

# Performance Assurance Committee Framework Document

Prepared and maintained by the Performance Assurance Committee

V43.10

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## 1.0 Change History

Version	Date	Reason for update
0.1	April 2019	Created to support UNC 0674
1.0	May 2019	Updated following 674 workgroup
2.0	May 2020	Updated following 0674 development
3.0	May 2020	Updated following May-20 UNC674 Workgroup
<a href="#">4.0</a>	<a href="#">June 2020</a>	<a href="#">Updated with post workgroup comments</a>

## 2.0 Document Controls

Reviewer	Role	Responsibility	Date
Mark Bellman	UNC674 Proposer	Produce draft for inclusion in UNC674 consultation	July 2020
PAC	Approver	Approve draft for UNC674 consultation	July 2020

## 3.0 Acronyms and Definitions

### 3.1 Acronyms used in this document:

- PAC Performance Assurance Committee
- PACCD Performance Assurance Committee Constitution Document
- PAFD Performance Assurance Framework Document
- PAFA Performance Assurance Framework Administrator
- PARR Performance Assurance Reports Register
- PAT Performance Assurance Technique
- PAO Performance Assurance Objective
- CDSP Central Data Services Provider
- GT Gas Transporter

IGT	Independent Gas Transporter
NTS	National Transmission System
UNC	Uniform Network Code
UNCC	Uniform Network Code Committee

### 3.2 Definitions used in this document:

The following terms shall have the following meanings:

**‘Confidential Information’**

means all information provided to PAC unless otherwise stated

**‘Employer Assurance Document’**

means a document signed by an Office Bearer of the employer of the Performance Assurance Committee (PAC) Member assuring that the PAC Member can attend PAC meetings and that they are attending and voting at PAC meetings in the interest of the GB gas market and that they will not be representing any commercial interest or commercial body

**‘Gas Settlement’**

means the allocation and reconciliation of gas at supply point level

**‘Performance Assurance Committee Member - Confidentiality Agreement’**

means a document signed by the Performance Assurance Committee Member assuring that they are attending and voting at Performance Assurance Committee meetings in the interest of the GB gas market and that they will not be representing the commercial interest of any commercial body and that they will not divulge confidential matters nor confidential information.

**‘Performance Assurance Committee Document’**

means the series of documents detailed in Section 8 of this Framework Document, prepared and maintained to support the general operation of the Performance Assurance Scheme. These documents are governed by the Performance Assurance Committee

‘Performance Assurance Framework Document’

Is a Performance Assurance Committee controlled document that sets out methods by which the PAC will work to achieve its objectives.

‘Performance Assurance Framework (PAF) Year’

means the year commencing on 01 October each year

‘Performance Assurance Framework Administrator Scope’

means the scope of works set by the Performance Assurance Committee and agreed with the Performance Assurance Framework Administrator (PAFA) as set out in Document 4

[‘Performance Assurance Objective’](#)

[has the meaning as defined in UNC V16.1](#)

‘Performance Assurance Party’ (also ‘PAP’)

means the party subject to performance assurance as described in section 5.0 of the PAFD

‘Performance Report(s)’

means a report or reports defined in the Performance Report Register

‘Performance Report Register’

means the register of agreed reports defined in PAFD 1

‘Report Specification’

means the report specification defined in PAFD 1

‘Risk Register’

means the register of risks defined in PAFD 3.

‘Shipper’

has the meaning as 'Shipper User' as described in UNC GTB2.2.1(a)

'Transporter'

has the meaning as described in UNC GTB2.1.3

## 4.0 Objectives

The Framework will facilitate the achievement of the Performance Assurance objective as defined in the UNC in section ~~V16.2.1~~ [SR1] of the UNC by working to:

- Maintain appropriate reporting and analysis to measure energy settlement performance and the risks to it
- Maintain a risk register and supporting analysis to assess risks, evaluate and determine mitigation activities for energy settlement performance
- To report as necessary
- To create a regime incentivising the required performance, if necessary, by proposing modifications to the UNC
- To produce and publish a schedule of reports and to provide access arrangements where necessary.
- To determine performance improvements required and where relevant, by whom.
- To specify improvements needed to performance and agree, where relevant, specific and identified targets.
- To provide assurance to UNC Parties with regards to the settlement regime.

These objectives may be updated by the PAC from time to time as the PAF develops.

## 5.0 Application and Operation

The Performance Assurance Framework applies to each party who, under the provisions of UNC and IGT UNC, directly contributes to Energy Settlement performance, i.e. those parties in direct control of the data inputs to Energy Settlement (the "Performance Assurance Party").

For the avoidance of doubt this includes all Gas Transporters (including the Independent Gas Transporters (IGTs)), the Transporter Agency (or Central Data Service Provider as its successor and pursuant to both UNC General Terms Section D 2.3.1 and DSC Section 3.5) and Shipper Users (of both GT and IGT pipelines).

The Performance Assurance Framework will comprise reporting against certain performance indices and the management of a Risk Register comprising risks to Energy Settlement performance.

The Performance Assurance Framework includes:

- Management of a risk model
- The operation of an incentive regime requiring the creation and settlement of incentive charges
- The provision of training and awareness services to existing and new Users
- Dynamic access to performance data on matters impacting settlement.

The provision of advisory or mentoring services for PAPs in fulfilling code obligations and understanding their consequences on settlement risk.

Other activities yet to be determined.

## 6.0 Procurement and Provision of Services<sup>[BM2][SR3]</sup>

Responsibilities under the tender process, appointment process, review process, termination process and provision of data for the Performance Assurance Framework Administrator Scope

### 6.1 PAFA Scope

~~The PAFA scope is defined in document 4 'PAFA Scope' which is appended to this document~~

The role of the PAFA is to provide the following services:

- Management of a Register of Risks to Gas Settlement
- Development/maintenance (including periodic updates) of a Gas Settlement Risk Model
- Collation, validation, publication and interpretation of a suite of reports on Shipper Performance, with appropriate versions for each channel
- Provision of expert advice on Gas Settlement and associated risks
- Administration of the service
- Management of changes to the service
- Liaison with UNC parties in relation to areas of Settlement performance
- Use of Performance Assurance Techniques (PATs) as requested by PAC
- Co-ordination of the Annual PAF Review

On request from PAC the PAFA will provide the role of champion to UNC Modifications that are relevant to Settlement and/or Performance Assurance, where the Modification Proposer is unable to do so.

