

**UNC Workgroup 0674 Minutes
Performance Assurance Techniques and Controls
Tuesday 28 April 2020
via Teleconference**

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Andy Clasper	(AC)	Cadent
Fiona Cottam	(FC)	Xoserve
Guv Dosanjh	(GD)	Cadent
India Koller	(IK)	SGN
Karen Kennedy	(KK)	British Gas
Kirsty Dudley	(KD)	E.ON
Mark Bellman	(MB)	ScottishPower
Richard Pomroy	(RP)	Wales & West Utilities
Sally Hardman	(SH)	SGN
Shelley Rouse	(SR)	Gemserv

** via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0674/280420>

The Workgroup Report is due to be presented at the UNC Modification Panel by 29 August 2020.

1.0 Introduction and Status

1.1. Approval of minutes (26 February 2020)

The minutes from the previous meeting were approved.

1.2. Review of Outstanding Actions

Action 1008: ScottishPower (MB) and Gemserv (AJ) to investigate the PAC Annual Plan, the Annual Review, and the Annual consultation process and provide a re-draft of the document.

Update: AR explained that these documents were in the process of being encompassed within the suite of PAC Controlled Documents, and that these were still being finalised. Mark Bellman (MB) concurred with this statement and all agreed this action could be closed. **Closed**

Action 0101: ScottishPower (MB) to include the IGT impact, together with the aspirations of the Proposer within the Modification.

Update: AR said this was in relation to ensuring that reference was made to the IGT 0138 Modification and MB said he had encompassed this within the Modification. He added, that if any changes were made then these would be mirrored in the IGT Modification. Kirsty Dudley (KD) said that most of the conversations had taken place in March and that she was happy with this approach. MB confirmed that this action could now be closed. **Closed**

Action 0102: Joint Office (AR) to request a 3 month extension from the February Panel with a reporting date of 18 June 2020.

Update: AR said that extension had been granted and so this action could now be closed. **Closed**

Action 0103: ScottishPower (MB) to include the Document 4 PAFA Scope and PAC Review within the Modification.

Update: MB said that this action should be carried forward as the document was still being reviewed, although the aspiration of including Document 4 within the PAFD document remains. He said that Xoserve and PAC were still in the process of reviewing the content.. **Carried Forward**

Action 0104: Xoserve (FC) to discuss with the Customer Life Cycle Team the aspects of capture, maintenance, data updating and seniority level of the Performance Assurance Representatives.

Update: AR said this had been included in the drafting of the Modification. Fiona Cottam (FC) confirmed that she had discussed this with the Customer Life Cycle Team and that they did capture the seniority and responsibility aspect as part of the initial set up process and that they were going to do an annual refresh of all the contact details. She did add that it was up to the discretion of each company to decide the appropriate seniority level of the contacts they put forward. MB confirmed that the seniority level was defined within the Business Rules, as directed by the industry and was detailed in the PAC Protections section of the Business Rules. MB confirmed this action could now be closed. **Closed**

Action 0105: ScottishPower (MB) to update Section 16.8 Appointment of PA Representative from a seniority level requirement.

Update: MB confirmed Section 16.8 had been updated and discussed with Dentons for a legal perspective and so this action could now be closed. **Closed**

Action 0201: ScottishPower (MB) to amend the Performance Assurance Tables in the solution section of the Modification, amend Modification v7.0.

Update: MB said the amendments had been made and so this action could now be closed. **Closed**

The following actions were omitted from the agenda in error and will be discussed at the next meeting

Action 0202: Joint Office (AR) to include within the Workgroup Report the suggestion of the 'name and shame' approach in relation to commercial and confidential sensitivity aspect.

Update: Not discussed in the meeting and carried forward. **Carried Forward**

Action 0203: ScottishPower (MB) to investigate who is liable for a failure and contact Dentons to have the liability for failure added as a Business Rule within in the Modification.

Update: Not discussed in the meeting and carried forward. **Carried Forward**

Action 0204: Joint Office (AR), ScottishPower (MB) Gemserv (AJ) and Cadent (AC) to produce a Governance Model diagram show how the ancillary documents are linked.

