



GEMSERV

UNC PERFORMANCE ASSURANCE – PAC APPROACH

PAFA

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CONTEXT & APPROACH



Context

- Discussion at March PAC re PAC's approach to Parties not meeting UNC Requirements.
- PAFA took an action to consider PAC's approach in these situations.

Approach

- Considered UNC TPD V Section 16 Performance Assurance.
- Considered PAFD and specifically the PATs.
- Considered application of PATs.
- Conclusions.
- Recommendations.



TPD V 16 - PERFORMANCE ASSURANCE

16.1.1 For the purposes of this paragraph 16:

(a) **“Performance Assurance Party”** means each Party, the CDSP and each Relevant Third Party;

(b) the **“Performance Assurance Objective”** means the objective of achieving accurate and timely Settlement for each Day in accordance with the provisions of the Code, and the **“Performance Assurance Framework”** is the framework described in this paragraph 16 for the purposes of facilitating achievement of the Performance Assurance Objective;



TPD V 16 - PERFORMANCE ASSURANCE



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TPD SECTION V - GENERAL



16.1.2 Each Party:

(a) acknowledges the manner in which it conducts its business (pursuant to the Code and in respect of any business ancillary to Code ("relevant business")) can have a material impact, positively or negatively, on the achievement of the Performance Assurance Objective;

(b) acknowledges the standard of performance of a Relevant Third Party in undertaking a relevant activity can have a material impact, positively or negatively, on the achievement of the Performance Assurance Objective;

(c) agrees to conduct its relevant business at all times in a manner which facilitates the achievement of the Performance Assurance Objective;

(d) agrees to take all reasonable steps available to it to ensure a Relevant Third Party undertakes the relevant activity so as to facilitate achievement of the Performance Assurance Objective and complies with any Performance Assurance Technique applied to it;

(e) acknowledges the acts and omissions of each other Party to the Code in relation to the Performance Assurance Objective are not relevant for the purposes of such Party complying with the requirements of this paragraph 16.1.2;

(f) acknowledges it is for the Performance Assurance Committee to determine whether or not a Party's conduct or performance under the Code is (or is likely to be) prejudicial to the achievement of the Performance Assurance Objective;

(g) acknowledges it may be required to comply with such Performance Assurance Techniques as the Performance Assurance Committee may determine in accordance with the Performance Assurance Framework Document; and

(h) agrees to make available to the Performance Assurance Committee such records, data and other information as the Performance Assurance Committee may reasonably require for the performance of PAC Functions and further acknowledges that such records, data and information (and the processes for making such available) shall not be limited to the records, data and information (and processes) specified in the Performance Assurance Framework Document.



TPD V 16 - PERFORMANCE ASSURANCE

16.4 Functions of the Performance Assurance Committee

16.4.1 The functions of the Performance Assurance Committee ("PAC Functions") are:

(a) to establish, maintain and publish a document ("Performance Assurance Framework Document") in accordance with paragraph 16.7;

(b) to investigate whether or not a Performance Assurance Party is acting in a manner which facilitates the achievement of the Performance Assurance

Objective;

(c) to monitor the performance of a Performance Assurance Party in facilitating the achievement of the Performance Assurance Objective;

(d) to determine whether or not the acts or omissions of a Performance Assurance Party are having a material impact, whether positively or negatively, on the achievement of the Performance Assurance Objective;

(e) in respect of Performance Assurance Techniques;

(i) to administer the application and administration of the Performance Assurance Techniques regime;

(ii) to determine which Performance Assurance Techniques should be applied (and from when and for how long they should be applied) in relation to a Performance Assurance Party where the Performance Assurance Committee has determined the Performance Assurance Party is conducting its business in a manner which negatively impacts on the achievement of the Performance Assurance Objective;

TPD V 16 - PERFORMANCE ASSURANCE



16.4 Functions of the Performance Assurance Committee (*continued*)

(iii) to determine when further escalated Performance Assurance

Techniques should be applied in relation to a Performance Assurance

Party;

(iv) to determine when a Performance Assurance Technique should cease to

apply to a Performance Assurance Party; and

(v) to assess the effectiveness of the Performance Assurance Techniques in improving a Performance Assurance Party's performance in respect of facilitating the achievement of the Performance Assurance Objective;

(f) to determine the scope and content of the services required from PAFA and to approve the terms on which the CDSP proposes for the PAFA Contract;

(g) to prepare and publish the Performance Assurance Reports Register;

(h) to determine the form of (and revise from time to time) the statements and undertaking referred to in paragraph 16.6.7;

(i) to undertake such other activities as are specified in the Performance Assurance Framework Document; and

(j) to undertake the Annual PAF Review and publish the Annual PAF Report and Delivery Plan.

