

## **Appendix 2 - Guidelines document for the Energy Settlement Performance Assurance Regime**

### **Document 1 Performance Report Register**

The following is the register of reports to be provided under the Guidelines document for the Energy Settlement Performance Assurance Regime.

This is one of the Documents governed under the Guidelines document for the Energy Settlement Performance Assurance Regime.

#### Version history

Version	Date	Reason for new version
1.0	June 2015	Final version for workgroup report

#### Reports register

Reference	Title	Frequency	Date of issue	Recipients / publication location
Report 1				
Report 2				
Report 3				
etc				

## Document 2 Performance Report Specification Template

The following is the Report Specification Template provided under the Guidelines document for the Energy Settlement Performance Assurance Regime.

This is one of the Documents governed under the Guidelines document for the Energy Settlement Performance Assurance Regime.

Version history

Version	Date	
1.0	June 2015	Final version for workgroup report

### Report Template

Report title	
Report reference	
Purpose of report	
Expected interpretation of report results	
Report structure (actual report headings and description of each heading)	
Data inputs to the report	
Number rounding convention	
History e.g. report builds month on month	
Rules governing treatment of data inputs (the actual formula / specification to prepare the report)	
Design questions awaiting a response	
Frequency of report	
Sort criteria – alphabetical, ascending etc	
History / background	
Additional comments	
Estimated development cost	
Estimated ongoing cost	

### Example report format

<b>Title</b>				
<b>Date</b>				
Data	Data	Data	Data	Data
Data	Data	Data	Data	Data
Data	Data	Data	Data	Data

### **Document 3 Risk Register**

The following is the Risk Register provided under the Guidelines document for the Energy Settlement Performance Assurance Regime.

This is one of the Documents governed under the Guidelines document for the Energy Settlement Performance Assurance Regime.

Version history

Version	Date	Reason for new version
1.0	June 2015	Final version for workgroup report

#### **Contents:**

- 1. Introduction**
- 2. Identification of a Risk**
- 3. Risk Register**
- 4. Risk Actions**
- 5. Risk Progress Report**
- 6. Closing a Risk**

#### **Risk**

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## **1. Introduction**

This document sets out the supporting example templates and 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?”

Risk Management provides a framework within which business-critical risks can be identified, assessed, managed and reported in a visible, structured, consistent and continuous manner. Effective Risk Management will help to create and focus management action plans to mitigate against risk.

Below is an example of a risk process for discussion and development within the Performance Assurance Workgroup.

## **2. Identification of Risk**

Risks can be identified by any Performance Assurance Committee (PAC) stakeholder and submitted to the Performance Assurance Framework Administrator (PAFA). To do this a standard template is required, a Risk Template is shown in Appendix 1. A guidelines document for completion of the Risk Template is available in Appendix 2 and an example of a completed Template is available in Appendix 3. 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 identifier 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 the risk identified is not a duplication of an existing risk on the Risk Register.

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

## **3. Risk Register**

The PAFA will transpose the risk onto the risk register. A copy of the risk register is available in Appendix 4 and a definition of the components of the risk register can be found in Appendix 5. An example of a completed Risk Register is available in Appendix 6. All risks will be highlighted to the PAC to clarify and quantify the risk. The risk rating is scored based on the financial impacts, community impacts of the risk and the likelihood of the risk occurring. The PAC is responsible for assessing and agreeing on the score.

The risk scoring matrix looks at where this risk score is currently, what the worst case scenario could be should the risk not be addressed and the target for the risk score following the expected mitigation actions.

Risks will be given a status based on the score (active / monitoring / closed). Whereby the risk is scored [0] and is deemed to have no impacts it will be closed and the risk originator will be informed that no risk was identified. Risks which are identified as having a low score with controls in place may require monitoring and therefore may remain open with a status of

'monitoring'. As and when required, the PAC will update the risk score and determine the next steps e.g. to escalate or close the risk.

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.

The Risk Register is expected to be published in a location as advised by the PAC.

#### **4. Risk Actions**

For every potential cause of a risk, a control needs to be identified. Where controls do not exist 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 risks and delegate these accordingly. All actions will have a clear owner who is accountable for them with a defined target date. The PAFA will support the PAC to monitor and update the actions within the Risk Register and will therefore liaise with all parties and owners of actions. The PAFA will update the actions either monthly for high risks or quarterly for low risks and feedback to the PAC. Any actions incomplete will be subject to scrutiny from the PAC.

Risks are also deemed to have a control opinion. This is based on a green, amber, red system based on the levels of control in place. As actions are implemented and controls established the control opinion should reflect this.

#### **5. Risk Progress Report**

A risk review date is provided on the Risk Register. For high risks, scoring above [score tbc] this will be monthly; all other risks will be reviewed quarterly.

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 simplest technique for providing a visualisation of the total risk activity for the PAC will be a diagram which reflects the likelihood of occurrence, financial impacts and community impacts. Appendix 8 presents an example of a visual globe map. This will provide the PAC with a visual map of the risk profile. The PAFA will provide the Risk Progress Report to the PAC as required.

#### **6. 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 score. Where risk scores have reduced or hit the target and 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 identifier of the actions completed and the outcome of the risk they raised.

**Appendix 1 –Risk Template****Performance Assurance: Risk Template**

Please complete the template with as much information as possible that to aid the registration and initial investigation of the proposed risk. All fields are mandatory unless otherwise specified. Please refer to the guidance document.

Date		Raised by (include Contact Details)			
There is a risk that... (Risk Description)					
Because of... (Cause)					
Leading to... (consequence)					
Risk Scores		Financial	Reputation	Probability	Total
	Current				
	Target				
	Inherent				
Any current controls identified			Any additional information / supporting information (optional)		

## Appendix 2- Guidance for populating the Risk Template

The Risk Template is designed to provide enough information for the PAFA to update the Risk Register and facilitate discussions within the PAC therefore please update to the best of your knowledge.

The following fields are mandatory and should be populated. Any fields that have not been populated will result in a delay to the updating of the Risk Register.

**Date:** Date the risk is raised

**Raised by:** Your details including a method for communication should the PAFA need additional information and for on-going communication regarding the progress of your risk.

**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 cause of the risk, what could pose a risk. For example, because reads are not being submitted by 10 Shipper organisations.

**Leading to** ... the consequence of the risk should it occur. For example, allocation of gas is not accurate and incoming Shippers may be burdened with an incorrect AQ when there is a transfer of ownership.

