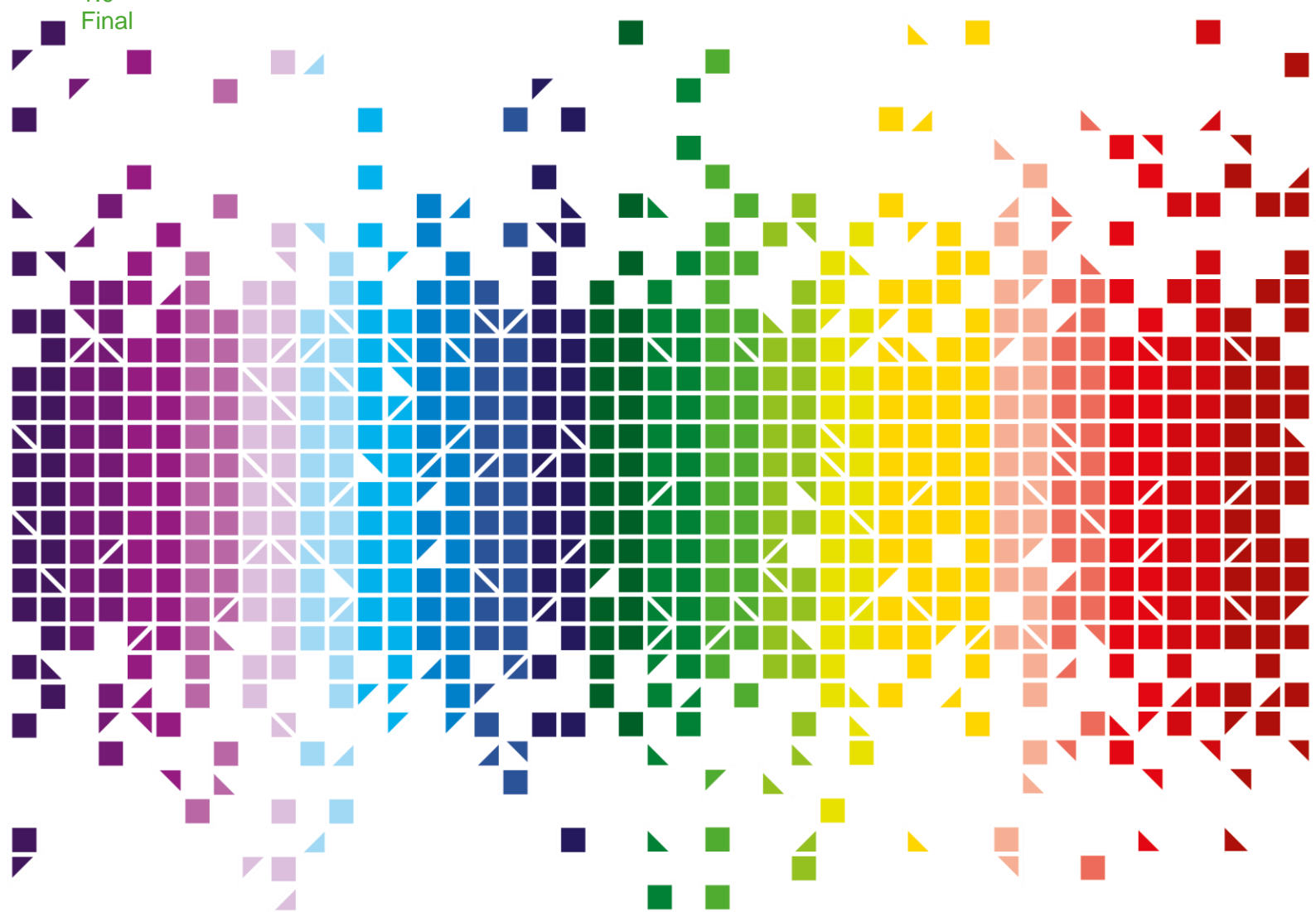


Performance Assurance Framework Risk Register Consultation Summary

12 December 2017

1.0
Final





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CHANGE HISTORY

VERSION	STATUS	ISSUE DATE	AUTHOR	COMMENTS
0.1	Draft	9 November 2017	Miriam Ellis	Initial Draft
0.2	Draft	17 November 2017	Nirav Vyas	Internal review
1.0	Final	4 December 2017	Nirav Vyas	Final

