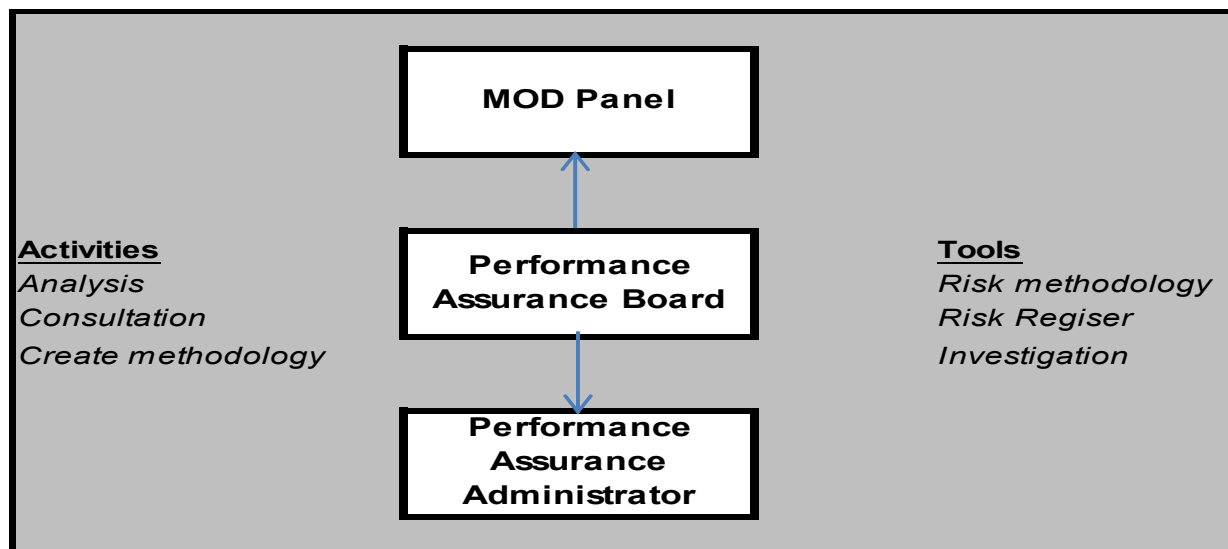


Performance Assurance Framework Business Rules

Outline of Performance Assurance Structure

The structure below represents the discussions over the 1st and 9th April meetings of the Performance Assurance Workgroup. This document also sets out some draft business rules, based on discussion at those two meetings and is work in progress.



Framework Principles

- There will be a Performance Assurance Board, but members will be subject to strict confidentiality provisions
- There will be a Performance Assurance Administrator
- There will be a Performance Assurance methodology created, which will be consulted upon on an annual basis

Performance Assurance Board – composition/governance

The Performance Assurance Board will:

- be made up of industry experts, who will provide expert determination on the reports produced in relation to performance assurance monitoring. These members will be industry representatives and they (individually) and their company will be required to sign an undertaking on confidentiality and to assure that the individuals will be representing the interests of the market, rather than any company commercial position

- be established via an appointment process established under the UNC. This process will mirror the process undertaken in appointing an independent Panel Chair
- should include a consumer representative, but this would not be a voting role
- have members appointed in advance of the Performance Assurance regime starting. 10% of the Board members will be considered by the MOD Panel for reappointment on an annual basis and no Board member shall hold the position for more than [3] years, unless unanimously agreed by the MOD Panel that the appointment can continue for a further year

Duties of the Performance Assurance Board

The Performance Assurance Board will:

- receive performance reports
- contract/enlist external expertise to aid in their consideration of issues
- tender for and appoint a Performance Assurance Administrator
- manage the Performance Assurance Administrator
- allow the Performance Assurance Administrator to request additional reports only where this is necessary to aid in understanding or further analysis of issues, which is deemed material under the risk register
- receive and consider a recommendation from the Performance Assurance Administrator on a Performance Assurance Methodology and ask that the MOD Panel consult on this on an annual basis
- receive representations made on the Performance Assurance Methodology and provide to the Performance Assurance Administrator for consideration
- require the Performance Assurance Administrator to create a Risk Register based on the Performance Assurance Methodology on an annual basis and consider the Performance Assurance Administrator's proposals
- instruct that the Performance Assurance Administrator audits the Performance Assurance scheme. Such audits shall be at the Board's discretion, but should be undertaken at intervals where the Board believe it is most efficient to do so
- receive issues from UNC Parties and consider, with the help of the Performance Assurance Administrator, whether they are material enough for inclusion in the Risk Register and determine whether further information needs to be obtained to be able to determine materiality
- consider within the first year if there is a need to have the right to fully investigate UNC Parties behaviour and set out the proposed approach to such a right. If proposing a right to fully investigate UNC Parties the Performance Assurance Board will consult on the proposed approach with all UNC Parties
- consider within their first year whether there is a need for improvement plans and preventative measures and set out a proposed approach to this, before consulting on it with UNC Parties
- work with the Performance Assurance Administrator to define performance targets, which would link to the start of the Gas Year (1st October)

Duties of the MOD Panel in relation to the Performance Assurance scheme

The MOD Panel will:

- assess the effectiveness of the Performance Assurance Board after 12 months of operation and consult with UNC Parties on any issues that they have experienced with the process
- create a “person specification(s)” for the Performance Assurance Board members, taking into account the experience and expertise that will be needed for the Performance Assurance Board to operate effectively
- oversee the appointment of Board members, using where necessary HR and legal support where required.
- Give UNC Parties the opportunity to raise any concerns about individuals proposed for the role (where for example they believe the individual has any conflict of interest)
- determine the selection criteria to be used for the appointment of Board members

Role of the Performance Assurance Administrator

The Performance Assurance Administrator will:

- Identify and receive issues that are of material significance in relation to settlement accuracy or customer experience/service
- assess issues against the Risk Register using the appropriate Performance Assurance Methodology
- consider with the Performance Assurance Board what data is needed to be able to analyse more fully
- analyse and determine what the data on the issue is saying
- consider with the Performance Assurance Board what action, if any needs to be taken
- be able to request reports from Xoserve where it has been agreed with the Performance Assurance Board that such reports are necessary to look into an issue in more detail and the issue is of material impact
- work with the Performance Assurance Board to define performance targets, which would link to the start of the Gas Year (1st October)
- create a Performance Assurance Methodology and provide to the Performance Assurance Board explaining the proposal and the benefits of it
- take into account representation made on the Performance Assurance Methodology
- create a Risk Register based on the Performance Assurance Methodology on an annual basis
- undertake audits of the Performance Assurance scheme

Input of UNC Parties

All UNC Parties will:

- be able to raise issues with the Performance Assurance Board for them to consider, with the Performance Assurance Administrator, if the issue is material
- provide feedback to the annual consultation on the Risk Register
- provide responses to consultation undertaken by the Performance Assurance Board
- participate and co-operate fully in the Performance Assurance regime