Stage 04: Final Modification Report	At what stage is this document in the process?
# 0520 0520A: Performance Assurance Reporting	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

These modifications introduce lower level industry performance reporting.

	Panel consideration is due on 17 March 2016 *(at short notice by prior agreement)*
	High Impact: None
	Medium Impact: Shippers
	Low Impact: Transporters

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About this document:

This Final Modification Report will be presented to the Panel on 17 March 2016 *(at short notice by prior agreement)*.

The Authority will consider the Panel's recommendations and decide whether or not which, if any, change should be made.

Modification timetable:

Initial consideration by Workgroup	13 January 2015
Amended Modification considered by Workgroup	05 November 2015
Workgroup Report presented to Panel	21 January 2016
Draft Modification Report issued for consultation	18 February 2016
Consultation Close-out for representations	10 March 2016
Final Modification Report presented to Panel	17 March 2016 (short notice)
UNC Modification Panel recommendations	17 March 2016

Any questions?

Contact:
Code Administrator
enquiries@gasgovernance.co.uk
0121 288 2107

Proposer: 0520
Andrew Margan
Andrew.margan@centrica.com
07789 577327

Proposer: 0520A
Colette Baldwin
Colette.baldwin@eonenergy.com
02476 181382

Transporter:
Wales & West Utilities

Systems Provider:
Xoserve
commercial.enquiries@xoserve.com

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1 Summary

Are these Self-Governance Modifications?

The Modification Panel determined that Self Governance should not apply to these modifications because the reporting proposed in each will identify individual User performance and this change could have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.

The Workgroup agreed with the Modification Panel's determination that Self-Governance was not appropriate as these modifications introduce reports, which may disclose Shipper identities and therefore could have a material impact on competition.

Why Change?

The new gas settlement regime introduced as part of the Project Nexus arrangements is expected to offer wide benefits to the industry, however it is also recognised that new risks may be introduced.

Given the value of energy that is delivered throughout GB each day, any small percentage of inaccuracy in aggregate allocation is potentially significant. The volume of un-reconciled energy after any period is dependent upon accurate and timely data provision, including asset and available consumption data.

Individual User and industry performance may be a key component in ensuring Nexus functions effectively and ensures the objective of User and industry performance is maintained or potentially improved. It may also facilitate future developments of performance targets and incentives.

Solution

These modifications propose to introduce low level reporting arrangements for the key industry inputs which impact accurate settlement allocation.

Relevant Objectives

Modification 0520

This proposal should have a positive effect on relevant objective d) Securing of effective competition. The reporting may allow UNC Parties to monitor Shipper's data input performance in elements related to settlement accuracy and support any future incentive regime to improve performance and reduce settlement risk.

Modification 0520A

The proposal should have a positive impact on relevant objective d), the securing of effective competition by facilitating transparent reporting of User performance on key industry data that is used for accurate allocation of energy and the appropriate targeting of costs.

Some participants consider this proposal may also have a positive impact on relevant objective a), the efficient and economic operation of the pipeline system, as improved information regarding meter point level consumption and performance metrics on data quality could help Transporters better understand system requirements in areas of constrained capacity.

Implementation

No implementation timescales are proposed. However, each modification proposes two Performance Assurance Report Register schedules, one which is capable of being delivered immediately following an Authority decision, the second relates to data that won't exist until the UK Link system is replaced, and therefore can't be delivered until after the Project Nexus Implementation Date.

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Do these modifications impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

These modifications are related to the UK Link Replacement project, but will not impact the signed off requirements or system delivery timescales. The new UK Link replacement system has reporting functionality built into the current specification, although this reporting wont be available until after the Project Nexus Implementation Date.

2 Why Change?

Major systems investment for UK Link Replacement provides an opportunity to consider whether the existing UNC requirements remain appropriate. Whilst the new regime is expected to offer benefits, it is also recognised that new risks may be introduced. As a result the gas Performance Assurance Workgroup (PAW) was established by the Uniform Network Code (UNC) Modification Panel to consider the development of a framework that can help to ensure the gas settlement risks are understood, and to provide assurance that the actions of Users are not inappropriately allocating costs to others.

Given the value of energy that is delivered throughout GB each day, any small percentage of inaccuracy in aggregate allocation is potentially significant. The volume of un-reconciled energy after any period is dependent upon accurate and timely data provision, including asset and available consumption data. Therefore PAW has identified the necessity for individual User and industry performance reporting, for the key industry inputs, which impact accurate settlement allocation.

