

Appendix 1

Guidelines document for the Energy Settlement Performance Assurance Regime

The Performance Assurance Framework is limited to energy once it has entered the Local Distribution Zone, including energy that is measured at the LDZ offtakes. Gas transported through the National Transmission System (NTS) and supply points connected to the NTS are excluded from the arrangements created by this Guidelines document.

Prepared and maintained by the Performance Assurance Committee

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Version History

Version	Date	Reason for update
0.1	December 2014	First draft

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
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.”

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1. Definitions

The following terms shall have the following meanings:

- 'Additional Services' means services additional to those defined in the Performance Assurance Framework Administrator Scope of works set by the Performance Assurance Committee for the Performance Assurance Framework Administrator;
- 'Employer Assurance Document'
means a document signed by an Office Bearer of the employer of the 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;
- '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 Administrator (PAFA) Contract'
means the contract entered into by the Gas Transporters with a third party provider for the services to provide the scope of works set by the Performance Assurance Committee and agreed with the Performance Assurance Framework Administrator;
- 'Performance Assurance Committee' means the committee as referred to or described in Section 5;
- '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 and not by the Uniform Network Code Committee;
- 'Performance Assurance Committee Member'
shall be a voting member of the Performance Assurance Committee, such members being elected in accordance with Section 5.2;
- 'Performance Assurance Framework' means the framework as referred to or described in Section 3;
- 'Performance Assurance Framework Administrator' means the administrator as referred to or described in Section 6;
- 'Performance Assurance Framework (PAF) Year' means the year commencing on [1st 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;

‘Performance Assurance Scheme’

means the scheme as referred to or described in Section 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 create a regime incentivising the required performance

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)).

~~Note: where other arrangements exist for the management of Energy Settlement activities e.g. shrinkage, etc then those arrangements continue as they are, and do not form part of these Guidelines or the Performance Assurance Scheme.~~

The Performance Assurance Scheme initially comprises 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

5.1 General

The Performance Assurance Committee (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.

The PAC is chaired by the Joint Office and is attended by PAC ~~representatives~~members, with others User and Transporter representatives permitted to attend in a non-voting capacity.

5.2 Performance Assurance Committee structure

The PAC comprises [5] User representatives and [5] Gas Transporter representatives (one of which ~~may be~~will be an independent Gas Transporter representative).

User representatives are elected [annually] on the 1st October and at other times when vacancies occur. These elections are conducted by the Gas Forum.

Only Performance Assurance ~~Scheme Parties~~Committee Members ~~have~~are voting rightsmembers. ~~If a group e.g. Gas Transporters, are not within the Performance Assurance Scheme, they are not voting members of the Performance Assurance Committee.~~

Members are representatives in their own right and do not represent the company by which they are employed. The election rules permit no more than one member per company and it is ~~recommended~~required that members should have at least [3] years gas settlement knowledge and experience.

PAC Members will be required to sign a Confidentiality Agreement and their employer shall also be required to sign an Employer Assurance Document to assure that the member will be attending and voting at the PAC in the interests of the GB gas industry and not representing any commercial interest or commercial body.

A list of all members and standing alternates is published on the Joint office website.

A member may appoint an alternate either on a standing basis or on a meeting by meeting basis. Such appointments shall be made in writing or by email to enquiries@gasgovernance.co.uk. Such alternates must also sign a Confidentiality Agreement and have their company warrant that they are attending and voting at meetings in the interests of the GB gas industry and not representing any commercial interest or commercial body.

The Joint Office of Gas Transporters will manage the process of administering and keeping a record of the Confidentiality Agreements and Employer Assurance.

5.3 Meetings

The Joint Office of Gas Transporters shall provide a Chairman and secretary for the PAC.

The PAC endeavours to meet on a monthly basis, and for the purpose of voting a quorum of three voting members, or appointed alternate(s), are required. Decisions are made by a simple majority.

An agenda for each meeting is published on the Joint Office website at least five Business Days prior to the meeting and minutes published no more than five days after the meeting.

The PAC may decide to meet more or less frequently as required.