### 6.2 Overview of the activities

<u>ACTIVITY</u>	<u>TIMING/ TRIGGER</u>	<u>INPUTS</u>	<u>OUTPUTS</u>	<u>RECIPIENTS</u>
<u>Management of a Register of Risks to Gas Settlement</u>	<u>Monthly</u>	<u>Risk templates from any UNC Party, scores, action updates from owners</u>	<u>Risk reports to PAC, including visual representations</u>	<u>PAC, other UNC Parties, Government and Regulatory Bodies</u>

<a href="#">Maintenance Development/maintenance (including periodic updates) of a Gas Settlement Risk Model</a>	<a href="#">Quarterly</a>	<a href="#">Risk Register, data from the CDSP and other UNC parties</a>	<a href="#">Model (and overview of subsequent changes), possibly a Dashboard</a>	<a href="#">PAC, other UNC Parties, Government and Regulatory Bodies</a>
<a href="#">Collation, validation, publication and interpretation of a suite of reports on Shipper Performance</a>	<a href="#">Monthly</a>	<a href="#">PARR requirements, Data from The CDSP (and others) Shipper Code Names (for anonymous view) Further report requirements as identified by PAC</a>	<a href="#">Report publication via appropriate channels for each audience, balancing ease of access, efficiency and confidentiality, including fully anonymised dashboards for wider industry use</a>	<a href="#">PAC, other UNC Parties, Government and Regulatory Bodies</a>
<a href="#">Provision of expert advice on Gas Settlement and associated risks</a>	<a href="#">As requested/ as identified</a>	<a href="#">Requests for advice on Settlement and/or Risks to Settlement Own identification of opportunities to provide expertise</a>	<a href="#">Impartial advice and guidance, Impact Assessment Recommendations for additional risks/reports</a>	<a href="#">PAC, other UNC Parties, Government and Regulatory Bodies, CDSP</a>
<a href="#">Administration of the service</a>	<a href="#">Monthly</a>	<a href="#">Internal and external cost information Feedback from stakeholders</a>	<a href="#">Timely and accurate periodic budgetary reports Reports on Scheme effectiveness and recommendations for improvement</a>	<a href="#">PAC, other UNC Parties, Government and Regulatory Bodies, CDSP</a>
<a href="#">Management of changes to the service</a>	<a href="#">Adhoc</a>	<a href="#">Requests from PAC or CDSP for assessment of possible changes</a>	<a href="#">Impact assessment to current service, including financial implications</a>	<a href="#">PAC, CDSP</a>

<a href="#"><u>Liaison with UNC parties in relation to areas of Settlement performance</u></a>	<a href="#"><u>As requested by PAC</u></a>	<a href="#"><u>Request by PAC, based on PAFA's analysis of individual party's performance</u></a>	<a href="#"><u>Contact with parties, e.g. Shippers, Transporters, to highlight current performance levels, UNC obligations and areas of concern raised by PAC (including but not limited to email, letter, telephone, face-to-face meeting)</u></a>	<a href="#"><u>PAC, other UNC Parties</u></a>
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### 6.32 PAFA Appointment Criteria

- a) The PAC should produce a clear scope of works and activities that the PAFA is required to perform, against which the CDSP can undertake a tender process. The scope of works is as detailed in [Document 46.1 of this Framework document](#).
- b) The appointment is expected to be for a period of four years, with arrangements for a minimum 2 year initial period, with the option for two subsequent consecutive one-year extensions;
- c) The PAC shall produce a clear set of criteria for the appointment of the PAFA including (without limitation):
  - The ability of the PAFA to produce, publish and maintain a Performance Report Register and the creation, management and maintenance of the PAF Risk Register which shall be in line with the Terms of Reference plus any other criteria agreed by the PAC;
  - The ability of the PAFA to deliver new services in the future;
  - The consideration of the relevant knowledge and expertise of the candidates; and
  - Details of how much weight/percentage should be placed for each set of criteria.

CDSP to prepare the draft recitals/introduction for the PAFA contract.

## 7.0 CDSP tender for and appointment of the PAFA

This is as set out in the UNC Transportation Principal Document Section V16.96[SR4].

## 8.0 Procurement and Provision of Services not included in PAFA Scope <sup>[BM5]</sup>

### 8.1 Change control principles

From time to time the PAC may identify additional requirements which have not been scoped as a PAFA activity.

Where such a requirement arises, the PAC will make an initial assessment of the requirement and, where it determines that the additional requirement can be reasonably implemented, shall submit a ~~Change Order~~ [PAFA Scope change request form](#) to the CDSP. Any additions to the scope of the PAFA should be relevant to the overarching objectives of the Performance Assurance Framework, in accordance with Document 4, Schedule 3 Change Control Procedure.

### 8.2 Change control process overview

- [PAC should approve each change request to the PAFA Scope in accordance with its voting arrangements prior to submission to the CDSP.](#)
- [The CDSP will liaise with the PAFA as required and update the Request Form with a response. Wherever possible the CDSP should respond within 15 working days.](#)
- [PAC will consider the CDSP’s response and decide whether or not to progress with the change in accordance with its voting arrangements. If PAC cannot reach a decision, the change will not be progressed.](#)

[Requests should be submitted in the following format, wherever possible.](#)

<u>Performance Assurance Framework PAFA Scope Change Request Form</u>	
<a href="#">Request date</a>	
<a href="#">Request Prepared By</a>	
<a href="#">Service Change details (specify whether addition, removal or amendment to existing):</a>	
<a href="#">When is the changed service required (from/to)</a>	
<a href="#">Beneficiaries of the change, and overview of the expected benefits</a>	
<a href="#">Any dependencies, e.g. Legislation/Licence changes, UNC Modifications, updates to Framework Document</a>	
<a href="#">Date Request approved at PAC</a>	
<u>CDSP Comment</u>	
<a href="#">Date response prepared (Target within 3 working weeks of receipt of Request)</a>	
<a href="#">Any implementation options (if appropriate)</a>	