The transparency of individual User and industry performance may be a key component in ensuring UK Link Replacement functions effectively, the key benefits are realised and ensures User and industry performance is maintained or potentially improved. These modifications are expected to be one of a series of modifications around Performance Assurance, each of which should be able to be developed independently and implemented at different times as required. For the avoidance of doubt it is intended that either of these modifications could be implemented without reliance on any other modification required to establish a performance assurance framework.

This should also allow the other modifications to be considered on their own merits and not potentially delayed by other proposals.

The intension of these proposals is that they provide Transporters the legal vires to produce reports from industry data. Available data could include UK Link Replacement data or other data. This position is taken as Users have access to their own data, whereas the Transporters have access to all User and industry data.

It should be noted that during the assessment of the reports designed to be implemented for these modifications, that participants had a difference of views of the content of the reports and the degree of disclosure required for peer comparison, as opposed to that envisaged for a performance assurance committee to review and monitor settlement performance risks in the future – when constituted. Therefore two registers of reports have been developed to allow the industry to consider which set of reports should be implemented and the level of disclosure to be permitted.

3 Solution

Key differences between Modifications 0520 and 0520A

These modifications propose to introduce low level reporting arrangements for the key industry inputs which impact accurate settlement allocation. Each modification proposes a register of reports, which can

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only be amended by a modification (a copy of each register proposed to be implemented is published along side this report), each report register contains a schedule of reports for delivery pre and post Project Nexus implementation:

0520 – The information requested in each report both pre and post Project Nexus implementation is made available to all UNC Parties which is fully disclosed and referenced by Shipper Short Code.

0520A – The information requested in each report both pre and post Project Nexus implementation is made available to all UNC parties for peer review, however the Shipper identity is not disclosed. In addition should a performance assurance committee be constituted a set of fully disclosed reports would be produced for their use only.

The report register content proposed in each modification should be read separately as the detailed content is not identical.

Modification 0520

This modification will create the obligation for the relevant Distribution Transporters to produce and publish lower-level Performance Assurance reporting.

Business Rules

1. The Guidelines document Performance Assurance Report Register Guidance Document, will be maintained by the relevant Distribution Transporters.
2. The Guidelines document will be referenced under the relevant section of code
3. The Transporters will publish the reports monthly.
4. The Publications of reports are to be made available to UNC Parties.
5. Reports will be issued referencing Shipper Short Codes.
6. Schedule 1 will be implemented from the approval date to Project Nexus implementation date.
7. Schedule 2 will be implemented post Project Nexus implementation date (back dated – as necessary)
8. Should a User or Transporter wish to propose modifications to any of the Performance Assurance Report Register Document, they shall be raised in accordance with the UNC Modification rules.

Modification 0520A

This modification will require the Transporters to produce and publish settlement performance information as set out in the attached Performance Assurance Report Registers (PARR).

Business Rules

1. The Performance Assurance Report Registers will be maintained by the Transporters as a guideline document.
2. The PARR guideline document will be referenced under the relevant section of code.
3. The Transporters will make the PARR reports available to Shipper Users, in the timeframes and frequency as set out in the Performance Assurance Reporting Template.
4. The PARR reports will be issued referencing the appropriate Shipper Short Codes (SSC) where SSC disclosure is set out in the report template. Reports for peer comparison will set out the individual Shipper's performance against each of the industry participants, without disclosure of their SSCs.

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5. Any changes to any of the reports within the PARR may only be made by UNC Modification in accordance with the Modification Rules.
6. PARR Schedule 1A & 1B will fall away when the Transporter Agency confirms that it can provide PARR Schedule 2A & 2B.
7. Reports provided under Schedules 2A & 2B of the PARR will be provided from the implementation of Project Nexus (back-dated – as necessary).
8. The initial content of the PARR be that which is provided as an Appendix to this modification.
9. For the avoidance of doubt the PARR is to be included in the Shipper Users performance pack provided by the Transporters Agent from time to time.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	These modifications are classified as a User Pays Modifications, as they will create additional services in the UNC, which are to be provided by the Transporter Agency.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Modification 0520 - As Users are the beneficiaries of the services created by these modifications, 100% of the costs are to be recovered from Users. Modification 0520A - The reports on Shipper User performance will be recovered from Shipper Users. For the avoidance of doubt, any reports added to the Register on Transporter performance will be funded by Transporters.
Proposed charge(s) for application of User Pays charges to Shippers.	The charges for Shipper reports will be split by Shipper market share, based on the total AQ for all LDZs for the relevant billing period for each shipper (as at the end of the relevant billing period) as a percentage of the total AQ for all LDZs for all shippers.
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Cost estimates have been provided by Xoserve.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	0520 - None 0520A - Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or	None