**Risk Scores** – score the risk based on

- Financial Risk
- Community Risk
- Likelihood of occurrence

The below Matrix represents the risk ratings:

RISK RATINGS			
Rating	Financial £m (annual)	Community	Likelihood
1	[<£1million]	[Risk to one Shipper organisation]	Description – Remote Probability – <10% chance
2	[£1m – £25m]	[Risk to whole Shipper community]	Description – Less Likely Probability – >10% and < 40% chance
3	[£25m – £50m]	[Risk to Shipper Community and one Network]	Description – Equally unlikely as likely Probability – >40% and < 60% chance
4	[£50m – £75m]	[Risk to Shipper Community and all Networks]	Description – More likely Probability – >60% and < 90% chance
5	[>£75m]	[Risk to Shipper Community, Networks, all parties and potential risk to End Consumers]	Description – Almost certain Probability – >90% chance

The score is calculated by taking a score from each column based on the risk for each category. An example of this:

If a risk was identified that posed a financial risk of £5million, affected all shippers and was deemed 50% likely to occur the score could be:

- a) Financial impact x Community Impact x Likelihood = 2 x 2 x 3 = 12 or;  
 b) Financial impact + Community Impact + Likelihood = 2 + 2 + 3 = 7

<b>RISK RATINGS</b>			
<b>Rating</b>	<b>Financial £m (annual)</b>	<b>Community</b>	<b>Likelihood</b>
1	[<£1million]	[Risk to one Shipper organisation]	Description – Remote Probability – <10% chance
2	[£1m – £25m]	[Risk to whole Shipper community]	Description – Less Likely Probability – >10% and < 40% chance
3	[£25m – £50m]	[Risk to Shipper Community and one Network]	Description – Equally unlikely as likely Probability – >40% and < 60% chance
4	[£50m – £75m]	[Risk to Shipper Community and all Networks]	Description – More likely Probability – >60% and < 90% chance
5	[>£75m]	[Risk to Shipper Community, Networks, all parties and potential risk to End Consumers]	Description – Almost certain Probability – >90% chance

The score is calculated across 3 separate categories –

- Current risk - the current position of the risk based on the analysis you have undertaken
- Target risk - where you would like the risk to be in the future once controls have been put in place For a risk to be minimised you would anticipate a control opinion of green even if the score is not zero.
- Inherent risk – the worst case scenario should the risk occur

All scores are subject to review and amendment by the PAC

**Any current controls identified** – Any identified controls that already exist to mitigate against the risk

**Any additional information / supporting information (optional)** - Additional information that can be presented to the PAC to aid discussions and form actions, this may include example scenarios of the risk.

**Appendix 3 –Example Risk Template****Performance Assurance: Risk Template**

Please complete the template with as much information as possible that to aid the registration and initial investigation of the proposed risk. All fields are mandatory unless otherwise specified. Please refer to the guidance document.

Date	20/04/15	Raised by (include Contact Details)	Rachel Hinsley, Service Development Consultant Address - Xoserve Limited, 31 Homer Road, Solihull, B91 3LT Telephone - (0121) 623 2854		
There is a risk that... (Risk Description)	Meter Read performance is having a detrimental impact on rolling AQ				
Because of... (Cause)	Meter Read submissions are not as frequent as they should be for class 4 sites. 5 Shippers have not hit any of the UNC targets for their portfolios.				
Leading to... (consequence)	Where no reading is submitted the AQ cannot be updated therefore there is a risk to allocation and settlement				
Risk Scores		Financial	Reputation	Probability	Total
	Current	3	4	4	48
	Target	2	1	2	4
	Inherent	5	5	4	100
Any current controls identified	Targets are set to mitigate against this risk:  Monthly MRF: 90% per calendar month  SSP Annual: 70% in 12 month period  LSP Annual: 90% in 12 month period The PAC is already reported to be an incentive linked encourage the Shipping community to improve performance.		Any additional information / supporting information (optional)	Please see the 'MRF' report 2.2	

**Appendix 4 – Risk Register**

Risk	Risk Description:
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<b>Number:</b>		There is a risk that.....							
<b>Date:</b>		<b>Raised by:</b>		<b>Risk Status:</b>		<b>Control Opinion</b>			
<b>Risk Scores</b>				<b>Financial</b>	<b>Community</b>	<b>Probability</b>	<b>TOTAL</b>	<b>Risk Review Date</b>	
		<b>Current</b>							
		<b>Target</b>							
		<b>Inherent</b>							
<b>Associated Risk:</b>				<b>Category:</b>					
<b>Potential Causes of the Risk</b>	<b>Potential Consequences of the Risk Event Occurring</b>	<b>Controls</b>			<b>Actions</b>			<b>Owner and Target Completion Date</b>	

## Appendix 5 - Risk Register components

- **Risk Number** – unique Risk Number for identification
- **Risk Description** – a succinct definition of what the risk is (not to be confused with what the risk consequence may be)
- **Date** – the date the issue is raised
- **Raised by** – the originator of the risk to ensure they can be informed of progress
- **Risk status** – active / monitoring / closed
- **Control opinion** – this is based on the controls in place – categorised with a green, amber or red status based on the below matrix:

<b>Not Effective</b>	Key controls have not been established or are deemed to be ineffective. Action plans to rectify the fundamental weakness have still to be fully identified and agreed.
<b>Partially Effective</b>	Key controls are in place but have either not been subject to suitable assurance activity or testing reveals that some control improvements, not deemed to be fundamental, are required
<b>Effective</b>	Key controls are in place, are tested periodically as appropriate and are deemed satisfactory. This testing includes independent challenge where the risk is deemed significant (eg, from Internal Audit or another independent assurance provider)

- **Risk Scores** –
  - Financial Risk
  - Community Risk
  - Likelihood of occurrence

The below Matrix represents the risk ratings:

RISK RATINGS			
Rating	Financial £m (annual)	Community	Likelihood
1	[<£1million]	[Risk to one Shipper organisation]	Description – Remote Probability – <10% chance
2	[£1m – £25m]	[Risk to whole Shipper community]	Description – Less Likely Probability – >10% and < 40% chance
3	[£25m – £50m]	[Risk to Shipper Community and one Network]	Description – Equally unlikely as likely Probability – >40% and < 60% chance
4	[£50m – £75m]	[Risk to Shipper Community and all Networks]	Description – More likely Probability – >60% and < 90% chance
5	[>£75m]	[Risk to Shipper Community, Networks, all parties and potential risk to End Consumers]	Description – Almost certain Probability – >90% chance