<a href="#">Estimated cost of the change, including timeframe (e.g. one-off/annual) [increase/(decrease)]</a>	
<a href="#">Estimated lead time – how soon/when could the change be implemented</a>	
<a href="#">Other consequences, e.g. impacts on other PAFA/CDSP deliverables</a>	
<a href="#">Any likely system impacts, including PAFA, CDSP, Shippers (if known)</a>	
<a href="#">Period for which this Response is valid</a>	
<a href="#">Confidence level in the accuracy of the response, e.g. costs, lead times, other impacts</a>	
<b><a href="#">PAC Decision</a></b>	
<a href="#">Date Response considered at PAC</a>	
<a href="#">Outcome of PAC consideration: Accept/Decline/Pause/Re-Submit Request with Amendment/Other</a>	
<a href="#">Selected implementation option (if appropriate)</a>	

### **[8.3 Development and Implementation](#)**

[If the PAC agrees and approves the Change, the CDSP will commence work to develop and implement the chosen implementation Option.](#)

[If the PAC agrees and approves the Change, but changes are required to the Data Services Contract then the DSC Service Changes process will be followed. Once \(if required\) the Data Services Contract has been amended, the CDSP will proceed to implement the chosen implementation Option \(if applicable\) and the changes to the service as set out in the Change shall be made.](#)

[The CDSP will provide ongoing progress reports to the PAC as the development and implementation of the chosen implementation Option progresses. This will include performance against planned timescales and budgets.](#)

~~Where the PAC determines that the advice of independent experts may be required, this will be by either:~~

- ~~a) PAFA to directly supply the requested expertise; or~~
- ~~b) PAFA to procure an independent expert (subject to PAC approval); or~~
- ~~c) CDSP to procure an independent expert (subject to PAC approval).~~

~~A Change Order shall be submitted as above and in accordance with Schedule 3. Any appointed independent expert shall, by invitation, attend PAC meetings in a non-voting capacity and will be required to sign the relevant confidentiality agreements.~~

## 9.0 Monitoring of PAFA performance

The CDSP shall be responsible for reporting the PAFA’s performance of the services and any other obligations under this PAFA Scope to the PAC in accordance with the PAFA Scope and the overview of activities, on a quarterly basis. If the PAFA fails to provide the services in accordance with the Performance Indicators the CDSP shall:

- Identify the cause of any failure to provide the services in accordance with a specific Service Standard or Performance Indicator;
- Inform the PAC of such action necessary to correct such failure and prevent it from recurring; and
- Keep the PAC advised of the status of remedial efforts and any rectification being undertaken.

### 9.1 PAFA Performance indicators

The Performance Indicators and the Services to which they apply are set out in the following table.

- The CDSP shall produce an exception report on a quarterly basis, which provides relevant information relating to the non-achievement of the Performance Indicators.
- The introduction, change or removal of Performance Indicators can only occur as a result of a Change Order. Any such introductions, changes or removals will come into force in the month immediately following their implementation unless otherwise agreed with the Performance Assurance Committee.
- In the case of introduction or substitution of a Performance Indicator, where no historic performance and management information is available, a period of at least six months must elapse (or such other period as may be agreed between the CDSP and the Performance Assurance Committee) before a new performance standard can be set for the Performance Indicator.

<u>Performance Indicators</u>			
<u>Based upon the PAFA Scope and the Overview of activities and to be updated where required, in line with section 8 of this document</u>			
<u>Service Line</u>	<u>Timing/Trigger</u>	<u>Outputs</u>	<u>Performance Measure</u>
<u>Management of a Register of Risks to Gas Settlement</u>	<u>Monthly</u>	<u>Risk reports to PAC, including visual representations</u>	<u>Provision of Updated Risk Register to PAC in line with Joint Office publication deadlines</u>
<u>Development/maintenance (including periodic updates) of a Gas</u>	<u>Quarterly</u>	<u>Model (and overview of subsequent changes), possibly a Dashboard</u>	<u>Provision of Risk Model to PAC in line with Joint</u>

<u>Settlement Risk Model</u>			<u>Office publication deadlines</u>
<u>Collation, validation, publication and interpretation of a suite of reports on Shipper Performance, including fully anonymised dashboards for wider industry use</u>	<u>Monthly</u>	<u>Report publication via appropriate channels for each audience, balancing ease of access, efficiency and confidentiality</u>	<u>Publication of Reports and Dashboards in line with Joint Office publication deadlines</u>
<u>Provision of expert advice on Gas Settlement and associated risks</u>	<u>As requested/as identified</u>	<u>Impartial advice and guidance, Impact Assessment Recommendations for additional risks/reports</u>	<u>Provision of advice in a timely manner, customer satisfaction with the advice provided</u>
<u>Administration of the service</u>	<u>Monthly</u>	<u>Timely and accurate periodic budgetary reports Reports on Scheme effectiveness and recommendations for improvement</u>	<u>Provision of reports in a timely manner</u>
<u>Management of changes to the service</u>	<u>Adhoc</u>	<u>Impact assessment to current service, including financial implications</u>	<u>Responding to requests from the CDSP within 10 working days</u>
<u>Liaison with UNC parties in relation to areas of Settlement performance</u>	<u>As requested by PAC</u>	<u>Contact with parties, e.g. Shippers, Transporters, to highlight current performance levels, UNC obligations and areas of concern raised by PAC</u>	<u>Contacting parties in a timely manner, level of response and engagement from parties, proportion of parties demonstrating an improvement following contact</u>

## 109.0 PAFA Contract termination<sup>[BM6][SR7]</sup>

In the event that the PAFA Contract is required to be terminated, the termination will be at the sole discretion of the CDSP, following appropriate consultation with and notice to the PAC and in compliance with the terms of the PAFA contract.

## 119.0 Provision of data or information to the PAFA

Where the PAFA requests data/information/services from DNOs and Shipper Users, required for the provision of the PAFA Scope, DNOs and Shipper Users shall use reasonable endeavours to provide the data/information/services within the timescales requested, (such timescales having been previously notified to DNOs and Shipper Users).