5.4 Roles and responsibilities of Performance Assurance Committee members

The roles and responsibilities of the PAC include:

- The development of the Performance Assurance Committee roles and governance rules
- The determination of the Performance Assurance Scheme Parties
- ~~Establishment of the scope of the PAFA role, which is expected to include~~Overseeing the PAFA and the services provided, which is expected to include:
 - o 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
 - Calculation of incentive payments and provision to the Transporters' Agent for billing purposes [following 12 months of grace from scheme commencement]
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- Set, and agree with the PAFA, the scope of the PAFA role for the forthcoming PAF Year and provide this to the PAFA [4] months before the start of the PAF Year. Note: the PAFA will be providing a cost estimate for services based upon this scope, so the scope should be at a level to allow the PAFA to determine costs and provide a cost estimate range.
 - Review the PAFA PAF Year cost estimate range within [1] month of receipt and revise, and agree with the PAFA, any change in scope to the PAFA role.
 - Receipt of Performance Reports from the PAFA
 - Interpretation and review of Performance Report results
 - To enlist external expertise to aid in their consideration of issues which are deemed material under the Risk Register
 - Receipt of issues from any Party recognised as having a role under the UNC and consider, with the help of the PAFA, whether they are material enough for inclusion in the Risk Register and determine whether further information needs to be obtained to be able to determine materiality. And where determined as not material provide a response to the proposer setting out the reasons for the Committee's determination
 - Review and determination within their first year whether there is a need for improvement plans and preventative measures and set out a proposed approach and justification for such a right, before consulting on it with UNC Parties. Should the Committee seek such a right it shall consult formally on the proposed approach with all UNC parties and consider raising a UNC modification if there is support for improvement plans/preventative measures
 - With support, as required, from the PAFA, the determination of industry performance targets, for any forthcoming period
 - Submit requests to the PAFA for any Additional Services.
 - Review the PAFA response to an Additional Service request and instruct the PAFA as the PAC see fit
 - Enlist external expertise in any matter where, in the opinion of the PAC, there is a material conflict of interest with the PAFA. (Not expected to happen in an administration role).

6. Performance Assurance Framework Administrator

6.1 Appointment of the Performance Assurance Framework Administrator

A person shall be appointed and engaged by the Gas Transporters, in accordance with this paragraph 6.1, to act as the PAFA. The initial term of appointment for the PAFA will be for [3] years, with the option to terminate the service following [1] year, such termination to be agreed by a unanimous majority of the PAC Members.

6.1.1 The Gas Transporters shall:

- (a) prepare arrangements and documentation for the a tender for the appointment of a PAFA;
- (b) conduct such tender on the basis of such arrangements and documentation;
- (c) together with the PAC members, review and assess the proposals made by such persons tendering for appointment as the PAFA (referred to as “bidders”) pursuant to the tender;
- (d) where appropriate (for the purposes of the selection of a bidder), enter into further discussions with one of more of such bidders, together with the PAC members;
- (e) use reasonable endeavours to enter into a contract of engagement with the selected bidder; and
- (f) operate and enforce (and, as and if appropriate, take steps to extend or terminate) the PAFA Contract.

6.1.2 This paragraph 6.1 shall apply for the purposes of the initial appointment of the PAFA and on each subsequent occasion on which (following the expiry without extension, or termination, of the engagement of the current PAFA) a PAFA is to be appointed.

6.1.3 The Transporters may agree amongst themselves, upon such terms as they may so agree, that the PAFA Contract shall be entered into by any one of the Transporters alone; but in the absence of such agreement they shall enter jointly into such contract. The Performance Assurance Framework Administrator (PAFA) is the Transporter Agency.

6.2 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
- Calculation of incentive payments and provision to the Transporters' Agent for billing purposes [following 12 months of grace from scheme commencement]
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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~~ schedule for the provision of the PAFA scope for the coming year 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 an Additional Service(s) within [1] month of the request, either in full, or with a date by which a full response can be provided. Note: the PAFA may have to incur costs to provide a full response, an estimate of these costs will be provided to the PAC and authorisation provided by the PAC before work is undertaken to provide a detailed estimate.~~

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

6.3 Additional Services

Any Additional Services are to be the subject of an Additional Services 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 Format of Performance Assurance Framework Administrator Scope definition,
against which cost estimate to be provided

Document 5 Additional Services process

[Document 6 PAC Member Confidentiality Agreement](#)

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