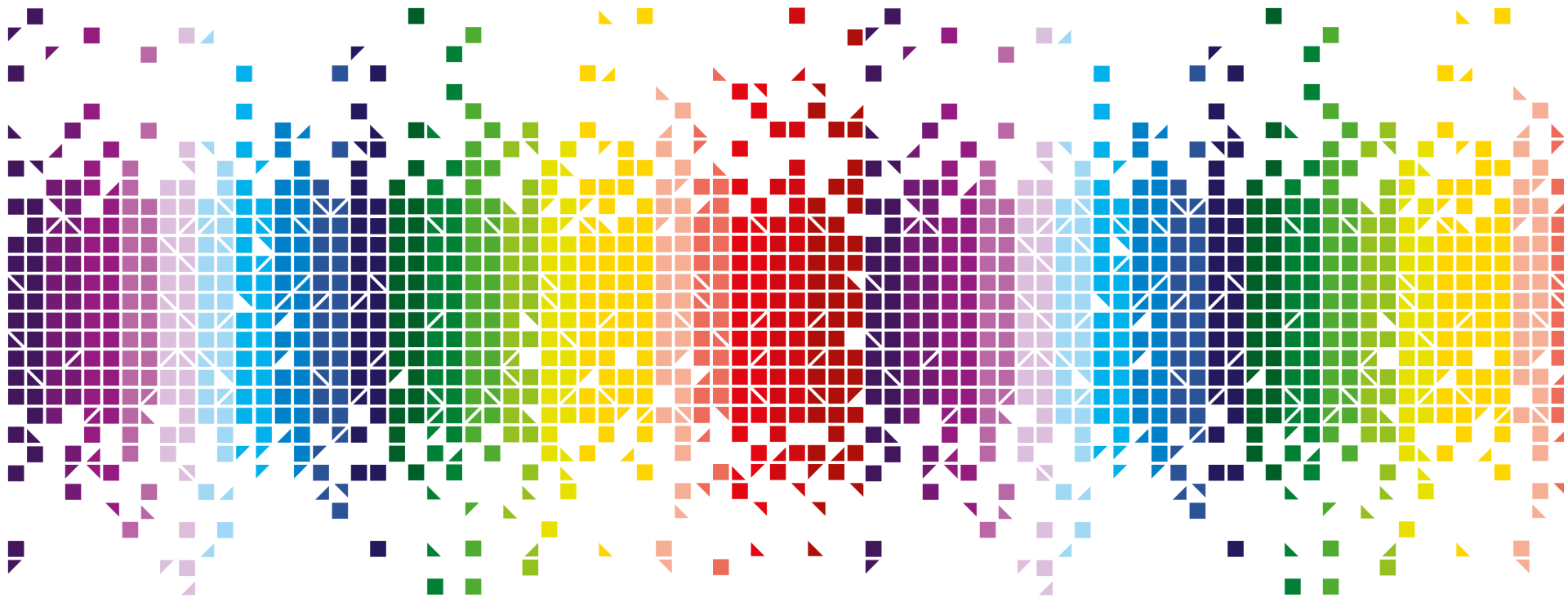


Performance Assurance Framework Risk Register Consultation Summary

12 December 2017





Consultation

- On 13 October 2017, the PAFA issued a consultation on the PAF Risk Register which closed on Thursday 9th November 2017
- Industry members were asked a set of questions to capture overall thoughts of the PAF Risk Register and welcome any other general comments

Question	
1	For each risk do you agree with the description and title?
2	For each risk do you agree with the Throughput, Probability and Control scores in respect to the Current, Target and Inherent categories?
3	For each risk do you agree with the Causes, Consequences and Controls described?
4	Are there any risks which you believe should be added, removed or amended from the PAF risk register?
5	Do you believe the Summary table adds value to the risk register?
6	Do you believe the layout of the Risk Register allows it to be easily read?
7	Would you like to provide any general comments on the PAF Risk Register?