CDSP shall provide data to the PAFA in an appropriate format, to time and to quality, accordance with V16.10.3<sup>[SR8]</sup>-2.4. This applies to but is not limited to the delivery of;

- The PARR data as defined in document 1 'The Performance Assurance Report Register'
- Monthly PAC reports to support the PARR
- Data as requested to update the Risk Model
- Ad-hoc data requests

## 121.0 Potential extension of this Performance Assurance Framework Document (PAFD) as other UNC Modifications are developed

This Document has been prepared to help facilitate the PAC and PAFA arrangements. It is recognised that there will be both current and potential future modifications in development that may require the extension of this Document. This Document allows for future change and amendment by the PAC.

## 132.0 PAC Budget<sup>[BM9][SR10]</sup> and reporting

### 13.1 PAC budget

Although PAC does not directly own a specific budget, ~~and a modified change process via the Data Services Contract (DSC) is in place (Document 4, Schedule 3)~~, it is expected that any proper decisions by PAC on expenditure required under this PAF would be expedited in good faith by the appropriate DSC committee.

For the avoidance of doubt, this seeks to ensure that the PAC is able to investigate the root causes of inaccurate settlement, by any method that it sees fit, included but not limited to;

- The development/amendment of performance reports
- The provision of reports from a third party
- The instruction of a third party to conduct research or analysis
- The audit of industry processes or activities

and recognises that the PAC activities are not subservient to any other committee. PAC therefore have the ability to seek additional funding

It is anticipated that DSC committees will ensure that all requested expenditure is efficient and properly justified (for instance via a PAC risk or Workplan line).

### 13.2 PAC budget tracking report

The CDSP will provide a quarterly confidential report to PAC detailing the expected and actual costs to date of the PAFA service in the Financial Year in question.

The CDSP will provide a quarterly report to PAC on the usage of the PAC’s budget for additional reporting.

If the PAC requests any other third party costs in connection with the PAFA service, the CDSP will monitor those in the same format.

<u>PAC Quarterly Budget Tracking Report</u>				
<u>Quarter:</u> <u>XX/YYYY</u> <u>£000s</u>	<u>Original Cost</u> <u>Estimate</u>	<u>Latest Cost</u> <u>Estimate</u>	<u>Actual Costs for</u> <u>Quarter</u>	<u>Commentary on</u> <u>Variations</u>
<u>PAFA Costs</u>				
<u>CDSP Report</u> <u>Development</u>				
<u>Any other</u> <u>(Third Party)</u> <u>costs</u>				

## 14.0 PAC sponsored UNC modifications

In accordance with paragraph 6.1.1 of the Modification rules<sup>[SR11]</sup>, the Performance Assurance Committee have the ability, under certain circumstances, to raise UNC modifications to make a change to the UNC. PAC mods may be written and supported by the PAFA, or by a nominated member of the committee.

In order for the modification to be raised, the PAC should<sup>[SR12]</sup>:

- Work, with the PAFA and CDSP to gather the necessary evidence to define the scope of the modification
- Determine with guidance from the PAFA and CDSP, whether additional reporting is required, and the data items required
- Agree by a simple majority, that the mod should be raised
- Agree by a simple majority, whether the modification will be supported by PAFA or by a nominated member of the committee
- Follow the UNC modification proposal through the UNC modifications process providing input where necessary

## 153.0 Support for UNC Parties<sup>[BM13][SR14]</sup>

The CSDP Customer advocate team (CAM) will provide support to the performance assurance process by providing a liaison between the PAC/PAFA and the PATs. [This could include:](#)

- [Provision of generic or customised training](#)
- [Support from Customer Advocates to understand PAC processes and areas of focus](#)
- [Access to Subject Matter Experts](#)
- [Access to the underlying data to support the performance statistics](#)

PAFA will meet with the CAM on a regular basis to discuss Shipper performance, the application of PATs and progress of those Shippers that are currently have a PAT applied.

PAFA will provide a secure platform on which PAFA and the CAM may store and share information on Shipper performance.

The CAM may be requested by PAC to attend the PAC meetings to present on Shipper performance or relevant issues.

## 164.0 Annual PAF Delivery Plan, Review and Consultation

The PAF should have mechanisms in place to:

- Identify changes occurring in the market and consequently in the risk profile of gas settlement.
- Plan and budget for the activities needed to effectively mitigate gas settlement risk
- Recognise and learn from its own successes and failures
- Engage clearly and consistently with its stakeholders

Complemented by other PAF deliverables, including the risk register and the assurance techniques, a set of annual management activities for the PAF provides:

- Stakeholder input to determine the right focus
- A baselined plan for an appropriate approach to delivering risk mitigation
- A way of agreeing an appropriate budget
- An agreed way of monitoring and reporting upon the effectiveness of the approach specified.

A review of the year, the assessments of techniques deployed and their impact by the wider industry, reflections on observations and the challenges for the year, will ultimately lead to recommendations within the plan.

The annual PAF management activities are not intended to limit the PAF or the PAC's discretion on what constitutes material risk to gas Settlement or appropriate mitigation of those risks within any given year. Risks can materialise or the profile of known risks can change inside any given year in ways which cannot be forecast. The PAF needs to be able to address emergent Settlement risk in a timely fashion.

### 164.1 Annual PAF Delivery Plan

Prior to the commencement of the budgetary year for the PAF, the PAC shall produce an Annual PAF Delivery Plan, supported by the PAFA as appropriate. The plan is intended to communicate what the PAF will deliver over the coming year and what benefit to Settlement accuracy is anticipated in doing so. It shall include:

- The PAC's view of the gas Settlement risk profile for the subsequent year
- The consequent mitigation approach and planned activities under the PAF
- The budget needed for those activities i.e. controllable expenditure such as reports, consultancy, technical audits, PAFA
- An indicator estimated measure of the quantity of Settlement inaccuracy being targeted
- An assessment of risks and their impact

At the PAC's discretion, the plan may include additional content.

A draft version of the Annual PAF Delivery Plan shall be consulted upon with Performance Assurance Parties. A final version of the plan, approved by PAC, will be published for PAFs prior to commencement of the year to which it applies.