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(ii) the pipe-line system of one or more other relevant gas transporters.	
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	0520 – Positive 0520A - Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Modification 0520

This proposal should have a positive effect on relevant objective d) Securing of effective competition. The reporting may allow UNC Parties to monitor Shipper's data input performance in elements related to settlement accuracy and support any future incentive regime to improve performance and reduce settlement risk. This is expected to lead to more accurate and up to date information being held on central systems and therefore improve accuracy of settlement and information in relation to system utilisation and capacity needs.

Modification 0520A

The proposal should have a positive impact on relevant objective d), the securing of effective competition by facilitating transparent reporting of User performance on key industry data that is used for accurate allocation of energy and the appropriate targeting of costs.

Some participants consider this proposal may also have a positive impact on relevant objective a), the efficient and economic operation of the pipeline system, as improved information regarding meter point level consumption and performance metrics on data quality could help Transporters better understand system requirements in areas of constrained capacity.

5 Implementation

No implementation timescales are proposed for either modification. However, the Performance Assurance Report Register proposed in each modification is to be delivered in two phases:

Phase 1 – Schedule 1 is to provide reporting as soon as reasonably practicable following an Authority decision to implement – pre Project Nexus implementation.

Phase 2 – Schedule 2 is to provided at a date to be advised following the Project Nexus Implementation Date, although the information provided in the reports is to be backdated to the Project Nexus Implementation Date.

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In addition Modification 0520A proposes a subset of the schedules above to be provided to a UNC performance assurance committee, should it be constituted.

High level cost estimates for each modification are published alongside this report.

6 Impacts

Do these modifications impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

These modifications do not impact an SCR and the reporting requirements will not change any deliverable or affect the system delivery for Project Nexus.

Post Nexus Implementation

These modifications propose to use Project Nexus data for reporting, although it does not limit the Transporters from delivering the change for the current gas settlement regime, it is intended that the post Project Nexus Implementation reports will be made available at a date to be advised following implementation of Project Nexus.

7 Legal Text

Text Commentary

Text Commentary for Modifications 0520 and 0520A has been prepared by Wales & West Utilities and is published alongside this report.

Text

Legal Text for Modifications 0520 and 0520A has been prepared at the request of the Modification Panel and is published alongside this report.

8 Consultation Responses

Modification 0520

Of the 10 representations received 6 supported implementation and 4 were not in support.

Modification 0520A

Of the 10 representations received 8 supported implementation, 1 offered qualified support and 1 was not in support.

Preference expressed

Of the 10 representations received, 4 expressed a preference for **0520,** 5 expressed a preference for **0520A** and 1 remained neutral.

Representations were received from the following parties:

Organisation	Response	Prefer	Relevant Objectives	Key Points
British Gas	0520 Support	**0520**	0520 d - positive	• Believes 0520 report information does not reveal commercial or company sensitive

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	0520A Oppose		0520A d - positive	information, whilst providing industry performance against Shipper Short Codes. • Whereas 0520A uses a 'peer comparison' (anonymous, or castle name) with concerns that this has a limited impact to parties improving their performance, provides no incentive for them to improve performance due to anonymity and like for like comparisons not possible. • Does not understand why 0520A creates a 'safe haven' by masking identities. • Observes that other Codes use reporting that names parties, so there is a precedent for using SSCs. • Notes that 0520A does make SSC information available to the new Performance Assurance Committee, which prejudges what they require. • Believes that 0520 will provide greater transparency, which should lead to more accurate data and better settlement. • Supports implementation for Schedule 1 reports as soon as possible; for Schedule 2 after Nexus go live. • Seeks to clarify that 0520 reporting is not restricted to Shippers only.
E.ON	0520 Oppose 0520A Support	**0520A**	0520 a - none d - negative 0520A a - positive d - positive	• As the 0520A proposer, feels at this point in the development of the performance assurance regime, the industry discussed and agreed a soft landing approach to the introduction of new arrangements . • Believes there could be teething problems associated with the new processes, process changes and the application of new validation rules for Project Nexus. • Suggests that, until the new system is fully operational, it would be inappropriate to fully disclose industry individual performance. • Believes that it's appropriate to use the soft landing period to review the industry performance at a more detailed level than currently available. • PAC members (who will have fully disclosed performance reports) will be able to review