Update: Not discussed in the meeting and carried forward. **Carried Forward**

2.0 Review of Revised Modification, redrafted to align with the Legal Text

MB confirmed that he had amended Modification v8.0 and that he wanted to reiterate that the Modification had been written by him, but that he had spoken to Dentons in relation to the interpretation from a legal perspective regarding the Business Rules and the overall solution.

Kirsty Dudley (KD) said she understood the approach and that in some instances this was the most sensible approach in order to progress with the Modification development. Alan Raper (AR) concurred with this approach and said that it had been a joint effort from the Proposer and the legal team.

AR explained that the Joint Office (AR), ScottishPower (MB), and Gemserv (SR) had conducted two subgroup meetings offline over the last two months in order to progress the Constitution and Framework documents.

MB then provided an overview of the track changed version of the amended Modification and brought attention to specific areas of amendment, with regards to content and context.

Within the Solution section on page 7, Tables UNC V16 and UNC V12 as detailed below, Richard Pomroy (RP) raised some concerns.

From the Proposal: *“The modification will move the Performance Assurance regime to a new regime represented diagrammatically here:*

<p>UNC – V16 Governance – OFGEM (via UNC Mod process)</p>	<p>Parties subject to new Performance Assurance Objective & Principles</p> <p>Provision of Authority to the PAC (with protections)</p> <p>Defines new UNC Related Document (PAC Constitution Document) giving authority to, and ToR for, Performance Assurance Committee</p>
<p>UNC – V12 Governance – UNCC</p>	<p>Performance Assurance Committee Constitution Document incorporating:</p> <ul style="list-style-type: none"> • One-stop document with links to Code & all other necessary references • Definitions, PAC Terms of Reference, Constitution, Appeals <p>Performance Assurance Framework Document</p> <ul style="list-style-type: none"> • Defines this PAC governed document (does not duplicate its contents)
<p>UNC – B4 Governance – OFGEM (via UNC Mod process)</p>	<p>PAC carve-out from 4.3.1 and 4.4.2</p> <ul style="list-style-type: none"> • PAC cannot ‘cease to be established’ by UNCC vote alone. • Parties are obliged to provide information requested by PAC for PA purposes
<p>PAF Document Governance – PAC</p>	<p>Performance Assurance Framework Document incorporating:</p> <ul style="list-style-type: none"> • PAFA scope, schedule of services, appointment, risk approach • PATs (Performance Assurance Techniques), PARR, procurement • Annual PAF Budget, Review, Plan and Consultation

In summary, the solution is to oblige UNC Parties (transporters, shippers, CDSP) to comply with an objective of equitable settlement and to cooperate with other Parties to further this objective.

It will also give PAC some additional authority to identify those areas of performance (whether in Code or not) which impact the objective, to require UNC Parties to improve in those areas and to impose sanctions where performance is below the required level. It will also require Proposer of a modification which adds or changes UNC performance standards or might impact a Party's performance against such standards to specify an appropriate monitoring report. The CDSP will be required to provide a ROM (rough order of magnitude) for workgroup consideration".

RP said this area was not clear regarding the PAC and the UNCC Sub-Committee relationship and said that it was not possible for each to be subservient to each another. He added that within Modification 0506 - *Gas Performance Assurance Framework and Governance Arrangements* it stated that the UNCC would govern what was in the PAC's remit and gave authority to change the PAFA documentation. PAC could not go beyond this authorisation in terms of the UNCC. He said that MB was suggesting within the solution existing PAC Terms of Reference were amended as part of absorbing them within the Constitution document, which would have an impact on the level of governance in operation and the process for amending them. Andy Clasper (AC) also noted that this had an impact with Business Rule 5. *Define the PAC Constitution Document in V16, as a UNC-related Document, governed by UNCC under Section V12 of UNC, who shall make changes only on prior PAC approval by simple majority.* RP reiterated that it was not possible to have a Sub-Committee instructing the 'parent' Committee on how to operate or what it should do.