### 164.2 Annual PAF Review

At the end of each gas year a review shall be carried out. The review is intended to assess the effectiveness of assurance delivery over the previous year.

The PAFA annual review will follow the process below:

- PAFA to write an annual review document that highlights the work of the PAC/PAFA over the past 12 months
- The review should include a written survey to the wider industry seeking general views on the PAC/PAFA performance as well as some targeted questions on particular areas e.g. meter read performance issues

The PAFA shall seek feedback from industry on the activities and success of:

- the PAF arrangements,
- the PAFA in their role as administrator of the arrangements,
- the PAC in their role as managers of the Performance Assurance Framework and;
- CDSP for the provision of information.

Responses to the review should be formatted into either a subject matter focus or area of concern.

The PAFA should then write a further document in which each response / area of concern is addressed and plans for improvement/future work are detailed. The document should include achievements, statistics on interventions and positive / negative reflections.

The PAC has discretion to expand the scope of the review beyond the mandatory items above.

The draft Annual PAF Review shall be issued for consultation with Performance Assurance Parties for an appropriate length of time

A final version of the report shall be produced by PAC, supported by PAFA, which reflects PAP feedback on the draft version. This final version shall be made available to all Performance Assurance Parties.

The report shall be produced in time to inform the Annual PAF Delivery Plan for the subsequent year.

## 175.0 Performance Assurance Reporting<sup>[BM15][SR16]</sup>

The PARR is a suite of reports, one of a number of sources of data, using which, the PAC monitors industry performance.

The PARR is owned and maintained by the PAC. Any amendments, additions or removal of reports shall be made at the discretion of the PAC.

For the avoidance of doubt any PARR reports that are developed and implemented as part of a UNC modification will automatically be added to the register and will be delivered in line with the timeframes specified in the modification.

The data items required to successfully deliver the PARR and enable to the PAC to work to meet its objectives will be delivered in accordance with UNCV16.2.410.3<sup>[SR17]</sup>.

The PARR which includes a list of performance reports and their technical specifications are detailed in Document 1 which [can be found at:](#)

<https://www.gasgovernance.co.uk/PAC> appended to this document.

## 186.0 Performance Assurance risk register

A risk can be defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. For Performance Assurance a risk is the probability that an event or action may adversely affect the performance and gas settlement arrangements.

To highlight a risk for investigation is to ask the question “what may be going wrong and what can be done about it?”

### 186.1 Identification of a Risk

Potential risks can be identified by a UNC party, CDSP, the PAC, PAFA or a statutory body or other interested party. To enable a risk to be identified a standard template is required. The Risk Template is designed to provide sufficient information for the PAFA to update the Risk Register and to facilitate discussions within the PAC.

The Risk Template is shown below:

<b>Date</b>		<b>Raised by (include contact details)</b>			
Proposed Risk title					
There is a risk that... (Risk Description)					
Because of... (Cause)					
Is related reporting available to support investigation into this risk?		Is this risk being considered in other industry fora?		Any additional information / Supporting information (optional)	

To complete the template, the risk identifier should populate the following:

- **Date:** Date the risk is raised
- **Raised by:** identifier details, including a method for communication should the PAFA need additional information and for on-going communication regarding the progress of your risk
- **Proposed Risk Title:** ensuring that the title gives a high level indication of where the proposed risk lies. For example: ‘Site specific winter annual ratio’
- **There is a risk that...** A description of the source of the risk, i.e. the event or situation that gives rise to the risk. A succinct sentence of what the risk is. For example, “there is a risk that formulae year AQ is not being calculated for all Supply points”
- **Because of...** Identify the potential cause of the risk, or where proposal for an additional inclusion on the risk register was initiated. For example, “because reads are not being submitted by 10 Shipper organisations”.

Consideration should also be given to the following questions, and an additional information provided:

- Is related reporting available to support investigation into this risk?
- Has this risk been highlighted via presentation of reports at other industry forums?
- Is this risk being considered in other industry forums?
- Has this been passed to PAC as an outcome from other workgroups ie. UIG taskforce
- Any additional information / supporting information (optional)

An example of a completed Risk Template is below:

<b>Date</b>	20/04/2015	<b>Raised by (include contact details)</b>	Stephanie Stephenson, Theoretical Gas Ltd. Tel: 0700 100 000		
Proposed Risk title	Meter read performance and rolling AQ				
There is a risk that... (Risk Description)	Poor meter reading performance for class 4 sites is leading to the erosion of the quality of the rolling AQ process				
Because of... (Cause)	Shippers are not meeting the UNC meter reading requirements therefore there are inadequate meter reads available for the rolling AQ process to be accurately completed.				
Is related reporting available to support investigation into this risk?	no - new reports should be assed to the PARR suite	Is this risk being considered in other industry fora?	no	Any additional information / Supporting information (optional)	

The Risk Template should be populated with all the information necessary to aid the PAFA to register the risk and then provide this to the PAC for the next stage of the process. Should

there be insufficient information to document the risk the PAFA will need to liaise with the Risk Originator to obtain the relevant information.

During this stage the PAFA will conduct an initial validation of the risk to ensure the risk needs to be added to the Risk Register, for example ensuring that the risk identified is not a duplication of an existing risk on the Risk Register.

Once the necessary information is captured the PAFA will translate the risk onto the Risk Register.

## 186.2 Risk Register

The Risk Register will constitute Document 3: Risk Register, ~~which is appended to this document and~~ can also be found at:

[https://www.gasgovernance.co.uk/PAC\[SR18\]\[SR19\]](https://www.gasgovernance.co.uk/PAC[SR18][SR19]).

The PAFA will give the risk a RAG (Red/Amber/Green) status and will attempt using the data that is available to estimate the value of the risk and be labelled as DRAFT.

The PAC is responsible for assessing and agreeing the RAG Status, the estimated value of the risk, approving the risk title, description, and the category that this risk should be considered under.

The PAC may also determine that this risk is actually an 'issue' – something that has already occurred and that it should be labelled as such.

When formal PAC agreement is reached, and a determination is made at a Performance Assurance Committee meeting, the risk will from DRAFT to LIVE.