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				industry performance and determine when it would be appropriate to introduce any performance incentives, and consider moving the incentivised performance areas to a fully disclosed performance reporting structure. • Adds that the PAC will also be able to provide context to the report to assist any party in understanding the risks that are being addressed and how/why peer comparison identities may be fully disclosed, being mindful of any competition issues this may present. • Observes that the stated aim of some of the reporting under 0520 is not to compare industry performance, but to test whether the Transporter Agency has built their new system correctly. Argues that Performance Assurance reporting paid for by Shippers should not be used as a tool to determine whether the new system is functioning as designed. • States that there are some fundamental differences in reporting between the two sets of report schedules. Those specified under 0520A deliver more confidence in the accuracy of the settlement of gas consumed, for example, the first report under schedule 2; 0520 looks at the use of estimates but 0520A includes where the estimate is accompanied by a consumption adjustment. • Agrees that self-governance is not applicable. • Expects implementation as quickly as possible as it would be helpful for the PAC and for parties to receive the pre-Nexus peer level view of industry performance to enable them to consider what areas may need more focus in the future. • Does not see any additional costs being incurred under this modification.
EDF Energy	0520 Support 0520A Support	**0520A**	0520 a - none d - positive 0520A a - none d - positive	• Believes that both modifications would provide a route to identify potential issues within settlements allocation processes and then assess them. It would encourage industry to focus on improving the accuracy of settlements performance. • Could provide the industry with evidence that

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				would enable the setting of effective and efficient targets that would promote competition. • Both proposals provide greater transparency to the industry on the performance of different parties against the obligations as set out in the UNC. • Believes that 0520A proposes more relevant reports that industry parties would value greater. • Observes that there is some duplication in the 0520 reports, which wastes industry money. • Concerned that, under 0520, specific commercial activities could be gleaned.
Gazprom	0520 Oppose 0520A Support	**0520A**	0520A d - positive	• Prefers 0520A as believes initially reporting should be made available via a soft landing so that company performance is provided for comparison against the overall aggregate industry performance. • Observes that PAC will be provided with full information and thus, and subject to appropriate confidentiality arrangements, will allow appropriate oversight and development of suitable remedies as required. • Believes no significant costs are associated. • Expects implementation to be as soon as possible in line with the formation of the PAC. • Agrees that self-governance is not applicable.
National Grid Distribution	0520 Support 0520A Support	**0520**	0520 d - positive 0520A a - none d - positive	• Supports the implementation of either 0520 or 0520A. • Agrees that the Performance Assurance Report Registers will provide a comparative view of Shipper performance which should over time lead to improved industry settlement. • Understands that the reports are broadly similar in content, but observes that a number of the proposed 0520A reports would be published to all UNC parties utilising a 'peer comparison identifier' with a non-anonymised report being made available only to the Performance Assurance Committee. • Suggests that it is not immediately apparent

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				why these industry reports should not be readily available to all UNC parties in a fully transparent and non-anonymised format. • In addition the use of 'peer comparison identifiers' is arguably inequitable as there is a small risk that, over time, larger organisations in particular may become identifiable when interrogating reports collated with absolute numbers rather than percentages of portfolio. • Agrees that self-governance is not applicable. • Observes that, from a funding perspective, the two modifications differ slightly in that 0520A allows for the Transporter to be liable for User Pays charges in the event any future reports are implemented which capture Transporter performance. • Believes there may be a slightly higher cost to provide the reports outlined under 0520 prior to Nexus than 0520A. • Agrees with the implementation timescales identified.
RWE npower	0520 Support 0520A Support	**Neutral**	0520 a - positive d - positive 0520A a - positive d - positive	• Supports the introduction of a performance assurance framework and that both of the modifications represent a significant improvement to the current baseline. • Considers 0520 has a broad coverage of measurements that would enable UNC parties to track Gas Shipper activities that impact industry settlement processes. It would also provide a useful view of post-Nexus industry processes. • The transparency that 0520 delivers might also incentivise shippers to optimise activities that may have an impact on Unidentified Gas Allocation. • Considers that 0520A ensures that reporting is confidential and can be assessed by the PAC to reduce the risk of erroneous or misinterpreted data being placed within the public domain. This results in parties being incentivised by peer comparison rather than public disclosure. • Believes 0520A fits alongside the intention of 0506V, which requires members of the PAC

