

# **(Gas) Energy Settlement Performance Assurance Committee:**

## **Annual Work Plan and Budget**

Prepared and maintained by the Performance Assurance Committee

### **1. Associated Documents**

Performance Assurance Committee (PAC) Terms of Reference [Retrieved 01/07/2017]:

<https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Terms%20of%20Reference%20v3.0.pdf>

Performance Assurance Framework Document [Retrieved 01/07/2017]:

<https://www.gasgovernance.co.uk/sites/default/files/ggf/PAF%20Framework%20Doc%20v2.0.pdf>

### **2. Background**

The PAC, as established under UNC Modification 506V, is responsible for providing guidance, oversight and direction to the Performance Assurance Framework Administrator (PAFA) in determining what the industry will receive from the Performance Assurance Framework.

The PAC is broadly responsible for:

- overseeing the work of the PAFA;
- overseeing the PAF risk register;
- determining reporting and analysis;
- reviewing settlement performance data; and
- proposing remedies where performance issues are identified.

The PAC has begun actively assessing the Performance Assurance Report Register (PARR) schedule 1 reports, with the PARR schedule 2 reports due to be available in early 2018, and there is a need to communicate to industry in a concise manner the PAC's expectations of how the framework will work over the next year and any key dates in implementation.

The purpose of this work plan is to provide industry with a high level view of the planned activities of the PAC for the coming year and, as far as possible, indicative costs. It is hoped that this will provide opportunities for industry participants to engage with PAC and the Performance Assurance Framework in general, and provide an early indication of the areas of performance related to settlement that PAC intend to scrutinise as to whether performance assurance measures are required.

### 3. Scope

The scope of the Annual Work Plan & Budget is based on the annually agreed areas. The areas for 2017/18 are listed below:

- On boarding the PAFA
- 'Setting out the stall' for the coming year
- Nexus manual workarounds and risks arising
- Analysis to establish risks
- Establish risk register
- Review of PARR Schedule 2 Reports
- Development of a package of remedies

#### [Headlines]

The Performance Assurance Committee was established following the approval of MOD506V by Ofgem. The initial focus of the PAC's work was to determine the detailed scope for the Performance Assurance Framework Administrator (PAFA) and undertake a tender process to appoint a party to do the work of the PAFA in line with the expectation of the CMA that the PAFA should be in place at Project Nexus Implementation Date (1<sup>st</sup> June 2017).

The key aspects of the PAC's work are outlined below:

- Determined the detailed scope for the PAFA contract

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- Worked with Xoserve of creating the procurement process for the PAFA appointment
- Establishing a sub-group to work with Xoserve of the appointment of the PAFA
- The appointment of Gemserv as the PAFA
- Receiving non-anonymised reports in line with MOD520A Schedule 1 and considering any performance issues
- Working with the PAFA on the on-boarding process and the re-consideration of the risk analysis (initially undertaken by Engage Consulting on behalf of the Performance Assurance Workgroup)
- Considering the issues arising with the Post-Nexus Unidentified Gas (UIG) volumes and fluctuation

#### 4. [Horizon Scanning]

##### [Introduction]

As part of the work of the PAC, it has agreed that it should keep abreast of developments within the gas market and consider if any of them have a potential to have an impact on Shipper, Transporter or Xoserve performance, in particular if this has an implication for settlement accuracy. At the present time there are a number of industry initiatives that could fit into this category. These are detailed below, together with a brief description of the development:

##### Faster switching/Centralisation of Registration

Ofgem initiated a programme to consider re-developing the gas and electricity switching processes to allow for faster (possible next day) switching for customers who want to change Supplier. This programme has been in development for quite sometime, with Ofgem issuing a Significant Code Review (SCR) in September 2015<sup>1</sup>. In addition Ofgem has been working with the industry on a cost benefit analysis of the proposal, with a number of different models being considered, including the introduction of a centralised system for gas and electricity registration.

Ultimately the central systems and processes and those of Shippers operating in the market are likely to be subject to change and therefore there could be an impact on party's performance.

More about the Ofgem Switching Programme can be found here - <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/smarter-markets-programme/switching-programme>

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/switching-significant-code-review-launch-statement-and-request-expressions-interest-participate-programme-workgroups>

### SMART/Meter Reading Submission Rates

The gas industry is in the process of installing smart meters across the entire UK gas and electricity markets, with a view to improving billing accuracy and incentivising customers to become more energy conscious and efficient. With smart metering there should be an increase of the availability of readings, which can be fed into settlement.