DOCUMENT CONTROLS

REVIEWER	ROLE	RESPONSIBILITY	DATE
Nirav Vyas	Gemserv	Technical Review	17/11/2017
Anne Jackson	Gemserv	Quality Review	04/12/2017



1. PURPOSE OF THIS CONSULTATION

The Performance Assurance Committee (PAC) approved the Performance Assurance Framework (PAF) Risk Register at its meeting on 10 October 2017 and initiated the Performance Assurance Framework Administrator (PAFA) to perform an industry consultation on the PAF Risk Register.

The purpose of the consultation was to gain industry feedback on the baselined PAF Risk Register (version 2017.01) on the included risks and to capture any unidentified risks.

As part of this consultation, industry members were asked a set of questions in PAF Risk Register Consultation Response form to capture overall thoughts of the PAF Risk Register and welcome any other general comments.

On 13 October 2017, the PAFA issued a consultation (via the Joint Office) on the PAF Risk Register asking industry members to respond with comments sent directly to the PAFA mailbox PAFA@gemserv.com by 5pm Thursday 9th November 2017.

The responses were captured, aggregated and presented to the PAC on 12 December 2017 for discussion. This document highlights the responses received by the industry.



2. CONSULTATION QUESTIONS FOR CONSIDERATION

The PAF Risk Register consultation featured a number of questions related to the baselined PAF Risk Register. This included questions covering each risk, the summary table and layout of the PAF Risk Register.

Question 1 sought views on the description and title of each risk in the PAF Risk Register.

Question 2 sought views on the Throughput, Probability and Control scores in respect to the Current, Target and Inherent categories of each risk in the PAF Risk Register.

Question 3 sought views on the described Causes, Consequences and Controls of each risk in the PAF Risk Register.

Question 4 sought views on adding, removing or amending risks from the PAF Risk Register.

Question 5 sought views on the value of the summary table within the PAF Risk Register.

Question 6 sought views on the layout of the PAF Risk Register.

Question 7 sought views on any general comments on the PAF Risk Register.



3. CONSULTATION SUMMARY

Below is a summary of the responses received for each consultation question.

3.1. QUESTION 1

Majority of respondents agreed that the title and description generally provide a clear summary of each risk within the PAF Risk Register.

One respondent agreed with the title and descriptions and felt risk titles and descriptions are an important component of the register, and careful consideration should always be given to risk descriptions to ensure it is clear to all relevant industry participants (including smaller parties) what the risk is and how it is being dealt with.

One respondent believes the description for PACR001 – “Theft of Gas” is too generic and doesn’t link with other risks. The respondent would like to see further detail provided for the Potential Causes of the risk which is in part monitored by the Supply Point Administration Agreement (SPAA) Theft Code of Practice and linked to meter theft.

The respondent is not clear on who the risk sits with, either Shipper or Transporter, though the respondent believes it is both. The respondent also believes PACR001 should be split into two parts, meter theft and theft in conveyance, each of which should be monitored independently of each other.

We understand that PACR001 is described at a high-level due to the nature of risk. There are causes for gas theft that are monitored in the SPAA Theft Code of Practice and the Theft Risk Assessment Service (TRAS) which will contribute to the maintenance of PACR001. We recommend this be presented to the PAC for consideration as both elements of SPAA Theft Code of Practice and TRAS should be reported under the UNC.