A lengthy and protracted discussion took place on this area surrounding the governance and operational aspects of the Sub-Committee and their associated relationships with the UNCC. RP suggested a potential resolution might be to operate in line with the DSC Committees as a model, especially as the industry now understood how these operated from a governance perspective. RP proposed that MB should consider using the DSC model as a template for the revised PAC arrangement. RH added that the governance principles are detailed in GT Section D: CDSP AND UK LINK, Paragraph 4 – DSC Committees. <https://www.gasgovernance.co.uk/general>

MB said that this could be the solution and that he would investigate this area in more depth and thanked RP for his valuable input. AR added it would be useful if another subgroup meeting was arranged with the Joint Office (AR), ScottishPower (MB), Gemserv (SR) and Wales & West Utilities (RP) to reflect on the DSC governance model and assess how DSC option could be used to help develop the proposal for the Terms of Reference, the Constitution Document for PAC. AR added that the difficulty was how to allow PAC to have a high degree of operational and decision making autonomy, while still ensuring it is representative and constitutionally resided within the accepted bounds of UNC governance.

New Action 0401: ScottishPower (MB) to investigate whether the Constitution Document could be adapted or whether it was needed, if the governance was in the form of a DSC Committee, UNCC governance process.

New Action 0402: Joint Office (AR), ScottishPower (MB), Gemserv (SR) and Wales & West Utilities (RP) to reconvene the subgroup meeting to discuss the Constitution Document or the DSC Committee option.

RP said he also had some reservations about Business Rule 6, (BR6) as detailed below on page 9 of the proposal:

BR6: Give PAC authority in the UNC, with relevant protections noted below, to include:

- *To determine the performance and applicable assurance monitoring and incentive tools to be applied to a Party*
- *PAC will define those areas of a Party's or of Parties' performance which impact the PA Objective. PAC will set the tolerance threshold and determine those levels at which Performance Assurance Techniques will apply. PAC will require UNC Parties to improve in those areas and will have powers to impose sanctions where performance is below the required level, provided those are consistent with what is defined from time to time in the PAF D*
- *Require parties to respond to and meet PAC requests reasonably made in the context of performance matters and in pursuit of the Performance Assurance Objective. This requires a carve-out under Section B4.4.2*
- *Deploy Performance Assurance Techniques (PATs) described in the PAF D as they deem appropriate. Parties acknowledge that such techniques could include publishing on the Joint Office website the relative performance of Parties to allow peer comparison. Such information will be limited to the performance measures outlined in PAF D from time to time. PAC will not divulge any information on the Parties' specific commercial or operational arrangements or the reasons for the level of performance or improvement plans.*
- *The Proposer of a modification will be required to seek a ROM from Xoserve for workgroup consideration of the impact of their modification proposal where such proposal*
 - o *adds or changes UNC performance standards or*
 - o *impacts a Party's performance against such standards to specify an appropriate monitoring report.*
- *Definition of the Performance Assurance Framework Document and its purpose and governance (including PAC authority to change and the voting arrangements for such amendments to PAF D)*
- *Remove the UNC requirements for UNC approval of changes to PARR. PARR becomes an Annex to PAF D subject to PAC Governance. The principle here is to remove unnecessary barriers to data access which reduce the effectiveness of performance assurance*
- *Request reports or data that it deems required to understand performance issues, causes and materiality of impact on the Performance Assurance Objective.*

PAC will advise UNCC of any changes to data access rights.
- *Requesting the remedy of performance issues, even where there is no explicit prescriptive performance standard specified in the code, where that performance issue is limiting or preventing the achievement of the Performance Assurance Objective (PAO)*

RP said that in terms of performance monitoring, care needs to be taken so as not to introduce undue discrimination. MB agreed but said it felt it was required as Nexus was still 'bedding in' and the Unidentified Gas (UIG) was still an issue, but as markets developed, there was the increased requirement to ensure the processes were robust and fit for purpose. He added on this point, that from a PAC perspective, all parties had signed the confidential letters detailing they would make decisions and act on behalf of, and for the good to the industry as a whole, yet he said he still concerns as to whether this was always the case. Item 6 sought reinforce this point.

Karen Kennedy (KK) wanted more clarification on peer-comparison performance reports from an anonymised and non-anonymised perspective and ensuring that commercial and operational sensitivities were protected. MB said these areas would be covered by the non-disclosure agreements, since these oblige parties not disclose any information to other parties. MB said that having the information published on the Joint Office website was not of a confidentiality issue, as parties could not gain a competitive advantage by being able to see this information and it was noted that rules in this area are already defined within the existing PAC Rules of Engagement. Fiona Cottam (FC) added that the PAC owned the PARR Reports and that this data was anonymised, as per Modification 0660S - *Amendment to PARR permissions to allow PAC to update with UNCC approval*.