Summary

- PAF Risk Register has been amended with comments received
- No comments were conflictive of others
- Themes from comments ranged from:
 - Include additional reports to either monitor or produce as a control mechanisms
 - Refinement to wording for Risk Descriptions, Causes and Consequences
 - PAC to consider if current Modifications can contribute to existing risks or creation of new risks
 - PAC to consider over Allocation in addition to under Allocation
 - Concern on age of data used for the risk model and risk register



Comments for discussion

- PACR001 - A respondent would like to see further detail provided for the Potential Causes of the risk which is in part monitored by the SPAA Theft Code of Practice and linked to meter theft
- A respondent pointed out a concern regarding the age of the data used to model risks in the PAF Risk Register, as the data was originally used for a study conducted in 2014. They indicate that any improvement to processes and figures occurring in the last three years has not been accounted for
- A respondent indicated for PACR002, a Change Proposal (CDSP ref XRN4525) has been raised. This introduces additional metrics for the Performance Assurance Reports Register (PARR) which will deliver more effective controls which should be considered by the PAC
- A respondent indicated that for risk PACR009, PAC may wish to review outputs from MOD0431 – “Shipper/Transporter - Meter Point Portfolio Reconciliation”



Comments for discussion

- PAC to consider whether PACR005 can benefit from the SPAA Schedule 22 proposal to update the meter schedule reporting and to introduce annual asset reconciliation with the MAMs
- PAC to consider current raised modifications to resolve issues with UIG and if some of those modifications should be linked to existing risks or if new risks should be created that relate to these modifications
- PAF Risk Register is currently aimed solely at areas that could result in an under allocation of gas to certain parties, whereas the over allocation of gas should also be considered. Additional factors mentioned that should be considered are:
 - System status of site does not reflect actual status of site (e.g. where withdrawn registrations are incorrectly recorded) resulting in misallocation of gas;
 - Erroneous Registrations between Shippers resulting in misallocation;
 - Incorrect application of allocation algorithms by Xoserve (e.g. temperature data, profile, missing files, etc); and
 - Incorrect allocation of MPRNs to Product Class, EUC resulting in incorrect profiling of advance to gas days and application of incorrect UIG weighting factors.



Question 1

- Majority of respondents agreed that the title and description generally provide a clear summary of each risk within the PAF Risk Register
- A respondent agreed with the title and descriptions
- A respondent would like to see further detail provided for the Potential Causes of the risk which is in part monitored by the SPAA Theft Code of Practice and linked to meter theft
 - Suggestion presented to PAC for discussion
- A respondent suggested that clarity should be provided for PACR010 – “Meter readings fail validation” as it relates to Product Class 3 and 4 sites only
 - We have made the amendments



Question 2

- Many of the respondents agreed with the scores provided for the throughput, probability and controls for each risk in respect to current, target and inherent categories
- A respondent pointed out a concern regarding the age of the data used to model risks in the PAF Risk Register, as the data was originally used for a study conducted in 2014. They indicate that any improvement to processes and figures occurring in the last three years has not been accounted for
 - PAC agreed to use the data available from the study in 2014 to develop a first iteration of the PAF Risk Register with the view of refining the risk model once it's live in the market
- A respondents noted that some of the cells within the Risk Register were empty such as 'Current Reconciliation (£ '000)' and 'Current Reconciliation (GWh)' on the Risk Summary tab
 - Cells are empty because certain risks do not impact market reconciliation and only impact market allocation. Any empty cells within the PAF Risk Register are due to the risk not impacting that category of the market



Question 3

- All respondents agreed with the causes, consequences and controls for each risk within the register, however highlighted comments for specific risks
- A respondent suggested for PACR004, adding an extra control of Shippers undertaking active verification of removed meters by using the GSR Notices Reports from Xoserve, as implemented in UNC 0518S
 - Controls are described as proposed as they are still to be approved by the PAC. Further discussion with the PAC will take place to define how LDZ Offtake meters will be managed and monitored and how principles would be set up to provide assurance
- A respondent indicated for PACR002, a Change Proposal (CDSP ref XRN4525) has been raised. This introduces additional metrics for the Performance Assurance Reports Register (PARR) which will deliver more effective controls
 - Suggested control presented to PAC for discussion
- A respondent indicated that for risk PACR009 PAC may wish to review outputs from MOD0431 – “Shipper/Transporter - Meter Point Portfolio Reconciliation”
 - Suggested control presented to PAC for discussion