The PAFA is responsible for administering and maintaining the Risk Register. The PAFA will update the Risk Register based on the outcomes of the PAC risk discussions, actions and controls, and where necessary will close the risks.

Example of a completed Risk Register entry below:

<b>Risk Number</b>	PACR0012	<b>Risk Title:</b>	Required meter read frequency for product class 4 meters					
		<b>Risk Description:</b>	The differing required frequency in meter read provision between product class 3 and 4 sites					
		There is a risk that...	The frequency of submission of meter readings for Product class 4 meter points could adversely impact the accuracy of the derived AQ consumption along with the frequency of reconciliation					
<b>Effective From</b>	25/09/2017	<b>Category</b>	METER READ PERFORMANCE	RAG STATUS	Estimated AQ at risk (kwh)	1,057,761	Estimated value of risk (GBP)000's	11,280
<b>Last Review</b>	01/08/2019	Risk Status (Active/Monitoring/Closed)	ACTIVE					
<b>Related reporting</b>								
2A.5 Meter reads.								
<b>Industry activity</b>								
Workgroup/meeting/code change		comments						
Code change		0700: Enabling large scale utilisation of class 3						
<b>PAC activity / mitigating actions</b>								
DATE	ACTIVITY	comment						
ongoing	monitoring	2.A5 meter reads						
01/10/2019	monitoring	Implementation of 0700 could lead to a reduction of value of this risk as large number of sites moving into PC3.						

### 186.3 Risk Reporting, industry activity and mitigating actions

For every potential cause of a risk, a monitoring activity and mitigating action needs to be identified. Where these do not exist, a monitoring activity and/or an action will be created to reduce the likelihood of occurrence of the risk. The PAC will decide on the course of action to be taken for the identified risk(s) and delegate these accordingly. The PAFA will support the PAC to monitor and update the actions within the Risk Register. The PAFA will update the actions either quarterly for high risks or twice per year for low risks and inform the PAC. Any actions incomplete will be subject to regular scrutiny from the PAC.

### 186.4 Risk Progress Report

A risk review date is provided on the Risk Register. For high scoring risks, this will be quarterly for all other risks will be reviewed twice per year.

All risks are submitted to the PAC and will be subject to a Risk Progress Report. The Risk Progress Report is to provide an update of planned actions and risk management activities to help shape the target risk score and action progress. The PAFA will provide the Risk Progress Report to the PAC as required.

### 186.5 Closing a Risk

Risks are closed based on the result of the actions and the controls put in place. The Risk Progress Report may highlight that controls are in place and subsequently the PAC may amend a risk RAG status. Where risk RAG status is reduced, or risks are no longer deemed to be a risk to gas settlement performance the PAC may choose to close the risk. The PAFA will update the Risk Register accordingly and notify the Risk Originator of the actions completed and the outcome of the risk they raised.

## 197.0 Performance Assurance Techniques (PATs)

### 197.1 Purpose and usage

*The objective of performance assurance is not to achieve a given level of performance for its own sake, but to guide the development and execution of those PAPs' processes that impact on settlement records to a standard that avoids any adverse economic impact on other PAPs.*

*In pursuit of the Performance Assurance Objective and in accordance with its terms of reference, both under UNC Section V16, PAC will consider risks that lead to errors in the allocation of settlement, the parties and processes causing the error and what techniques are required to prevent or remedy the error.*

In making decisions about how and when the PATs shall be applied to a PAP, PAC may take into consideration some, all or none of the following and not in any particular order:

- Statistical performance measures
- Current and historical management of performance in the area of issue
- Willingness and speed in remedying the issue
- General co-operation in reviewing their case
- Any other holistic information that would reasonably inform a prediction of the extent of performance improvements

The PATs available under the PAFD are set out below, with an explanation of what they are, how the PAC will generally use them and any specific procedural steps relevant to a given PAT.

The general principle under which the PATs are listed here is that the PAC can, unless specifically proscribed from doing so through the content of the PAF technical documents, apply the PATs in any way that it deems appropriate to effecting the mission and objectives of the PAF.

PAC may also:

- Apply further techniques described in the PAFD, following the failure of any PAP to make improvements as agreed
- Determine the materiality of performance issues affecting the achievement of the PAO even where there may be no explicit UNC obligation. In such instances PAC and PAFA will not treat the issue as non-compliance but will ask PAPs to address any such impact on the PAO
- Access any standard performance reports that are provided by CDSP to PAPs; or any other standard reports as it deems relevant

### 197.2 Monitoring

*Monitoring facilitates the detection and management of Settlement errors, by using the retrieval and analysis of data to quantify error, track changes in it over time, facilitate resolution and inform PAC's use of other PATs.*

PAC may undertake market monitoring as it deems necessary to fulfil the objectives of the PAC. Such monitoring shall occur on a frequency and for a duration to be determined by

PAC. It shall apply to the whole market or to a segment of the market [or an individual PAP] as PAC deem appropriate.

If PAC determine that a particular form of monitoring is required, it will specify the data items, purpose, source and any provision deadlines for the monitoring, along with any other information it believes is necessary for PAPs understanding of the intent of the monitoring and any obligations they have in relation to it. PAC may publish this information to all PAPs if it believes doing so is necessary to achieving the stated purpose of the monitoring.

The appropriate data provider is for PAC, with PAFA support where appropriate, to determine on a case-by-case-basis. Data providers may include, without being limited to:

- CDSP
- The Performance Assurance Party themselves – “self-reporting”
- Other UNC parties

Where PAC requests data from a Performance Assurance Party which is subject to a deadline for provision, it will advise the PAP of its request and the deadline for it in writing. PAC may, subject to the PAF appeals process, determine that any failure to provide requested monitoring by the deadline it has stipulated is a further risk to Settlement, and apply other PATs to mitigate that risk.

### 197.3 Party Communication

*Communication allows the PAC to formally set out for a PAP:*

- *Its concerns regarding a PAP's contribution(s) to one or more Settlement risks, including the impact the PAP's (in)action is having upon Settlement accuracy*
- *Its expectations of the PAP in relation to risk identification, quantification, resolution or other relevant performance matters*
- *Provide timescales for any action it expects the PAP to undertake*
- *Explain the consequences of failing to comply with the PAC's request*

PAC will instruct PAFA to send letters to an employee of the organisation who, in PAC's view, has the knowledge and authority to address the subject of the communication.