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				to agree to sign disclosure and confidentiality agreements to ensure they act in the best interests of the industry. • Agrees that self-governance is not applicable.
Scotia Gas Networks	0520 Support 0520A Qualified Support	**0520**	0520 a - none d - positive 0520A a - none d - positive	• Supports the intention of the Performance Assurance Framework, and the reports proposed under these modifications. • Considers the proposed reporting will improve the performance of industry parties by increasing transparency and introducing a framework of performance measures that will act as targets for improvement. • Mindful that reporting measures must be able to show that they are focused on areas in which demonstrable issues have been identified in order to ensure that the reporting regime is efficient and effective. • Expects the PAC to demonstrate a continued commitment to reviewing the reports proposed under these, and any future modifications, against these criteria. • Recognises that 0520A proposes a soft-landing due to the significant changes to the central systems that are currently taking place. Understand and agree that this may influence Shipper performance on either an interim or more enduring basis but considers that, as all parties are subject to the same factors, this is not sufficient reason to sacrifice the transparency benefits achieved through non-anonymised reporting. • Agrees with the implementation timescales set out in the modification.
ScottishPower	0520 Oppose 0520A Support	**0520A**	0520 a - none d - positive 0520A a - positive d - positive	• Supports the introduction of Performance Reporting in the gas market and sees these modifications as an important first step to introducing this concept. • Is not supportive of Modification 0520, given that it is proposing to release information by Shipper Short Code and is concerned about where this information will be published and how it will be kept secure and out of the public domain. • Is a proponent of performance monitoring and

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				the ability of the industry to scrutinise performance of their peers, however is wary of releasing information that could be misinterpreted if it became public. • Considers 0520A is a more structured and controlled approach to performance reporting and mirrors the arrangements in the electricity market, which has had successful performance reporting and improvement for many years. • Observes that there are provisions to ensure that the PAC act in the best interests of the market and hold in confidence information to which Members become privy. 0520A dovetails with this concept and will ensure that only the PAC is provided potentially commercially sensitive information. • Can see that there might be benefit in releasing peer-to-peer comparison information once the Performance Assurance Arrangements are tested and become mature. • Agrees self-governance is not applicable
SSE	0520 Oppose 0520A Support	**0520A**	0520 a - none d - positive 0520A a - none d - positive	• Fully supportive of the introduction of a Performance Assurance regime and believe that this modification is a good first step at reporting on the key indicators identified so far. • Concerned that implementation of 0520, with non-anonymised reporting, is a step too far given the Nexus implementation. • Believes that 0520A is a soft-landing, since it is essentially a post-Nexus reporting proposal. • Believes that an 0520 approach could be adopted after a period of stability post-Nexus. • Observes that some shippers might be adversely affected by the systems issues related to Nexus, or by inherited data issues, and that it would be undesirable for this to be in the public domain. • Believes that either modification could be implemented as soon as possible after an Authority decision. • Agrees self-governance is not applicable

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Wales & West Utilities Ltd	0520 Support 0520A Support	**0520**	0520 a - none d - positive 0520A a - none d - positive	• Believes both modifications support and facilitate performance assurance. The key difference is to whom the information is made available. • Observes that 0520 envisages information being made generally available and 0520A has a much more limited distribution. • Agrees self-governance is not applicable • Notes that, following implementation, some reports may not be immediately available.

Representations are published alongside the Final Modification Report.

9 Panel Discussions

10 Recommendation

Panel Recommendation

Having considered the Modification Report 0520/0520A, the Panel recommends that:

- proposed Modification [**0520** / **0520A**] better facilitates the relevant objectives than proposed Modification [**0520** / **0520A**];
- proposed Modification **0520** [should/should not] be made; and
- proposed Modification **0520A** [should/should not] be made.

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