Question 4

- Half the respondents did not have suggestions to add, amend or remove any risks from the PAF Risk Register
 - A respondent's suggested amendment was to consider whether PACR005 can benefit from the SPAA Schedule 22 proposal to update the meter schedule reporting and to introduce annual asset reconciliation with the MAMs
 - Suggested control presented to PAC for discussion
 - The respondent also suggested risks PACR008 and PACR009 can be linked to risk PACR001 as both Unregistered and Shipperless Sites are contributing factors of Theft of Gas
 - We recognise that Unregistered and Shipperless Sites are contributing factors to Theft of Gas. We recommend PACR008 and PACR009 should remain separate from PACR001 so a separate and stronger set of controls can be developed for those risks
 - The respondent highlighted current raised modifications to resolve issues with UIG and if some of those modifications should be linked to existing risks or if new risks should be created that relate to these modifications
 - Modifications listed are UNC 0631R – “Review of NDM algorithm post- Nexus”, UNC 0633 – “Mandate monthly read submission for Smart and AMR sites from 01 December 2017”, UNC 0634 Urgent – “Revised estimation process for DM sites with D-7 zero consumption”, UNC 0635 – “Reforms to incentivise accurate and timely DM reads to improve the accuracy of Unidentified Gas allocation”
 - Suggested control presented to PAC for discussion
-



Question 4

- A respondent believes that the PAF Risk Register is currently aimed solely at areas that could result in an under Allocation of gas to certain parties, whereas the over Allocation of gas should also be considered. Additional factors mentioned that should be considered are:
 - System status of site does not reflect actual status of site (e.g. where pot-ended connections and/or withdrawn registrations are incorrectly recorded) resulting in misallocation of gas;
 - Erroneous Registrations between Shippers resulting in misallocation;
 - Incorrect application of allocation algorithms by Xoserve (e.g. temperature data, profile, missing files, etc); and
 - Incorrect allocation of MPRNs to Product Class, EUC resulting in incorrect profiling of advance to gas days and application of incorrect UIG weighting factors.
- Suggested control presented to PAC for discussion



Question 5

- All respondents agreed that the summary table in the PAF Risk Register adds value
- A respondent stated that the summary table adds value by providing a clear single view of risks and serves as a good reference guide
- A respondent suggested whether related risks and overlaps of risks could be highlighted on the summary table itself.
 - We have added associated risks to the summary table



Question 6

- Majority of respondents believe the layout of the PAF Risk Register allows it to be easily read
- There were a few suggestions made by the respondents which have been incorporated into the PAF Risk Register:
 - Indicating whether a risk is specific to a Shipper or Transporter;
 - Defining the scoring on the risk score tab to make it clear what the difference in numbering means; and
 - Defining the control factors by creating an additional table on the Risk Scores tab of the PAF Risk Register to make clearer what each of them mean.
- A respondent commented on the Risk Energy and Financial Estimate (Risk Register Approach Document) which should show more information and further detail required regarding data sources.
 - This information will be collated within a new guidance document to be created by the PAFA