### 197.4 Training

*Training is a way of remedying the root causes of a Settlement error or of mitigating a Settlement risk. It ensures PAPs and their employees are aware of what can lead to Settlement error and how to either prevent or correct it.*

PAC, [having regard for the proportionality of potential cost versus benefits](#)<sup>SR20</sup>, may decide to mandate a PAP undertake training on any topic it believes is relevant to mitigating a Settlement risk or reducing Settlement error. It may do this at any time and without any prerequisite steps or PATs being needed.

PAC shall set out in writing the training it expects the PAP to undertake, the reasons for it mandating that the training occur, the segment of PAP's employees it expects to receive the training and its expected provider for the training.

PAC shall advise the PAP, in writing, of a reasonable deadline by which it expects the training to be complete.

Upon receipt of PAC's written request for training to be undertaken, the PAP shall respond to PAC within [15 working days], advising it of when it expects the training to be complete.

The cost of training will be the responsibility of the PAP being asked to undertake the training.

### 197.5 Request for a resolution plan

*A resolution plan provides a baseline for the approach and timescales a PAP intends to adopt when resolving a Settlement issue or mitigating a Settlement risk. It gives the PAC a point of reference from which to monitor a PAP's progress in resolving performance issues and gives the PAP clear expectations to work from when addressing performance issues. It is a contract between the PAC and the PAP which provides mutual clarity on expectations and the basis for shared tracking of progress.*

The PAC may request a resolution plan from a PAP when, having regard to the mission and objectives of the PAF, it believes one is necessary to adequately mitigate a settlement risk or issue.

If the PAC requests a resolution plan it shall set out its reasons for the request to the PAP, in writing, along with what sort of content and timescales it expects to see in the plan and the date for the PAP providing it by which the plan should be returned. [Response deadlines are usually 4 weeks, unless otherwise specified in the resolution plan request.](#)<sup>[SR21]</sup>

Upon receipt of a request, a PAP shall prepare the plan and accompanying narrative to highlight milestones from which the PAC may judge progress and achievements. It will be assumed by the PAC that any resolution plan submitted is achievable, and PAPs will be expected to deliver to the plan they have provided.

Upon timely receipt of a resolution plan, the PAC shall review the plan and consider whether the delivery outcomes and timetable offset the specific issue identified and in the expected timescale. [The PAC will confirm that the plan has been received and accepted.](#)<sup>[SR22]</sup>

The PAC may have supplementary questions about the resolution plan and may also ask a PAP to present their plan at a closed PAC meeting.

If the PAC does not receive a resolution plan which meets the timescales specified by the PAC and / or contains the information it requested, it may consider the act a further compliance issue and deploy another PAT.

### 197.6 Request attendance at PAC

*The attendance at a PAC meeting of an appropriate representative gives PAC the opportunity to understand the root causes of Settlement issues better, aiding the choice of appropriate remedial actions. It also gives the PAP in question an opportunity to present its point of view directly to the PAC.*

PAC may request that a representative of a PAP attend PAC. It may, having regard to the mission and objectives of the PAC, do this for any reason that it specifies in writing to the PAP. It need not carry out other PATs prior to requesting attendance at PAC or follow any other preliminary steps.

If the PAC requests PAP attendance at the PAC, it shall provide [20 working days'] notice of this fact to the PAP in writing, setting out the reasons for the request and anything else it believes is material to the PAP's ability to nominate an appropriate representative.

If the PAP does not send a representative or sends a representative who, in PAC's view, is not appropriate, PAC may choose to use any other PATs it believes are appropriate to mitigate the Settlement risk.

PAP representatives should have suitable authority to speak for the PAP as commitments made by a representative to the PAC will be noted and delivery expected.

## **197.7 Publication**

*Publication provides a mechanism for making all Performance Assurance Parties aware of the scale and root causes of a Settlement issue, as well as the Performance Assurance Party(s) who is responsible for rectifying it. It therefore ensures better awareness of Settlement risks and errors, as well as incentivising timely and proportionate remedial action.*

The PAC may decide to publish any information relating to a Settlement risk or error it is aware of at any given point in time, including the name of the PAP responsible, provided it does so in a way that conforms with data privacy legislation. This would be limited solely to the relative metric as defined in the UNC.

If the PAC determines that publication is necessary, it will inform any PAPs who will be included within it [10 working days] before publication, including an explanation for why they are publishing the information and what action PAC expects to occur as a result.

The PAC shall not be required to withdraw the publication for any other reason.

To give industry and PAPs certainty about what metrics will be subject of published peer comparisons, the PAC will update and publish the list of metrics that will be the subject of this technique. PAC will give at least 3 months notice of any new metric being subject to this technique

### **19.7.1 Public Peer Comparison Metrics – July 2020**

The metrics that fall under the scope of this technique shall be:

- i) The metrics in the PARR

## **197.8 Audit**

*An audit is a systematic review of a set of business practices, intended to highlight the level of conformity with expected practice inside an organisation. It provides a rigorous, structured and independent view of the risk the subject of the audit poses to gas Settlement or of the level of error attributable to them, as well as a mechanism for clarifying expectations and managing progress toward resolution.*

*An audit can be carried out across the entire market or against a targeted segment of the market. It may involve auditing a wide range of connected business processes or targeting specific areas of activity.*

PAC may, having regard to the mission and objectives of the PAF, decide to conduct an audit whenever it believes one is warranted. It may decide to carry out a certain type of audit on a fixed frequency basis, and/or to carry out ad hoc audits as it deems necessary.

If the PAC decides to conduct an audit, it shall give the PAPs who will be the subject of the audit reasonable notice of this fact, having in mind the scale of the intended audit, its subject matter, any data provision needed in relation to it and resource commitment from the audited PAP.

PAC shall, when giving notice to PAPs being audited, set out the scope of the audit, who will carry it out, its format (remote or on-site, for example), the methodology that will be used to conduct it, including the way parties will be assessed and conclusions reached, and the way it intends for audit issues to be managed subsequent to audit completion.