Scores – based on the financial impact should the risk occur x the community risk to the industry x the probability of occurrence

- Any score above [100] requires action with frequent monitoring and monthly reporting to the PAC.
- Any score between [6] and [100] will be actioned and monitored but will only be reported into the PAC on a quarterly basis.
- Scores below [6] – risk will be closed

The score is calculated across 3 separate categories –

- Current risk - the current position of the risk based on analysis
  - Target risk - where the PAC would like the risk to be in the future once controls have been put in place
  - Inherent risk – the worst case scenario should the risk occur
- 
- **Risk Review Date** – a review date needs to be supplied for reviewing the risk.
  - **Associated Risk** – if this links to any other risks within the risk register this will list the linked Risk number
  - **Risk Category** – proposal to categorise risks
  - **Potential causes of the Risk** – identification of all the causes that may be creating the risk
  - **Potential Consequences of the Risk Event Occurring** – detailing the consequences should the risk occur
  - **Controls** – for every potential cause of a risk a control needs to be identified to mitigate against the risk. Where there is no control an action will be created.
  - **Actions** – the actions are identified to reduce the risk of occurrence based on controls identified. The actions are specific and have an identified owner and target date of completion. All actions are required to be reviewed and updated quarterly as a minimum. The result of a completed action is that a control has been implemented which in turn will reduce the risk score and may influence the risk status
  - **Owner** – identify an owner to complete the action. In some scenarios this may entail all industry parties in some scenarios this may be one organisation or may be the PAFA

Risk Number:	2	Risk Description: Incomplete Meter Read Submissions								
		There is a risk that..... Meter Read performance is having a detrimental impact on rolling AQ								
Date:	21/04/15	Raised by:	Rachel Hinsley	Risk Status:	Active		Control Opinion	Amber		
Risk Scores				Financial	Community	Probability	TOTAL	Risk Review Date:		
		Current		3	4	4	48	Initial discussions to be held at the PAC on 5 <sup>th</sup> May and scores to be agreed		
		Target		2	1	2	4			
		Inherent		5	5	4	100			
Associated Risk:			NA		Category:			Settlement		
Potential Causes of the Risk	Potential Consequences of the Risk Event Occurring		Controls			Actions			Owner and Target Completion Date	
Meter Read submissions are not as frequent as they should be for class 4 sites. 5 Shippers have not hit any of the UNC targets for their portfolios.	Where no reading is submitted the AQ cannot be updated therefore there is a risk to allocation and settlement		Targets are set to mitigate against this risk: Monthly MRF: 90% per calendar month SSP Annual: 70% in 12 month period LSP Annual:90% in 12 month period The PAC is already reporting on this but there needs to be an incentive linked to the performance to encourage the Shipping community to improve performance.			To be agreed at meeting 05/05/15			To be agreed at meeting 05/05/15	

## Appendix 7 – Example Risk Scoring

Risk can be scored in different ways. The example scenario has rated scores based on financial impact, community impact and likelihood (probability) of occurrence. The rating categories need to be discussed and defined based on recommendations from the PAC. Alongside the options for risk ratings the PAC will also need to decide the method they wish to adopt for scoring. The scoring needs to take into account the brackets for scoring a risk as high or low and the outcome of a risk score affecting the frequency with which a risk needs to be presented to the PAC.

For example:

- Any score above [100] requires action with frequent monitoring and monthly reporting to the PAC.
- Any score between [6] and [100] will be actioned and monitored but will only be reported into the PAC on a quarterly basis.
- Scores below [6] – risk will be closed

Below are two examples of different ways the scoring system could be used by the PAC:

Example 1:

<b>RISK RATINGS</b>			
<b>Rating</b>	<b>Financial £m (annual)</b>	<b>Community</b>	<b>Likelihood</b>
1	[<£1million]	[Risk to one Shipper organisation]	Description – Remote Probability – <10% chance
2	[£1m – £25m]	[Risk to whole Shipper community]	Description – Less Likely Probability – >10% and < 40% chance
3	[£25m – £50m]	[Risk to Shipper Community and one Network]	Description – Equally unlikely as likely Probability – >40% and < 60% chance
4	[£50m – £75m]	[Risk to Shipper Community and all Networks]	Description – More likely Probability – >60% and < 90% chance
5	[>£75m]	[Risk to Shipper Community, Networks, all parties and potential risk to End Consumers]	Description – Almost certain Probability – >90% chance

If a risk was identified that posed a financial risk of £5million, affected all shippers and was deemed 50% likely to occur the score could be:

- a) Financial impact x Community Impact x Likelihood =  $2 \times 2 \times 3 = 12$  or;
- b) Financial impact + Community Impact + Likelihood =  $2 + 2 + 3 = 7$