Question 7

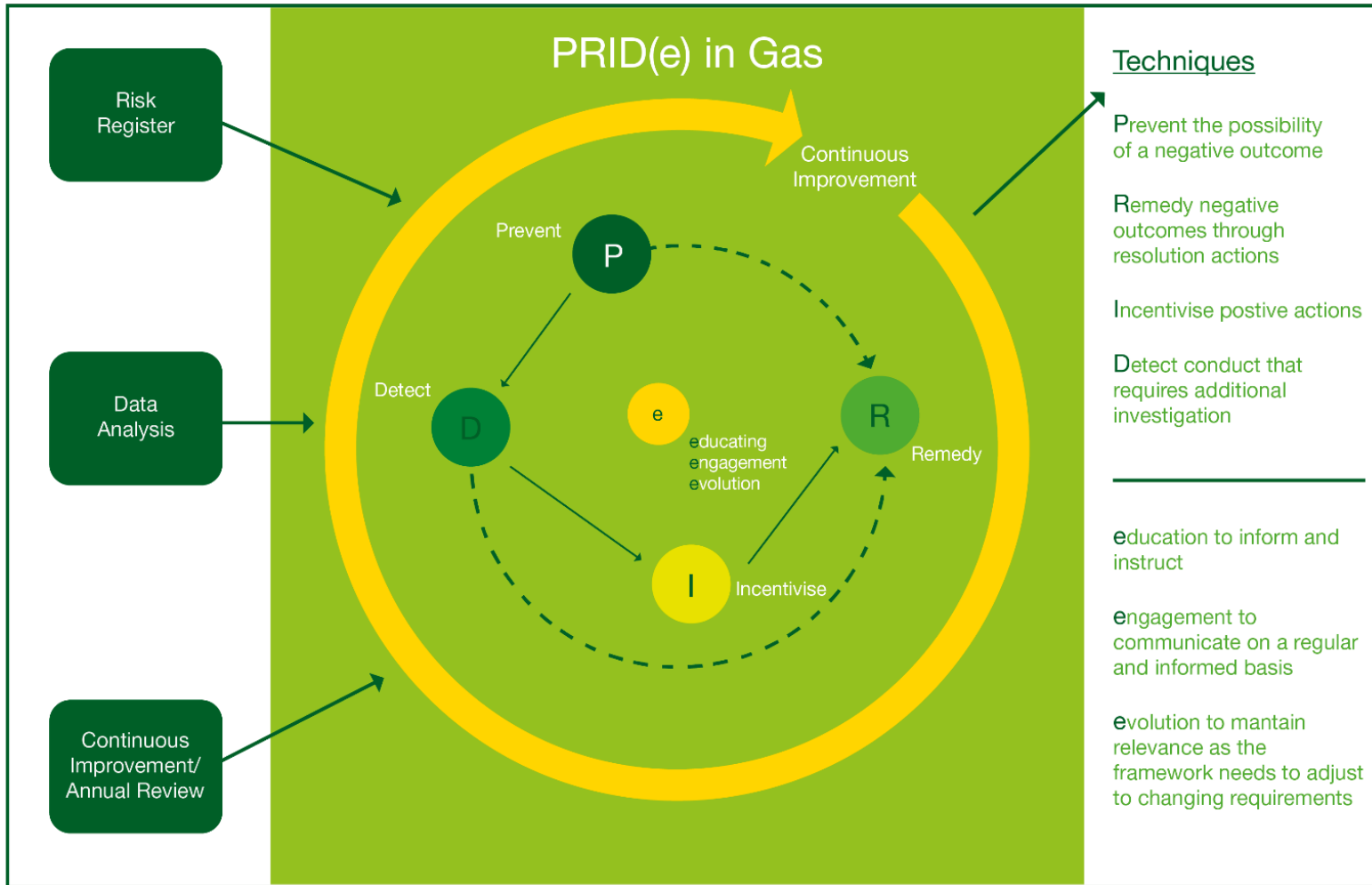
- All respondents provided general comments on the consultation
- Some comments included suggested changes to the PAF Risk Register to further define wording
 - These suggestions have been taken on board and implemented
- A respondent indicated the Risk Energy and Financial Estimate areas of the Risk Template are not clarified within the Approach document
 - We will include this clarification with the guidance document to be created by the PAFA