The costs of any audit and those of the PAP will be recovered from the party being audited where, in the sole judgement of the PAC, there is evidence supporting their decision to initiate the audit.

The costs expended by the PAP in supporting the audit will be born solely by the party subject to the audit.

### **197.9 Referral to Authority**

*A referral to the Authority is intended to make the Authority aware of the scope and scale of a Settlement risk or Settlement error, including, if relevant, the behaviours PAC has observed in relation to the PAP contributing to that risk or error.*

*It invites the Authority to exercise its powers in relation to a Settlement risk, error or the associated behaviours.*

*It is not in the industry's interest that referrals are made where some other steps might have effected the required outcome.*

*Therefore, before this technique is applied PAC will ensure that all reasonable steps within its power have been taken to remedy the performance failure, including but not limited to, informal and formal escalations to the senior executive director and/or CEO at the PAP. It will also have ensured that UNCC are fully briefed on the performance failure, the financial impact, the techniques applied, the PAP's response, and the proposed referral to the Authority.*

PAC shall advise any PAPs who are the intended subject of a referral in writing of its intention to refer to the Authority and of the reasons for and content of the referral. It shall give notice to the PAP of this intention prior to sending the referral to the Authority, such that the party is able to make its own representations to the Authority regarding the referral, if it wishes to do so.

The PAC will provide any additional information or evidence requested by the Authority in each case, along with any performance information, the measures and PATs deployed by the PAC and the responses and information received from the PAP.

### 197.10 Financial Techniques

*The impact of PAPs failing to meet performance obligations can have serious financial consequences for other PAPs, thereby adversely impacting Shipper-competition and ultimately suppliers and customers.*

*Assurance is intended to give PAPs confidence that settlement is predictable as well as being fair and equitable.*

*The Performance Assurance Framework can (subject to the appropriate consultation and approval) include the means to apply financial techniques to*

- i) **incentivise performance** of UNC obligations and other behaviours that improve settlement. This reduces the risk that PAPs benefit commercially from failing to meet their obligations.*
- ii) **Remedy cost misallocations** (for settlement costs only). This reduces the risk that PAPs resort to the law where they have been disadvantaged by another's acts or omissions.*

#### ~~17.10.1 Incentives~~<sup>[SR23]</sup>

~~Financial incentives to meet obligations (or penalties for failing to meet them) can be a strong 'preventive' technique. By their nature such proposals could impact shippers favourably or adversely but the over-riding consideration would be that such techniques should~~

- ~~a) be proportionate to the impact of non-performance on settlement~~
- ~~b) better meet the Performance Assurance Objective in regard to settlement quality.~~
- ~~c) Be neutral across the industry (i.e. all funds collected would be redistributed)~~
- ~~d) Not present perverse incentives~~
- ~~e) Not be detrimental to competition~~

~~PAC invites PAPs to consider the benefits and approach to such financial techniques and either to raise modification proposals or provide PAC with views.~~

### 197.10.1.2 Disputes

If PAC identifies an error in the allocation of gas for the purposes of settlement it may, solely at its discretion, advise those PAPs affected of the results of its investigations and an estimate of the impact, such estimate to be considered by all PAPs as an approximate and not a definitive evaluation.

PAC will also indicate whether it believes the error can be corrected via changes to reads and settlement through UK Link or, if that is impossible, whether an off-system settlement is required.

PAC will seek to agree a resolution of the error with all affected PAPs, including if necessary encouraging PAPs to invoke the Dispute process as outlined in General Terms Section A.

invoke the Dispute procedure as a means of remediation where a known error in settlement allocation or amendment (whether for NDM, DM or UIG), arising from a non-compliance by a PAP or their agents, is greater than the Materiality Threshold below (and as amended from time to time) and which can be estimated with reasonable certainty.

Materiality Threshold: £10,000.00 in gas costs

(When valued at an average system price over the period of the error)

## ~~2018.0~~ Appeals Procedure for the PAF

The appeals process is as defined in TPD [Section 16.7](#). [SR24] If any element of this PAFD description conflicts with reasonable interpretation of the Code, then the Code shall prevail.

If a PAP believes that in reaching their decision the PAC has:

- not followed due process;
- placed over or under emphasis on certain circumstances or evidence submitted; or,
- misinterpreted all or some of the evidence submitted

then the PAP may raise an appeal with PAFA within 5 working days. The grounds for the appeal must show one of the above.

They should then be prepared to present the grounds for their appeal by the latest to the next scheduled PAC meeting.

PAC will then determine, and notify the PAP within 5 working days of the PAC meeting at which the appeal is heard, the outcome of the appeal and either

- i) The legitimate grounds on which their original decision is amended, or
- ii) the reasons why there is no change to the decision, with specific reference to the grounds presented by the appellant.

In the case of PAC decisions to Refer the PAP to the Authority if the PAP remains dissatisfied and wishes to seek an independent review then they should respond to the PAFA within 5 working days of being notified of the outcome of the PAC appeal.

- PAFA will then request Joint Office to schedule an agenda item for the appellant to present their case to the UNCC. This will be no earlier than 10 working days following receipt of the escalated appeal.
- PAFA will provide UNCC with a summary of the appellant's performance, the PA Techniques applied by PAC and the outcomes, the appeal and the basis of PAC's decision.
- The appellant would put their case. Following consideration of the case presented and the information provided by PAC, UNCC will advise the appellant either

- a) make a recommendation on the appeal that the PAC's decision regarding the Appeal should either i) stand, or ii) be amended, or
- b) request further information from PAC and/or the appellant

• Following the appellant's presentation of the appeal and the receipt of such further information as may have been requested the UNCC will make a recommendation to PAC.

- For the avoidance of doubt, under V16.~~[XX pending legal text]~~7.8UNCC<sup>[SR25]</sup> cannot amend a PAC decision so UNCC cannot bind PAC to their recommendation in respect of an appeal. However PAC will consider carefully the evidence, reasoning and the recommendation and notify the appellant of the outcome of their appeal to UNCC.
- If the PAP remains dissatisfied with the PAC decision they can then appeal to the Authority in accordance with the requirements of V16.~~[XX pending legal text]~~.<sup>[SR26]</sup>