## Example 2:

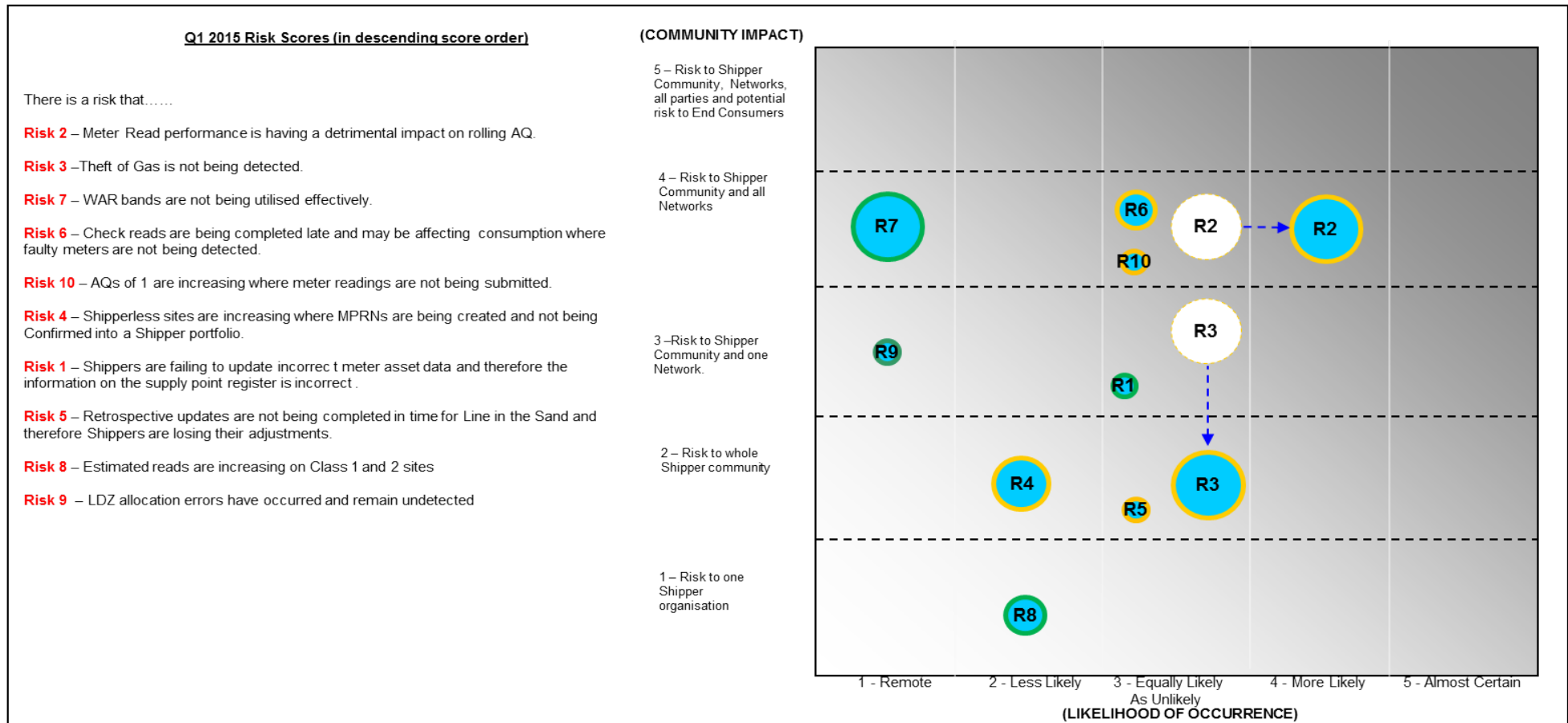
Alternatively a simpler option could be formed where the impact is grouped together

<b>RISK RATINGS</b>		
<b>Rating</b>	<b>Cost £m (annual)</b>	<b>Impact</b>
1	[<£1million]	[Risk to one Shipper organisation] Probability – <10% chance
2	[£1m – £25m]	[Risk to whole Shipper community] Probability – >10% and < 40% chance
3	[£25m – £50m]	[Risk to Shipper Community and one Network] Probability – >40% and < 60% chance
4	[£50m – £75m]	[Risk to Shipper Community and all Networks] Probability – >60% and < 90% chance
5	[>£75m]	[Risk to Shipper Community, Networks, all parties and potential risk to End Consumers] Probability – >90% chance

If a risk was identified that posed a financial risk of £5million, affected all shippers and was deemed 50% likely to occur the score could be:

- a) Cost x Impact = 2 x 3 = 6 or;
- b) Cost + Impact = 2 + 3 = 5

## Appendix 8 – Example Visual Globe Map



### GUIDANCE NOTES

#### Control Opinion (Colour of Globe Perimeter)

Not effective

Key controls have not been established or are deemed to be ineffective. Action plans to rectify the fundamental weakness have still to be fully implemented and agreed.

Partially effective

Key controls are in place but have either not been subject to suitable assurance activity or testing reveals that some control improvements, not deemed to be fundamental, are required.

Effective

Key controls are in place, are tested periodically as appropriate and are deemed satisfactory. This testing includes independent challenge where the risk is deemed significant (eg. from Internal Audit or another independent assurance provider).

#### Financial Impact

5 ≥ £75m

4 £50m - £75m

3 £25m - £50

1&2 < £1m & £1m 16m

#### Community Impact

1 Risk to one Shipper organisation

2 Risk to whole Shipper community.

3 Risk to Shipper Community and one Network.

4 Risk to Shipper Community and all Networks

5 Risk to Shipper Community, Networks, all parties and potential risk to End Consumers

#### Likelihood Impact

1 Description – Remote  
Probability – <10% chance

2 Description – Less Likely  
Probability – >10% and <40% chance

3 Description – Equally unlikely as likely  
Probability – >40% and <60% chance

4 Description – More likely  
Probability – >60% and <90% chance

5 Description – Almost certain  
Probability – >90% chance

## **Document 4 Performance Assurance Framework Administrator Scope**

This is one of the Documents governed under the Guidelines document for the Energy Settlement Performance Assurance Regime.

For Performance Assurance Framework Year [1<sup>st</sup> October 2015/16]

Version	Status	Date
1.0	Final version for workgroup report	June 2015

**Contents:**

**Part 1 General**

**Schedule 1 Definitions and Interpretation**

**Schedule 2 Services**

**Schedule 3 Change Control Procedure**

**Schedule 4 Performance Indicators**

## **Part 1 General**

### **7. Introduction**

This Performance Assurance Framework Administrator Scope (PAFA Scope) sets out the Services to be provided by the Gas Transporters for the relevant year.

Note: for the purpose of the document any reference to the Gas Transporters includes the independent Gas Transporters and excludes National Grid Transmission. Gas Transporters also refers to any party that is appointed to perform the administration services on their behalf.

### **8. Interpretation and Definitions**

This PAFA Scope shall be interpreted in accordance with Schedule 1.

### **9. Services**

The Services to be provided within the PAFA Scope are detailed in Schedule 2.

### **10. Change**

To initiate a Change to the Services a Change procedure is set out in Schedule 3.

### **11. Agreeing the PAFA Scope, cost estimates and cost reporting**

The PAC shall submit a Draft PAFA Scope largely in the form of Schedule 2, setting out the scope of Services for the forthcoming PAF Year to the Gas Transporters [4] month prior to the start of the PAF Year.

The Gas Transporters and the PAC shall discuss the PAFA Scope and the Gas Transporters shall provide a PAC Cost Estimate for the delivery of the PAFA Scope. The Gas Transporters and the PAC shall agree the Final PAFA Scope [1] month prior to the start of the PAF Year.

The Gas Transporters shall monitor actual costs against forecast costs and provide a [monthly] Budget Tracking Report to the PAC.

Where the Gas Transporters identify that actual, or forecast costs, vary, or are expected to vary by [50%] of the relevant PAC Cost Estimate the Gas Transporters shall submit a Budget Exception Report to the PAC explaining the situation, its impacts and any mitigation that may be possible.