AR proposed that he and FC had an offline discussion regarding the amended Performance Assurance Framework Document, (PAF D), document and the overall clarity of the governance and reporting set by the PAC to include the costings and budgetary areas. RP said that in some instances an XRN would be needed and KD said that as PAC had its own budget to allocate, that an XRN was not always needed. MB agreed to delete this section in the Modification to avoid confusion.

New Action 0403: Joint Office (AR) and Xoserve (FC) to discuss V12.3 and the PAF Document

It was agreed AR would contact FC to assist in the review of the two documents covering reporting, namely: UNC Related Document: Performance Assurance Report Registers and the PAC Document 1: Performance Assurance Framework - Performance Reports Register and how they could be merged and incorporated into the new governance framework.

A brief general discussion took place regarding the PAC operating principles and the adherence criteria in relation to performance. MB and SR agreed to investigate and clarify these operating principles.

New Action 0404: ScottishPower (MB) and Gemserv (SR) to investigate and clarify the PAC operating principles.

AR asked MB if the Modification was in a sufficiently static state to progress the Legal Text. MB said that no it was not yet stable, as he would now further amend the Modification following the comments within the Workgroup meeting in readiness for the May meeting.

MB provided an overview of the PAF D and added that Section 18, (pages 12 – 18), would effectively form the tool kit for PAC actions on non-performing shippers. KD wanted clarification on the notice period for adding to or amending the objectives in Section 5, and MB said it would go through an annual review process, and KD agreed that was a sensible approach.

A brief discussion took place regarding point 7.2 *Performance Assurance Framework Administrator (PAFA) Appointment Criteria*, b) *The appointment is expected to be for a period of three years, with arrangements for a minimum 2 year initial period, with the option for a one-year extension*; FC said there was the option to continue for a fourth year and MB said that if FC could provide the appropriate wording for this section, it would be appreciated. FC agreed and said she would also check if anything was mentioned regarding this area in the Code regarding the PAFA contract duration.

New Action 0405: Xoserve (FC) to review 7.2 b) in relation to the flexibility of an extension to a fourth year.

KD said from a re-procurement perspective that a defined timeline would be useful. AR added that a set of operational guidelines covering procurement would be useful and, if needed, would need to be drafted by the CDSP. MB agreed to amend the wording accordingly to aid clarity.

MB said that he would appreciate any comments or suggestions to be provided directly to him by close of play on 05 May 2020 in order for him to then discuss this at the next PAC meeting in May.

New Action 0406: All to provide feedback and comments on the Framework (PAF D) Document, to Mark Bellman via Mark.Bellman@scottishpower.com by close of play on 05 May 2020

AR proposed that a two-month extension should be requested at the May Panel in view of the amount of work that was still to be undertaken. It was agreed that an extension should be sought until August 2020.

New Action 0407: Joint Office (AR) to request an extension from the May Panel until 29 August 2020.

3.0 Further review of revised of Legal Text

MB confirmed the Modification would be further amended to v9.0 and he would contact Dentons regarding the amendments to legal text discussed.

4.0 Consideration of consolidated PAF Document

AR said that this area was still work in progress and that the PAF document would need to be presented to PAC for approval.

5.0 Consideration of the PAC Constitution Document

SR said this was still being worked on presently and would be available in due course.

6.0 Consideration of the Reporting timeline and Development of Workgroup Report

AR said the reporting timeline and development of the Workgroup Report would be further discussion in the May meeting.

7.0 Next Steps

AR said his expectations for the May meeting were:

- Review of amended Modification, redrafted to align with the legal text
- Further review of revised Legal Text
- Consideration of a consolidated PAF Document
- Consideration of the PAC Constitution Document
- Consideration and review of the Governance Model Diagram
- Consideration of the Reporting timeline & Development of Workgroup Report
- Joint Office (AR) to seek an extension from Panel for the submission of the Workgroup Report to from June to August

8.0 Any Other Business

8.1. Next Meeting Date

AR said the next meeting would be held on 26 May 2020 via Teleconference and would commence at the earlier time of 10.00am.