PAC has an interest in consider the optimum amount of readings required in settlement to ensure settlement accuracy. In addition there could be the potential for insights into customer usage patterns for profiling and undertaking any changes to customers behaviours through the introduction of smart meters.

### Project Nexus Retrospective Adjustment of Asset and Supply Point (RAASP)

Through the Project Nexus programme a decision was taken to defer the development of the Retrospective Adjustment of Asset and Supply Point (RAASP) to allow the core functionality to have a greater chance of successful delivery. Through MOD624R there is on-going work to consider the options for delivering the RAASP functionality. PAC is therefore keeping a watching brief on developments to consider what the proposals might mean for performance levels and settlement accuracy.

### AQ Correction process

As part of the Project Nexus functionality there is the ability to correct inaccurate Annual Quantities (AQs), which drive initial allocation and smearing of UIG. The PAC has an interest in the usage of this process to ensure that it is not only being used to address overstated AQs.

### Nexus Subsequent Phases

In addressing defects that were reported ahead of Project Nexus go-live there are a number of system releases, as well as a release to address issues found post-Nexus implementation. Each of these changes has the potential to result in performance issues and impact on settlement accuracy. PAC is therefore keeping an interest in all releases and any subsequent issues identified either via the MOD520A Performance Reports or through monitoring by Xoserve.

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## 5. PAFA Scope and Next Steps

The PAFA was appointed by the PAC sub-group in June 2017 and has entered into a contract with Xoserve for the provision of services to support the work of the Performance Assurance Committee and deliver the Performance Assurance Framework. The PAFA has agreed with Xoserve that there is a requirement for an on-boarding process to take place, where the PAFA will set up the tools, determine information requirements and work with the PAC in agreeing objectives and priorities.

Details of the PAFA on-boarding can be found in their presentation to the PAC on 8<sup>th</sup> August<sup>2</sup>. The PAFA estimates that the on-boarding process will take three months from July until September 2017.

The PAFA has identified a number of objectives to deliver through the on-boarding process:

- Performance Risk Register Review
- Define the Gas Model assurance principles and techniques to manage performance
- Agree PAC approach to the Gas Risk Model
- Hold industry engagement workshops
- Agree PAF design specific with PAC
- Create PAF training and guidance documents for Shippers and Transporters
- Create and test the reporting system
- Establish administration and helpdesk services to support parties

### Next Steps

The PAC has been working with the PAFA on the re-assessment of the Engage Consulting study of settlement risk, which was undertaken for the Performance Assurance Workgroup<sup>3</sup>. In addition it has been considering the post-Nexus regime in determining whether the assumed “theoretical” risks identified by Engage Consulting have materialised as actual risks under the Nexus arrangements.

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<sup>2</sup> <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2017-07/Performance%20Assurance%20Framework%20Administrator%20v3.0.pdf>

Xoserve estimate that by [February 2018] they will be able to provide the Performance Assurance Risk Register (PARR) Schedule 2 Reports, which will provide the reporting that was developed and agreed under MOD520A. At this stage there should be a better view of the actual risks arising in the post-Nexus regime.

In the interim PAC are looking at how they engage with and consult the industry on the PAF arrangements, including what the PAC priorities should be and are considering issues that arise, which impact on settlement accuracy, such as the recent issue with Daily Metered sites and their impact on UIG.

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From early discussion of the PAC there are a number of other areas that the PAC will consider, once information becomes available and reporting history is established to show trends. Such things include:

- Performance Assurance targets
- Performance Assurance incentives
- Education tools and guidelines
- Other areas impacting on settlement performance e.g. SPAA

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6. **Project Implementation Plan** [Absorb current implementation plan? Set out implementation plan for 'Areas in Scope'?]