### **12. Performance Assurance Scheme Party obligations to the Gas Transporters**

Each Performance Assurance Scheme Party is expected to use reasonable endeavours to support the Gas Transporters in the performance of the Services. E.g. the Gas Transporters may have a requirement to request data from a Performance Assurance Scheme Party as part of the provision of a Service.

### **13. Monitoring of Performance**

The Gas Transporters shall be responsible for reporting its performance of the Services and any other obligations under this PAFA Scope to the PAC in accordance with schedule 4 on a [monthly] basis. If the Gas Transporter fails to provide the Services in accordance with the Performance Indicators the Gas Transporters shall:

- (a) identify the cause of any failure to provide the Services in accordance with a specific Service Standard or Performance Indicator;
- (b) inform the PAC of such action necessary to correct such failure and prevent it from recurring; and
- (c) keep the PAC advised of the status of remedial efforts and any rectification being undertaken.

## Schedule 1 Definitions

### 1. Interpretation and Definitions

#### 1.1 Definitions

The following terms shall have the following meanings:

**Budget Exception Report** means the report described in Section 5 in a form largely as set out in Appendix 1;

**Budget Tracking Report** means the report described in Section 5 in a form largely as set out in Appendix 1;

**Business Evaluation Order** means a form submitted to the Gas Transporter by the PAC approving an EQR and requesting a BER in relation to a specific Change Order;

**Business Evaluation Report** means a report issued by the Gas Transporters in response to a BEO, setting out such matters as are referred to in Schedule 3;

**Change Order** means a request for a Service Change;

**Draft PAFA Scope** means the proposed scope of Services for the forthcoming PAF Year;

**Evaluation Quotation Report** means , a report issued by the Gas Transporters in response to a Change Order, setting out such matters as are referred to in Schedule 3;

**Final PAFA Scope** means the agreed scope of Services for the forthcoming PAF Year;

**PAC Cost Estimate** means the report described in Section 5 in a form largely as set out in Appendix 1;

**Performance Indicators** means the specific standards to which the Gas Transporters must provide the Services and which are set out in Schedule 4;

**Services** means the service requirements described or referred to in Schedule 2.

#### 1.2 Interpretation

Capitalised terms that are not defined below shall have the meanings given to them in the Uniform Network Code, Performance Assurance Committee Terms of Reference, or the Guidelines Document for the Energy Settlement Performance Assurance Regime.

## Schedule 2 Services Schedule [example]

Part 1 Provision of administration services to the PAC					
Service description – The provision of administration services to the PAC to support the delivery of the PAC requirements					
	Service Requirement Description	Service Requirement Trigger	Service Requirement Output	Recipient	Timing of delivery of service requirement output
1	Maintenance and publication of the Performance Reports Register	Ongoing, maintain as changes require	The publication of the Performance Reports Register	The industry, published at:	Within [1] business day of the notice from the PAC of the approved Performance Reports Register
2	Review of Performance Reports and consideration of effectiveness, providing recommendations to the PAC as required	Annually	A report to the PAC	PAC	April each year [this is to give the PAC chance to consider the report before the PAC submits the PAFA scope 4 months before 1 <sup>st</sup> October each year]
3	Maintenance of each Report Specification	Ongoing	The publication of each Report Specification	The industry, published at:	Within [1] business day of the notice from the PAC of the approved Report Specification
4	Attend meetings of the PAC as required	Ongoing	Attendance at PAC	PAC	As required
5	Provision of PAC Cost Estimate for the provision of the PAFA Scope as provided by the PAC	On receipt of the PAFA Scope for the forthcoming PAF Year from the PAC	Cost estimate	PAC	Within [2] months of the receipt of the PAFA Scope for the forthcoming PAF Year
6	Provision of Budget Tracking Report to the PAC	[Monthly]	A report of actual against forecast costs	PAC	Within [10] business days from the end of the [month]
7	Provision of a Budget Exception Report	As required when actual to forecast costs, or forecast costs, vary, or are expected to vary from the relevant PAC Cost Estimate	A Budget Exception Report	PAC	As soon as reasonably practicable
Part 2 Provision and maintenance of the PAF Risk Register					
Service description - Creation, management, maintenance and reporting (including publication) of the PAF Risk Register and operation of the PAF Risk Register process					
	Service Requirement Description	Service Requirement Trigger	Service Requirement Output	Recipient	Timing of delivery of service requirement output
1	Publication of the PAF Risk Register process and any supporting documents / templates etc	Ongoing, maintain as changes require	The publication of the PAF Risk Register Process	The industry, published at:	Within [1] business day of the notice from the PAC of the approved PAF Risk Register process
2	Operation of the PAF Risk Register Process	Ongoing	As required by the PAF Risk Register Process	As required by the PAF Risk Register Process	As required by the PAF Risk Register Process

Part 3 Provision of reports to industry					
Service description – The provision of reports to the industry (individual organisations, PAC, and others as required)					
	Service Requirement Description	Service Requirement Trigger	Service Requirement Output	Recipient	Timing of delivery of service requirement output
1	Performance Report Register report 1	As per Performance Report Register report 1	As per Performance Report Register report 1	As per Performance Report Register report 1	As per Performance Report Register report 1
2	Performance Report Register report 2	As per Performance Report Register report 2	As per Performance Report Register report 2	As per Performance Report Register report 2	As per Performance Report Register report 2

## **Schedule 3 Change Control Procedure**

### **1. Principles**

A suggestion for a Change may be made by any party and will be processed in accordance with this Change Control Procedure.

This Change Control Procedure, will, where required, encompass the processes and framework principles created under the Guidance Document on Best Practise – Process, Cost Estimates and Cost Allocations relating to Uniform Network Code User Pays Modification Proposals – as published on the Joint Office website. This is most likely to apply for the provision of a Rough Order of Magnitude (ROM) and Detailed Cost Analysis (DCA) services.

The supporting templates are shown in Appendix 1 of this Schedule

### **2. Procedure**

#### **2.1 Change Order**

Any party wishing to make a Change to the PAFA Scope shall issue a written request to the Gas Transporters. A request for a Change shall be submitted by a Change Order in the format shown in Appendix 1 of this Change Control Procedure.

The Gas Transporters shall provide an acknowledgement of receipt of the Change Order to the originator.

#### **2.2 Change Order evaluation at PAC**

The Gas Transporters shall submit the Change Order to PAC with an outline report of its assessment of the Change (including a ROM), as soon as reasonably practical after receipt of the Change.