TPD V 16 - PERFORMANCE ASSURANCE



16.7.3 The Performance Assurance Committee shall:

- a) develop and keep under review the techniques and processes ("**Performance Assurance Techniques**") which the Performance Assurance Committee may require a Performance Assurance Party to follow to facilitate the better achievement of the Performance Assurance Objective (and the Performance Assurance Committee may modify and/or develop new Performance Assurance Techniques as it may determine from time to time);
- b) **make any determination to apply a Performance Assurance Technique:**
 - (i) **on the basis only of the evidence available to it and following prior discussion (and the sharing of such evidence) with the Performance Assurance Party;**
 - (ii) **which is proportionate to the impact of the Performance Assurance Party's failure on achievement of the Performance Assurance Objective.**

TPD V 16 - PERFORMANCE ASSURANCE



16.7.5 Each Party shall be responsible for all costs and expenses incurred by the Party in complying with the requirements of this paragraph 16 (including for the avoidance of doubt those incurred by the Party in connection with the implementation of Performance Assurance Techniques).

TPD V 16 - PERFORMANCE ASSURANCE



16.12 Miscellaneous

16.12.1 No member of the Performance Assurance Committee shall be liable (whether in contract or tort including negligence or otherwise) to any Party for anything done when acting properly in or in connection with such persons office under the Code, or anything done in what such member in good faith believes to be the proper exercise and discharge of the powers and functions and discretions of that office in accordance with the Code; and each Party waives any such liability that any such member may have and any claim in respect thereof.

16.12.2 The provisions of this paragraph 16 are without prejudice to a Party's rights to assert that a purported decision of the Performance Assurance Committee is outside its scope of authority pursuant to this paragraph 16 and so is without effect.

PERFORMANCE ASSURANCE TECHNIQUES

- 1) Monitoring
- 2) Party Communication
- 3) Relevant Third-Party Engagement
- 4) Training
- 5) Request for Resolution Plan
- 6) Request attendance at PAC
- 7) Publication
- 8) Audit
- 9) Referral to Authority
- 10) RFI



PERFORMANCE ASSURANCE TECHNIQUES



1) **Monitoring**

- Special focus / attention – advance warning
- Special continuing data requests

2) **Party Communication**

- Warnings to Individual Parties
- Warnings to Party Populations e.g. a product class only

3) **Relevant Third-Party Engagement**

- Suppliers / metering agents / REC
- Engagement with REC to obligate

4) **Training**

- Likely following audit or Party self-assessment

5) **Request for Resolution Plan**

- PIPs (forcing action to improve performance either with or without ‘active’ monitoring)

6) **Request attendance at PAC**

- Bring in Senior Contact to ask questions about concerning performance statistics
- Ask for Senior level Company delivery commitments on performance and timescales
- PAC state likely impact or outcomes of failure by Party

PERFORMANCE ASSURANCE TECHNIQUES



7) **Publication**

- Publish in UNC Party community (GPAP secure area)
- Publish in public domain
- Individual statistics or relevant population or league tables
- Give notice about what is going to be published and when
- Which statistics?

8) **Audit**

- Use audit to verify Party statements or validate Party processes
- Use audit for particular risk (thereby incorporating multiple parties)
- State criteria for audit in advance for application in [x] months' time
- Financial implication

9) **Referral to Authority**

- Ultimate sanction when PAC feel avenues exhausted – Party evidence pack of all actions and responses provided.

10) **RFI**

- Individual or relevant population approach to gain further information or evidence

CONCLUSIONS



❖ *Incentives*

- ❖ Need to identify what will motivate Parties
- ❖ What actions would an organisation wish to avoid?
- ❖ Absence of financial incentives and implications for Parties

❖ *Culture*

- ❖ Pack mentality – ‘safety in numbers’
- ❖ Avoid scrutiny – change way stats are measured etc.
- ❖ If performance not ‘called out’ non-compliance is acceptable

❖ *PAC Role*

- ❖ Settlement Accuracy Assurance?
- ❖ UNC Code Compliance monitoring?

RECOMMENDATIONS



❖ PAC Dedicated Workshop

❖ Pre-reading of PAFD and UNC Section 16

❖ Identify Performance Assurance weaknesses and mitigations

❖ Discuss: Settlement Assurance vs Code Compliance?

❖ Discuss: Continue with 'as is' or determine 'to be'

❖ To consider: additional sanctions, incentives?



ANY QUESTIONS

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We invest in people Gold