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<sup>3</sup> [https://www.gasgovernance.co.uk/sites/default/files/ggf/Gas%20Market%20Settlements%20Risks%20Quantification%20Section%202%20V2.0\\_Final.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/Gas%20Market%20Settlements%20Risks%20Quantification%20Section%202%20V2.0_Final.pdf)

	Status	Date Complete
<b>Q1 2017</b>		
Review the Engage Risk Report		Q1 2017
Consider process to be used with PAFA to create the risk methodology		Q1 2017
Agree communication routes for the risk methodology		Q1 2017
Agree if within period changes will be allow, under what circumstances, and how these will be recognised	Ongoing	Q1 2017
Receive pre-Nexus reports under V16.1.3 from Xoserve	Ongoing	Q1 2017
Review the PARR	Underway	Q1 2017
Consider how to assess the materiality of any issues presented in the reports under V16.1.3 (pre-Nexus)		10/01/2017
Create workplan (including budget), with future looking budget		Q1 2017
Consider if any further analysis is required by the PAFA on the pre-Nexus reports under V16.1.3		01/02/2017
Convert Engage Report into Risk Register		14/02/2017
Review the electricity industry incentives regime		14/03/2017
Consider if there are other models that could be consider from other industries e.g. water		14/03/2017
<b>Q2 2017</b>		
Consider reports and whether they provide the expected insight into settlement risk		Q2 2017
Work with Xoserve on any additional elements required from the reports		Q2 2017
Determine and agree a range of available incentives, considering the problems		Q2 2017
Conclude contract with PAFA		30/06/2017
Review other communication needs		Q2 2017
<b>Q3 2017</b>		
Assess where there are opportunities to improve performance through incentives/controls		Q3 2017
Commence incentives/controls mechanisms on a prioritisation basis		Q3 2017
Develop dashboard of industry performance		Q3 2017
Resolve outstanding questions from Xoserve on post-Nexus reports		Q3 2017
Consider reports and whether they provide the expected insight into settlement risk		Q3 2017
Monitor progress of the Electricity PAF Review		Q3 2017
First meeting with PAFA		11/07/2017
Instruct PAFA to analyse the pre and post-Nexus reporting to identify any concerns or issues over performance		11/07/2017
Instruct PAFA on what analysis PAC wish to see on a monthly basis		11/07/2017
Instruct PAFA to look at materiality of performance and highlight any areas for concern		15/07/2017
<b>Q4 2017</b>		
Discuss frequency of reports with Xoserve		Q4 2017
Monitor progress of the Electricity PAF Review		Q4 2017
Consider if other reporting is necessary to support the risk methodology and consultation		Q4 2017
<b>Q1 2018</b>		
Consider industry developments that might lead to PAF risk		Q1 2018
Monitor progress of the Electricity PAF Review		Q1 2018
Assess risks and determine the treatment		Q1 2018
<b>Q2 2018</b>		
Agree how industry will be kept up to date on effectiveness of approach	Ongoing	Q2 2018
Agree how the effectiveness of the methodology will be assessed	Ongoing	Q2 2018
Receive post-Nexus reports under V16.1.3 from Xoserve		Q2 2018
Evaluate the performance of the PAFA at year one		Q2 2018
Consider whether to introduce a critical friend role for the PAFA to help Industry Parties		Q2 2018
Consider other areas that the PAF should be monitoring performance impacts (e.g. switching and data issues)		Q2 2018
Monitor progress of the Electricity PAF Review		Q2 2018
Consider the need to interface with the SPAA governance arrangements		Q2 2018
<b>Q3 2018</b>		
Consider reports and whether they provide the expected insight into settlement risk		Q3 2018
Consider if other reporting is necessary to support the risk methodology and consultation		Q3 2018
Consider performance issues and materiality and whether or not it would be beneficial for settlement accuracy to look at targets		Q3 2018
Monitor progress of the Electricity PAF Review		Q3 2018
Receive reports from Xoserve under V16.3.1 (pre-Nexus reports)		ONGOING
Consider reports and whether they provide the expected insight into settlement risk		ONGOING
Work with Xoserve on any additional elements required from the reports		ONGOING
Keep under consideration communication with Industry on progress and performance areas of concern		ONGOING

## 7. Assumption Register

[may be replaced with PAFA assumptions]

The following list of working assumptions was agreed by the Performance Assurance Committee (PAC) on 14 February 2017, and any subsequent amendments shall only be made by prior approval of the committee.