The Gas Transporters and the PAC shall discuss the Change Order to determine the next actions to be undertaken.

The Gas Transporters shall provide a response to the originator advising the outcome of the PAC review.

##### **2.2.1 PAC review outcomes**

The PAC review outcomes are as follows:

- a) Reject Change Order
- b) Accept Change Order and proceed to the next stage
- c) Suspend Change Order. Request the Gas Transporters and the originator discuss the Change Order further to enable the PAC to make a final decision.

#### **2.3 Evaluation Quotation Report**

Where the PAC accept the Change Order, the Gas Transporters shall prepare an Evaluation Quotation Report (EQR). Once it is complete, the Gas Transporters shall submit the EQR to the PAC. The EQR will set out:

- the details of the Service Change (i.e. describe the new service requirements) and the expected beneficiaries, based on the Gas Transporters understanding of the Change Order;
- the Gas Transporters initial view of whether and (if relevant) how the Service Change can reasonably be implemented; and,
- if the Gas Transporters initial view is that the Service Change could reasonably be implemented, the EQR will also set out:
  - the Gas Transporters impact assessment of what analysis work is required in order to develop the Business Evaluation Report (BER) which may include a DCA;
  - If the Gas Transporters have determined that it needs to recover the costs of preparing the BER, a quotation for such costs; and
  - any initial view that the Gas Transporters may have of potential likely changes to the Services Schedule and the PAFA costs.

## **2.4 Agreeing the Evaluation Quotation Report**

- 2.4.1 If the EQR states that, in the Gas Transporters view, the Service Change cannot reasonably be implemented then the relevant Change Order will be referred back to the PAC for rejection.
- 2.4.2 If the EQR states that, in the Gas Transporters initial view, the Service Change may reasonably be implemented then the PAC will then consider the EQR. The Change will not progress until the PAC has agreed and approved the EQR (including any quotation for the funding required by the Gas Transporters to complete the BER) in accordance with its then prevailing terms of reference. The PAC will notify the Gas Transporters that it has approved the EQR by submitting, in accordance with its then prevailing terms of reference, a Business Evaluation Order (BEO) to the Gas Transporters.

## **2.5 Preparation of Business Evaluation Report**

Once the PAC has, in accordance with its then prevailing terms of reference, provided the Gas Transporters with the BEO the Gas Transporters will prepare the Business Evaluation Report (BER) which may include a DCA. Once the BER is complete, the Gas Transporters shall submit it to the PAC. The BER will set out:

- whether, after further business analysis, the Gas Transporters still consider that the Change can reasonably be implemented;
- and if the Gas Transporters still consider that the Change can reasonably be implemented, the BER will also set out:
  - the various design options for how the Service Change may be delivered by the Gas Transporters (including timescales) (“Design Options”);
  - the estimated development and implementation costs of each Design Option (a ROM or DCA as required);

- the estimated ongoing service costs/price of each Design Option (a ROM or DCA as required);
- any amendments which will be required to the wording of the Services Schedule;
- any necessary changes to the Agency Charging Statement which would need to be submitted to the Gas and Electricity Markets Authority (“Ofgem”) pursuant to the provisions of Standard Special Condition A15 of the Transporter’s Licence.

## **2.6 Agreeing the Business Evaluation Report**

If the BER states that, in the Gas Transporters view, after further business analysis, the Service Change cannot reasonably be implemented (and giving reasons therefor), then the relevant Change Order will be referred back to the PAC. Any party may then, should it choose to do so, submit a new or revised Change Order pursuant to the provisions of paragraph 2.1 above and the Services Schedule Change Procedure will recommence.

If the BER states that, in the Gas Transporters view, after further business analysis, the Service Change may reasonably be implemented, the PAC will then consider the BER and shall either agree on one of the proposed Design Options and approve the BER on that basis, or elect to cancel the Change Order.

The Change Procedure will not progress until the PAC has agreed and approved the BER in accordance with its then prevailing terms of reference.

## **2.7 Development and Implementation**

If the PAC agrees and approves the BER, the Gas Transporters will commence work to develop and implement the chosen Design Option.

If the PAC agrees and approves the BER, but there are required changes to the Agency Charging Statement then:

- the revised Agency Charging Statement will be submitted to Ofgem pursuant to the provisions of Standard Special Condition A15 of the Transporter’s Licence.

Once (if required) Agency Charging Statement has been modified pursuant to the provisions of Standard Special Condition A15 of the Transporter’s Licence, the Gas Transporters will proceed to implement the chosen Design Option and the changes to the Service Schedules as set out in the BER shall be made.

The Gas Transporters will provide ongoing progress reports to the PAC as the development and implementation of the chosen Design Option progresses. This will include performance against planned timescales and budgets.

## Appendix 1 of this Schedule 3

### Change Order Template

**Performance Assurance Framework  
Change Order Form  
For {Title}**

Please send completed CO Form to [\[tbc\]](#)

<b>Admin Details</b>	
Change Title	
Submission date	
Originator organisation	
Organisation representative	
Change reference number	[provided by PAFA]
<i>Change Details</i>	
<p><b>Change description:</b></p> <p>{Provide a full description of the change from a requirement perspective – where possible the solution should not be provided, the change is a description of the matter requiring resolution not a description of the solution. Where possible include:</p> <ul style="list-style-type: none"><li>- Issue that has led to the change requirement</li><li>- Expected benefits of the change</li><li>- Any other related topics relevant to the change</li><li>- Any timescale or other critical drivers.}</li></ul>	

## EQR template

### Performance Assurance Framework Services Evaluation Quotation Report (EQR) for Change Order [ref] [title]

#### Document Purpose & Summary

The purposes of this report are...

- To provide a quotation for the Gas Transporters to evaluate the business change outlined in the relevant Change Order, i.e. a quote to provide a Business Evaluation Report (BER).
- To identify the impacted areas that will be analysed during the evaluation.

#### Evaluation service offered:

Analysis of the change order to produce a Business Evaluation Report that will include estimated costs for delivery of the business change.

During business evaluation the Gas Transporters may provide other appropriate deliverables.

#### Quotation Dependencies

- There are no changes in the scope or complexity of the change between provision of this EQR and delivery of the BER.
- The BER delivery time scale quoted is elapsed time. Actual start date depends upon [a] when the BEO is received and [b] the relative priorities and availability of resource at that time.

#### Disclaimer

This Evaluation Quotation Report has been prepared pursuant to Schedule 3 of the PAFA Scope.