Another 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 amended PAF Risk PACR010’s title and description to now say “Meter readings in Product Classes 3 and 4 are submitted and fail validation, and subsequent reads fail validation; the AQ will become less accurate impacting the timeliness of reconciliation”.

3.2. 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.

One 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, and is now over three years old. The list of risks given in their example were PACR004 – “Identified LDZ Offtake Measurement Errors”, PACR005 – “Incorrect or missing asset data on the Supply Point Register”, PACR007 – “Undetected LDZ Offtake



Measurement Errors”, PACR008 – “Unregistered Sites” and PACR009 – “Shipperless Sites”. They indicate that any improvement to processes and figures occurring in the last three years has therefore not been accounted for.

We understand that origin of the data used was originally published in 2014. The risk register creation approach as presented by the PAFA and agreed by the PAC at the August 2017 PAC meeting, was to take the data as a baseline to produce a first iteration of the PAF Risk Register. We recommend the PAF Risk Register be updated in line with more recent data as it becomes available.

One of the 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 for risk PACR004. These cells are empty because risk PACR004 does not impact market reconciliation and only impacts market allocation. Therefore, any empty cells within the PAF Risk Register are due to the risk not impacting that category of the market.

3.3. QUESTION 3

All respondents agreed with the causes, consequences and controls for each risk within the register, however highlighted comments for specific risks.

One respondent confirmed they agree with the potential causes and consequences of PACR004, however would like further information on the controls that were currently in the 'to be agreed' state. They also suggested 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. The controls in how risk PACR004 will be managed are high level and described as proposed as they are still to be approved 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.

Another respondent said although risk PACR002 – “Use of the AQ Correction Process” will provide a count of AQ Corrections, it will not provide a view of movements in allocations and therefore a more effective control is required. They also indicated a Change Proposal (CDSP ref XRN4525) has been raised, which proposes the introduction of additional metrics for the Performance Assurance Reports Register (PARR), which will deliver more effective controls. We will present this to the PAC as a suggested control and monitor the outcome of CDSP ref XRN4525 to contribute to the controls of risks.

The respondent also indicated that for risk PACR009 PAC may wish to review outputs from MOD0431 – “Shipper/Transporter - Meter Point Portfolio Reconciliation”. As this provides a level of control to Shipperless sites, through reconciliation between Xoserve and other parties, however this is applied currently to non-iGTs only. We will present this to the PAC for discussion and monitor the control of reviewing outputs from MOD0431.

3.4. QUESTION 4

Half the respondents did not have suggestions to add, amend or remove any risks from the PAF Risk Register.



One respondent's suggested amendment was to consider whether risk PACR005 can benefit from the SPAA Schedule 22 proposal to update the meter schedule reporting and to introduce annual asset reconciliation with the MAMs. SPAA Schedule 22 proposal is currently out for SPAA IA under CP 17/411 and will be monitored to assess how the reporting can contribute to risk PACR005 Controls.

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.

Whilst we recognise that Unregistered and Shipperless Sites are contributing factors to Theft of Gas, it is preferred to keep risks PACR008 and PACR009 separate from PACR001 so a separate and stronger set of controls can be developed for those risks rather than aggregating everything together into a large and complex risk with multiple controls.

The respondent also highlighted the current modifications that have been raised to resolve some 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. The modifications listed were 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".

The discussion of whether these modifications should be linked to existing risks or if new risks should be created that relate to these modifications will be presented to the PAC for discussion.

Another 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 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.

All the above factors listed will be presented to the PAC for discussion.

3.5. QUESTION 5

All respondents agreed that the summary table in the PAF Risk Register adds value.

One respondent stated that the summary table adds value by providing a clear single view of risks and serves as a good reference guide. The respondent proposed for the risk review date to appear on the summary table to provide an easy view of the review date for each risk rather than navigating through each individual risk. We have taken this suggestion on board and implemented this suggestion on the summary table.



Another respondent suggested whether related risks and overlaps of risks could be highlighted on the summary table itself. Associated risks have previously been included within each risk and we have added associated risks to the summary table.