Next steps

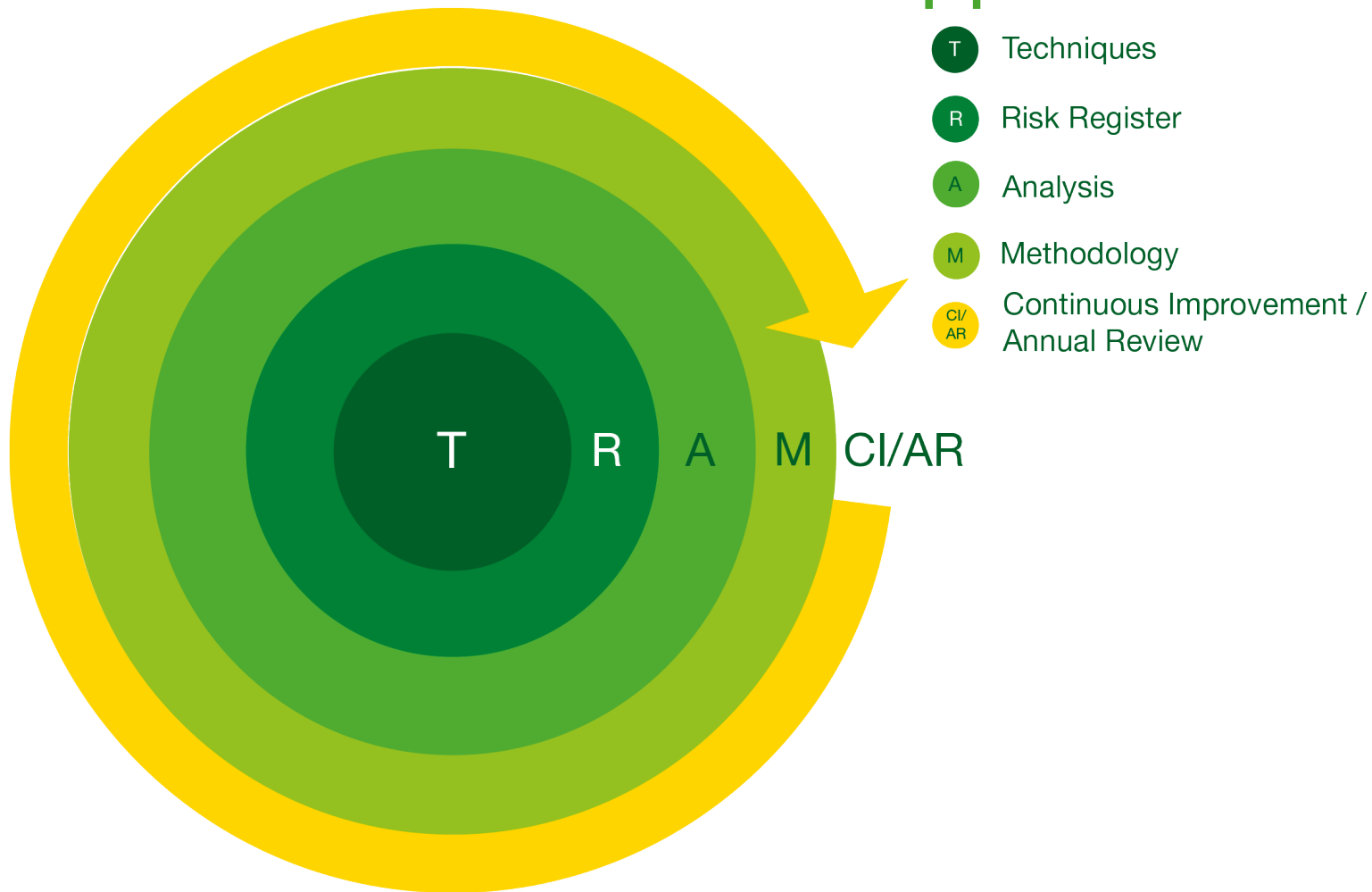
- PAC to consider comments raised for discussion
- PAC to approve amended PAF Risk Register (version 2017.02)
- If necessary amend the PAF Risk Register following PAC discussion

PRID(e) in Gas Model





Performance Assurance Approach





Techniques

- **Prevent** possibility of a negative outcome
- Monitor data for patterns proactively for both Shipper and industry performance decline
- Educate a Shipper (or type or group of Shippers) where reporting shows parties to be falling short of the required performance standards
- Engage stakeholders on a regular and informed basis



Techniques

- **Remedy** negative outcomes through resolution actions
- Shipper required to assess an identified performance issue and propose a resolution plan for approval by the PAC
- Require the PAFA or an industry working group to assess an industry performance issue and propose a resolution plan for approval by the PAC (this may result in industry wide changes)
- Escalation actions



Techniques

- **Incentivise** positive actions
 - Peer comparison reporting
 - Industry education sessions
 - Engage stakeholders on a regular and informed basis
 - Incentive Scheme (e.g. Liquidated Damages)



Techniques

- **Detect** conduct that requires additional investigation
- Performance monitoring and reporting
- Audit and investigation



Techniques

- **engage:** to communicate with all stakeholders on a regular and informed basis
- **educate:** to inform and instruct participants in what is expected in the market
- **evolve:** to maintain relevance as the framework needs to adjust to changing requirements and industry environments
 - Monitor industry behaviour (and changes in behaviour)
 - Work with Shippers to understand the methodology, their responsibilities and how to interpret reports
 - Work proactively with the market to identify potential improvements and innovations



Usual contacts



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