It has been prepared in good faith, and has been prepared using data and information provided by third parties, and whilst the Gas Transporters have used reasonable endeavours to ensure that it is accurate and appropriate, no representation or warranty is made as to its accuracy or completeness of the information contained herein, nor its fitness for purpose, even where any such purpose has been advised. By its very nature is only able to contain indicative information and estimates (including without limitation those of time, resource and cost) based on the circumstances known to the Gas Transporters at the time of its preparation. Nothing in this document is intended to have any contractual or legal force.

Change type:	Change Order PAF Services
Service Change details (describe new requirements and expected beneficiaries):	
Gas Transporter's initial view of if and how service Change can be reasonably be implemented:	
Gas Transporter's impact assessment of what analysis work is required in order to deliver BER:	
Estimated BER delivery cost and whether recoverable:	
Potential Changes to: Any regulatory documents e.g. Agency Charging Statement	
Period for which EQR is valid:	
Lead Xoserve operational manager name & contact details:	

## BEO template

### Business Evaluation Order (BEO) for Performance Assurance Framework Services Change Order [ref] [title]

The purposes of the business evaluation order are...

- To approve an Evaluation Quotation Report for the change order.
- To inform the Gas Transporters of the next action the sponsor requires for the change Order.

Change Order Reference:	
Change Order Title:	
Customer:	
Customer Representative:	
EQR version	Version: n Date:
EQR approval	1. Approved 2. Approve with comments 3. Clarification required 4. Rejected Unless approved without comment, please provide reasons in the comment section below.
Next action required	1. Proceed with evaluation 2. Provide clarifications 3. Revise the EQR 4. Nothing – change being reassessed 5. Nothing – change suspended 6. Nothing – change cancelled
Date Change Order received:	
Date EQR received:	
Date BEO provided:	
Date BEO expires:	
Funding Approval	<i>Detail proposed funding methodology.</i>

No	Section Ref	Reviewer comment	Author response
1			
2			
etc			

**Note:** The Gas Transporters reserve the right to reject the BEO and provide a new EQR if the scope of the service requested or scope of the change differs from that specified in relevant version the EQR for the relevant change order.

## BER Template

### Performance Assurance Framework Services - Business Evaluation Report (BER) for Change Order [ref] [title]

#### Disclaimer:

This Business Evaluation Report (BER) has been prepared in good faith by the Gas Transporters but by its very nature is only able to contain indicative information and estimates (including without limitation those of time, resource and cost) based on the circumstances known to the Gas Transporters at the time of its preparation. The Gas Transporters accordingly make no representations of accuracy or completeness and any representations as may be implied are expressly excluded (except always for fraudulent misrepresentation).

This BER does not, and is not intended to create any contractual or other legal obligation on the Gas Transporters.

Details of Service Change	
Do the Gas Transporters consider the service Change can reasonably be implemented?	
Design Options (including timescales)	
Estimated development and implementation costs of each Design Option	
Estimated ongoing service costs/price (and cost recovery mechanisms) of each Design Option	
Any system constraints	
Any amendments which will be required to the wording of the PAFA scope document	
Any required changes to regulatory documents e.g. Agency Charging Statement	
Period for which BER is valid:	
Lead Xoserve operational manager name & contact details:	

## Schedule 4 Performance Indicators

### 1. Performance Indicators

- 1.1 The Performance Indicators and the Services to which they apply are set out in the following table.
- 1.2 The Gas Transporter shall produce an exception report on a monthly basis, which provides relevant information relating to the non-achievement of the Performance Indicators in accordance with Part 1 paragraph 7.
- 1.3 The introduction, change or removal of Performance Indicators can only occur as a Change. Any such introductions, changes or removals will come into force in the month immediately following their agreement unless otherwise agreed with the PAC.
- 1.4 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 Gas Transporters and the PAC) before a new performance standard can be set for the Performance Indicator.

Performance Indictors				
To be developed based upon Schedule 2 and where required schedule 3				

Prepared and maintained by the Uniform Network Code Committee or any relevant sub-committee.

## Version History

Version	Date	Reason for update
1.0	June 2015	Final version for workgroup report

### Development of Rules

1 The requirement to publish the “**Energy Settlement Performance Assurance Regime**” document is specified in Section [xxx] of the Transportation Principal Document (TPD) of the Uniform Network Code (UNC). This section also provides for the document to be published and revised from time to time. The provision reads:

“1 Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website

2 The Rules set out below meet the Gas Transporter’s obligation to prepare Guidelines, while the Document Control Section records changes which have been made to the Guidelines. The document is published on the Joint Office of Gas Transporters website, [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)

3 These guidelines can only be modified in accordance with the requirements set out in paragraph 12 of Section V of the UNC Transportation Principal Document, which reads as follows:

### “UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT SECTION V – GENERAL

#### 12 GENERAL PROVISIONS RELATING TO UNC RELATED DOCUMENTS

##### 12.1 Purpose

The purpose of this Section is to establish generic governance arrangements in respect of the following UNC Related Documents (each a “**Document**” and collectively the “**Documents**”):-

- a) Network Code Operations Reporting Manual as referenced in Section V9.4;
- b) Network Code Validation Rules referenced in Section M1.5.3;
- c) ECQ Methodology as referenced in Section Q6.1 .1(c); and
- d) Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations as referenced in OAD Section D 3.1.5
- e) the Allocation of Unidentified Gas Document referenced in Section E10.1.1
- f) the Customer Settlement Error Claims Process Guidance Document referenced in Section E1.3.10.

##### 12.2 Publication Requirements

Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.

##### 12.3 Modifications

Should a User or Transporter wish to propose modifications to any of the Documents, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the Uniform Network Code Committee or any relevant sub-committee where the Uniform Network Code Committee so decide by majority vote.

##### 12.4 Approved Modifications

12.4.1 In the event that a proposed modification is approved by a majority vote of the Uniform Network Code Committee, the modification shall be implemented. Where the Uniform Network Code Committee fails to achieve majority approval the proposed modification shall be considered in accordance with the provisions set out in Section 7 of the Uniform Network Code Modification Rules unless the Uniform Network Code Committee determines otherwise.

12.4.2 Each revised version of a Document shall be version controlled and retained by the Transporters. It shall be made available on the Joint Office of Gas Transporters website.”