PAC Ref.	Assumption Description	Status	
		Approved	Closed
1	The UK Link replacement system operates in accordance to the design specified within the BRDs ( <i>Engage Report Assumption 1</i> )	PAC 14/02/17	
2	Xoserve cannot be subject to a performance assurance regime unless every action they complete is fully documented ( <i>Engage Report Assumption 2</i> )	PAC 14/02/17	
3	A high number of read submissions or AQ corrections will not impact system performance ( <i>Engage Report Assumption 3</i> )	PAC 14/02/17	
4	A significant number of supply points will be elected into product 2 and 3 as a result of the mandated smart and AMR rollout ( <i>Engage Report Assumption 5</i> )	PAC 14/02/17	
5	<del>All processes associated with settlement should be documented and complied with by all parties</del>		14/03/17



## 8. PAC Risks

The PAFA and the PAC are developing a risk register, as explained above. There are working papers for this contained within the PAC area of the Joint Office website ([www.gasgovernance.co.uk/pac](http://www.gasgovernance.co.uk/pac)). Once this has been finalised by the PAC and PAFA it will be issued to industry [for consultation?]

A budget is being agreed through the Data Services Contract arrangements to allow PAC to carry out investigative work, where it sees it as necessary to understand the extent, cause or significance of an issue. There will also be a process developed to allow any UNC Party to raise issues or risks, which they suspect or identify, to the PAC.

## 9. Issues Register

As outlined above PAC will develop an Issues Register, both in considering issues that they identify themselves, but also that have been raised by UNC Parties. PAC will have the ability to further investigate the issues, through instructing the PAFA to look into the matter. In addition funds will be available, should the issue identified or the work involved in considering the issue be outside of the scope of the PAFA.

Once the Risk Register is developed it will be published on the PAC area of the Joint Office website ([www.gasgovernance.co.uk/pac](http://www.gasgovernance.co.uk/pac))

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**Performance Assurance Committee (PAC): Issue Register (as at 13 June 2017)**

Issue Ref.	Issue	Background	Issue Originator	Date Created	Status	Priority for Discussion (H/M/L)	Status Date	Status Summary/Action taken	Next Review
PAC002	Performance Assurance Framework (PAF) Document: Document 4 (Page 28) - Performance Assurance Administrator Scope: Part 1 General: paragraph 5 - Agreeing the PAFA Scope, cost estimates and cost reporting - timescales/percentages at paragraph 5 are currently in square brackets and need to be agreed	Agreeing such matters ahead of a forthcoming gas year will become more relevant for year 2 onwards, since year 1 is more about engaging a PAFA, gathering data and initial risk identification.	PAC	29/06/2016	Live	Low	29/06/2016	No action until mid-2017	11/07/17
PAC007	There might be a need for PAF-specific contacts to be established; need to understand the purposes (such as operational process, commercial etc).	After considering the Electricity Incentive scheme it could be necessary to be able to quickly reach a variety of contacts throughout the industry to understand/address areas of poor performance	PAC	14/03/2017	Live	Medium	13/06/2017	Ongoing, DSC Contract managers to be requested to nominate PAC specific contacts or to be the contact.	11/07/17
PAC008	There might be benefits in providing some 'preventative services' (such as systems/process verification, formal training etc) to parties.	After considering the Electricity Incentive scheme it could be necessary to be able to quickly reach a variety of contacts throughout the industry to understand/address areas of poor performance	PAC	14/03/2017	Live	Low	14/03/2017	New issue - suggested completion December 17	01/10/17

**10. [Dependencies]**

**11. [Communication Plan / Industry Engagement - bob]**

**[clarify JO and PAFA communications]**

PAC meetings are currently planned to be monthly. However, extraordinary meetings will be held where the nature of an issues or its timing warrants a need to do so.

PAC meetings will be operate in two sessions;

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Session 1 – Will be an open forum and minuted by the Joint Office. Communications issued about this session will be published on the Joint Office website and the Key Messages communication will be circulated to industry participants as soon as possible after the PAC meetings to allow early notice of business discussed.

Session 2 – Will be a closed session, open only to PAC members, Xoserve and the PAFA. This session will be minuted by the PAFA. This session will happen following Session 1 and PAFA communications such as reports and supporting analysis of risks etc will be published in a securer environment and only available to PAC Members or their alternates. The PAFA will provide suitably anonymised update to the Joint Office for inclusion in the Key Messages communication and general minutes. For the avoidance of doubt the Joint Office will be able to attend this session, but will not be privy to any reports and may be asked to leave the session if individual Party's performance is discussed in detail, where the Party's identity will or could be revealed.

PAFA Communications:

The PAFA may where requested by PAC issue communications to nominated industry contacts, by default this will be the DSC Contract Managers or other person nominated by the DSC Contract Managers.

The Joint Office will publish relevant information where requested to do by the PAFA. However, commercially sensitive information or that for PAC members only, is to be published on a secure website managed by either the PAFA.

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