9.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
Tuesday 26 May 2020	Teleconference	Standard Agenda, plus: To Be confirmed <ul style="list-style-type: none"> • Review of amended Modification, redrafted to align with the Legal Text • Further review of revised Legal Text • Consideration of a consolidated PAF Document • Consideration of the PAC Constitution Document • Consideration and review of the Governance Model Diagram • Consideration of the Reporting timeline & Development of Workgroup Report

Action Table (as at 28 April 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1008	23/10/19	4.0	ScottishPower (MB) and Gemserv (AJ) to investigate the PAC Annual Plan, the Annual Review, and the Annual consultation process and provide a re-draft of the document.	ScottishPower (MB) & Gemserv (AJ)	Closed
0101	27/01/20	1.0	ScottishPower (MB) to include the IGT impact, together with the aspirations of the Proposer within the Modification	ScottishPower (MB)	Closed
0102	27/01/20	1.0	Joint Office (AR) to request a 3 month extension from the February Panel with a reporting date of 18 June 2020.	Joint Office (AR)	Closed
0103	27/01/20	1.0	ScottishPower (MB) to include the Document 4 PAFA Scope and PAC Review within the Modification.	ScottishPower (MB)	Carried Forward
0104	27/01/20	3.0	Xoserve (FC) to discuss with the Customer Life Cycle Team the aspects of capture, maintenance, data updating and seniority level of the Performance Assurance Representatives.	Xoserve (FC)	Closed
0105	27/01/20	3.0	ScottishPower (MB) to update Section 16.8 Appointment of PA Representative from a seniority level requirement.	ScottishPower (MB)	Closed
0201	26/02/20	1.2	ScottishPower (MB) to amend the Performance Assurance Tables in the solution section of the Modification, amend Modification v7.0	ScottishPower (MB)	Closed

Action Table (as at 28 April 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0202	26/02/20	2.0	Joint Office (AR) to include within the Workgroup Report the suggestion of the 'name and shame' approach in relation to commercial and confidential sensitivity aspect.	Joint Office (AR)	Carried forward
0203	26/02/20	2.0	ScottishPower (MB) to investigate who is liable for a failure and contact Dentons to have the liability for failure added as a Business Rule within in the Modification.	ScottishPower (MB)	Carried forward
0204	26/02/20	2.0	Joint Office (AR), ScottishPower (AM) Gemserv (AJ) and Cadent (AC) to produce a Governance Model diagram show how the ancillary documents are linked.	Joint Office (AR), ScottishPower (AM) Gemserv (AJ) and Cadent (AC)	Carried forward
0401	28/04/20	2.0	ScottishPower (MB) to investigate whether the Constitution Document could be adapted or whether it was needed, if the governance was in the form of a DSC Committee, UNCC governance process.	ScottishPower (MB)	Pending
0402	28/04/20	2.0	Joint Office (AR), ScottishPower (MB), Gemserv (SR) and Wales & West Utilities (RP) to reconvene the subgroup meeting to discuss the Constitution Document or the DSC Committee option.	Joint Office (AR) ScottishPower (MB) Gemserv (SR) Wales & West Utilities (RP)	Pending
0403	28/04/20	2.0	Joint Office (AR) and Xoserve (FC) to discuss V12.3 and the PAF Document	Joint Office (AR) Xoserve (FC)	Pending
0404	28/04/20	2.0	ScottishPower (MB) and Gemserv (SR) to investigate and clarify the PAC operating principles.	ScottishPower (MB) Gemserv (SR)	Pending
0405	28/04/20	2.0	Xoserve (FC) to review 7.2 b) in relation to the flexibility of an extension to a fourth year.	Xoserve (FC)	Pending

0406	28/04/20	2.0	All to provide feedback and comments on the Framework (PAF D) Document, to Mark Bellman via Mark Bellman Mark.Bellman@scottishpower.com by close of play on 05 May 2020.	All	Pending
0407	28/04/20	2.0	Joint Office (AR) to request an extension from the May Panel until 29 August 2020.	Joint Office (AR)	Pending