## **Contents**

1. Definitions
2. Introduction
3. Performance Assurance Framework
4. Performance Assurance Scheme
5. Performance Assurance Committee
6. Performance Assurance Framework Administrator
7. Potential extension of these Guidelines as other UNC modifications are developed
8. Performance Assurance Committee Documents:

Document 1 Performance Assurance Framework – Performance Report Register

Document 2 Report Specification template

Document 3 Risk Register

Document 4 Performance Assurance Framework Administrator Scope definition, against which cost estimate to be provided, including the Change process

## 1. Definitions

The following terms shall have the following meanings:

‘Change’	means the addition to, variation of, or removal of any of the services within the Performance Assurance Framework Administrator Scope
‘Energy Settlement’	means the allocation and reconciliation of energy at supply point level;
‘Handover Plan’	means the document detailing the exit strategy as agreed by the Performance Assurance Committee and the Performance Assurance Framework Administrator;
‘Performance Assurance Committee Document’	means the series of documents detailed in Section 8 of these Guidelines, 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 (PAF) Year’	means the year commencing on 1 <sup>st</sup> 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 as set out in Document 4;
‘Performance Assurance Scheme Party’	means the scheme party referred to or described in section 4;
‘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 Document 1;
‘Report Specification’	means the report specification defined in Document 2;
‘Risk Register’	means the register of risks defined in Document 3;

## 2. Introduction

These Guidelines set out the arrangements for the general administration of the Performance Assurance Framework.

## 3. Performance Assurance Framework

### **3.1 General**

The Performance Assurance Framework (the “Framework”) is the overarching framework for the Energy Settlement Performance Assurance Regime. The Framework comprises the Performance Assurance Scheme and its operation, the Performance Assurance Committee and its operation, the scope, operation and provision of services to be provided by the Performance Assurance Framework Administrator.

### **3.2 Goal**

The goal of the Energy Settlement Performance Assurance Regime is:  
“A demonstrably effective settlement regime for the gas industry where no one party adversely impacts another party as a result of its failure to operate to the defined settlement regime”.

### **3.3 Objectives**

The Framework has the following objectives:

- To determine the appropriate reporting and analysis to measure energy settlement performance and risks to it
- To create a risk register and supporting analysis to assess risks and determine mitigation activities for energy settlement performance.
- To report as necessary
- To administer the performance regime, including any incentive mechanisms introduced through a UNC modification as applicable.

These objectives may be updated from time to time as the Energy Settlement Performance Assurance Regime develops.

## **4. Performance Assurance Scheme**

The Performance Assurance Scheme applies to those UNC parties that directly contribute to Energy Settlement performance i.e. those in direct control of the data inputs to Energy Settlement (the Performance Assurance Scheme Party(s)).

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

To meet the requirements of the Performance Assurance Scheme, two new roles are created; the Performance Assurance Committee (see section 5), and the Performance Assurance Framework Administrator (see section 6).

The Performance Assurance Scheme may extend to include:

- Management of a risk model developed by a third party
- 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.
- Other activities yet to be determined

## **5. Performance Assurance Committee**

The Performance Assurance Committee (PAC) has the roles and responsibilities as defined with in the Uniform Network Code Committee, Performance Assurance Committee Terms of Reference.

The PAC is defined as a Uniform Network Code Committee, or any relevant sub-committee, with certain rights and responsibilities relating to the management of the Community's Performance Assurance Framework.

In the event of any conflict between the Uniform Network Code Committee Terms of Reference and the terms of the Guidelines Document for the Energy Settlement Performance Assurance Regime then the Uniform Network Code Committee Terms of Reference shall prevail.

## **6. Performance Assurance Framework Administrator**

### **6.1 Scope of Performance Assurance Framework Administrator role**

The scope of the PAFA role is set by the PAC. Initially this is:

- Maintenance, and publication, of the Performance Report Register
- Delivery of Performance Reports in accordance with the Performance Report Register
- Review of Performance Reports and consideration of effectiveness, providing recommendations to the PAC as required
- Creation, management, maintenance and reporting (including publication) on the PAF Risk Register
- Submission of Framework Risk Register reports to the PAC
- Support to the PAC in the PAC's review of proposed risks
- Annually, conduct a consultation on the effectiveness of the Framework and the submission of a report of findings to the PAC
- The maintenance of Report Specifications as required
- The documentation and maintenance of the processes undertaken by the PAFA to deliver services to and on behalf of the PAC, to a recognised quality standard

In addition the PAFA is to:

- Attend meetings of the PAC to provide support as required
- Within 2 months of the forthcoming PAF Year, based upon the scope requested by the PAC, submit (and publish) a cost estimate range and breakdown of its forecast annual costs to the PAC.
- Where, during the PAF Year, the PAFA becomes aware that its actual costs are varying by + or – 20% of its PAF Year estimate range, the PAFA is to submit a revised cost estimate with an explanation for the variance. Note: for the first PAF Year, as many aspects of the activities will be unknown, the variance is + or – 50%.
- Respond to a request from the PAC for a change to services within 1 month of the request. Such response being provided in accordance with the Guidance Document on Best Practise – Process, Cost Estimates and Cost Allocations relating to Uniform Network Code User Pays Modification Proposals, in force at the time..

In future the PAFA may:

- Manage any Risk Model provided by a third party
- Manage the invoicing function of an incentive regime

- Provide training and awareness services to Users
- Provide a Handover Plan to the PAC to support the PAC appointment of another party to the PAFA role.
- Provide other services yet to be determined

## **6.2 Changes to services**

Any changes to services are to be the subject of a Change request

## **7. Potential extension of these Guidelines as other UNC modifications are developed**

These Guidelines have been prepared for the establishment of the PAC and PAFA arrangements. It is recognised that there are current and potential future modifications, in development that may require the extension of these Guidelines. These Guidelines allow for future change.

## **8. Performance Assurance Committee Documents**

The following Performance Assurance Committee Documents – hereafter referred to as “Documents”, will be used to support the general operation of the Performance Assurance Scheme. The Documents are governed by the Performance Assurance Committee and published on the Joint Office website. Changes to these Documents can be proposed by any UNC Party, the Performance Assurance Committee and the Performance Assurance Administrator. Changes to the Documents are prepared by the Performance Assurance Framework Administrator and presented to the Performance Assurance Committee for approval.

Other Documents may be developed as and when required.

Document 1 Performance Assurance Framework – Performance Report Register

Document 2 Report Specification template

Document 3 Risk Register

Document 4 Performance Assurance Framework Administrator Scope definition, against which cost estimate to be provided, including the Change process