managing existing metering assets more effectively by improving flow computers, IS supporting systems replacement and increased monitoring and alarms for sites;
2. Replacing existing meters with more technologically advanced meter types, e.g. orifice plate to ultrasonic;
3. Risk based targeting by identifying the most common types of failure and stabling procedures to manage the risk, e.g. increasing the frequency of site visits per year and recalibrating meters at each visit to reduce the risk of drift.

For further information related to the practices adopted by DNO Transporters see the presentations published on the Joint Office website at this location <http://www.gasgovernance.co.uk/0575/050716>.

Biomethane

It was noted that there were an increasing number of biomethane sites being connected to the DNO Networks and that these meters were owned and operated by the biomethane producers and not the DNO Transporters, therefore these were out of scope of this review. The Workgroup concluded that this situation might add to the risk for metering errors as the market developed, however, it was not considered a material risk at this time.

Conclusions

The Workgroup welcomed and supported the actions and remedies put in place by DNO Transporters to mitigate the risks associated with offtake metering errors. Noting that once the Performance Assurance Committee is established, members may want to consider re-evaluating the offtake metering risks included in the independent study so that the report is reflective of current practices.

It was noted that DNO Transporters report their annual performance against offtake metering errors as part of RIIO reporting and that it would be a useful exercise if this reporting could be provided to the Performance Assurance Committee as a quarterly extract of performance to provide the industry with more visibility of current performance.

The Workgroup were to consider potential impacts on the Offtakes Arrangements Document and in particular the Measurement Errors Guidelines. However, following presentations by Transporters on the processes currently adopted for managing Offtake meters, it was concluded that a review at this time would not add further benefit over and above the recommendation for additional reporting.

5 Recommendation

The Workgroup invites the Panel to:

- Request that Transporters should provide quarterly updates to the Performance Assurance Committee on their performance against offtake metering objectives (reporting to be agreed at the Shrinkage Forum);
- It should be noted that a modification may be raised in the near future to extend the portfolio of reports provided to PAC following the implementation of Modification 0520A - Performance Assurance Reporting; and
- DETERMINE that Request 0575R should be closed.