3.6. 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.

Another 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.

3.7. QUESTION 7

All respondents provided general comments on the consultation.

Some comments included minor suggested changes to the PAF Risk Register to further define wording. These suggestions have been taken on board and implemented.

One respondent again highlighted the fact that historical data (from 2014) was used to produce the PAF Risk Register. We understand that origin of the data used was originally published in 2014. The risk register creation approach as presented by the PAFA and agreed by the PAC at the August 2017 PAC meeting, was to take the data as a baseline to produce a first iteration of the PAF Risk Register. The PAF Risk Register will be updated in line with more recent data as it becomes available.

This respondent also highlighted the fact that a few fields were missing in the PAF Risk Register that are present in the Risk Register Approach. After investigation, we can confirm the template being referenced in the Risk Register Approach document is the Risk Template, used by a party to identify a risk. Once a risk is assessed and agreed by PAC as a viable risk, it is transferred into the Risk Register. There were a few other comments from respondents such as how the probability and control scores are decided. These points will be presented to PAC for discussion.

Another respondent also indicated The Risk Energy and Financial Estimate area of the Risk Template are not clarified within the Approach document.



This detail was added to the PAF Risk Register as a feedback point from the PAC during the creation process, thus the accompanying documentation does not contain The Risk Energy and Financial Estimate description. We will update the relevant documentation and include this clarification with the guidance document to be created by the PAFA.

One respondent would welcome views on some over-arching principles around what should guide the performance assurance framework and associated groups/committees and quotes the BSC Section Z in the electricity industry a useful reference point. This suggestion will be presented to the PAC for discussion.



4. SUMMARY OF CHANGES TO THE PAF RISK REGISTER

We have made some changes to the PAF Risk Register and recorded some comments to be presented to the PAC for discussion at the next meeting on 12 December 2017.

Below is a list of changes that have been made to the PAF Risk Register.

Summary of changes to PAF Risk Register	
Changes to Read Me First	<ul style="list-style-type: none"> The word 'all' has been removed from 'sets out all operational and financial risk to gas settlement' as it gives the impression that this is an exhaustive list rather than an initial one Amended cell B8 to remove number of risks, the number of risks can increase/decrease
Changes to Risk Summary	<ul style="list-style-type: none"> Included 2 new columns: Risk type & Risk review date Changed title of field from Current Probability to Current Likelihood Corrected a typo so the risk numbers have three digits. Ie PACR0001 to PACR001
Changes to Risk Scores	<ul style="list-style-type: none"> Added a new table called risk control to provide understanding of the control factors Updated column heading to likelihood description
Changes to all risks	<ul style="list-style-type: none"> Defined whether each control is proposed or implemented Changed date field to 'effective from' and included a new field 'effective to' Included a new field called risk type to show whether the risk is Shipper, Transporter or both Included 'Monitoring' and 'Closed' in the risk status field Included a tracker section in each risk to track any progress made Changed title of field from Probability to Likelihood Corrected a typo so the risk numbers have three digits. Ie PACR0001 to PACR001
Risk 008 - Unregistered sites	<ul style="list-style-type: none"> Changed the word 'primary' to 'check'
Risk 004 - LDZ offtake measure error	<ul style="list-style-type: none"> Updated the controls field to include an additional control Added line in Controls "Shippers undertaking active verification of removed meters by using the GSR Notices Reports from Xoserve, as implemented in UNC 0518S"
Risk 010 - Readings fail validation	<ul style="list-style-type: none"> Added the wording "Product Classes 3 and 4" to the risk description. Meter readings in Product Classes 3 and 4 are submitted and fail validation, and subsequent reads fail validation; the AQ will become less accurate impacting the timeliness of reconciliation



Risk 009 - Shipperless Sites	<ul style="list-style-type: none">Added line in Controls "Review outputs from MOD0431"
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