Business Rules – Provision for an AQ Review Audit

1. The calculation of AQ update performance will include all sites in a Shipper's portfolio, including: Capped, Clamped, Cut Off, Dead, Extinct, Faulty, Inactive, Live, Missing Meter, Other, Removed, Spin Capped and Unknown status, as held by Xoserve and reported on at the AQ Operational Forum in the Warnings Report at a national level.
2. The performance by Shipper would be on a per Shipper ID basis and not by Licenced entity.
3. If a Shipper does not meet the 85% performance criteria they would be subject to an audit.
4. A grace period for "Supplier Charges" will apply from the point of application of the scheme, such that where performance is below 85% the Shipper will have until the next Review is reported upon to improve beyond the 85%. If at the stage of reporting at the next Review the Shipper has not improved sufficiently, then they will face charges as set out in these Business Rules. The scheme grace period would only apply to a Shipper once and only be applicable in the first 5 years of the scheme.
5. New market entrants will not be subject to the scheme until after 12 months of them entering the market, as during that time the majority of their sites will be gains and they will have no meter reading history. New entrants will therefore be excluded from paying and receiving any charges in their first year and then will be subject to the same first year grace as other Shippers, if required. For the avoidance of doubt the grace period for a new Shipper would run back to back with the scheme's initial grace period, unless the new entrant achieves 85% performance in year one. If 85% performance is achieved by the new entrant in year one, then they will be included within the re-distribution of charges together with all other Shippers who have met the target.
6. There would be no ability to purely explain performance issues without an audit being conducted and paid for.
7. Xoserve would identify Shipper performance and indicate the number of Shippers where performance was below the 85% and by how much. This report would be provided to industry on an anonymous basis at the same time as the MOD081 final report.
8. Xoserve would then approach a number of auditors or gas industry consultants, to seek costs from them for the audit work to be carried out.
9. Xoserve will tender for the audit services and allocate these to each of the Shippers who have not met the performance target. Xoserve would receive and pay the cost of all of the audits and re-charge an equal share of the audit costs across the Shippers audited. Xoserve would also charge these Shippers the costs for their time in undertaking the audit arrangements.
10. These rules would require that the Shipper co-operates with the auditor and the report from the auditor should outline if this has happened to their satisfaction.
11. For the avoidance of doubt the auditor engaged by Xoserve would be merely aiding the Shipper in improving performance and will not be held responsible for improving the performance of the Shipper.
12. The scope of the audit would include:
    a. A review of the approach taken by the Shipper to the AQ Review and how amendments have been determined (and in the case of an LSP Shipper the appeals)
    b. A review of processes:

i. Meter reading strategy, validation and submission
ii. Meter exchange strategy, validation and submission
iii. Data exceptions for reads, exchanges, disconnections, reconnections, new connections and their resolution
iv. Vacant site management process
v. Isolation and withdrawal process

13. For future years Shippers would be required to keep a log of the processes noted above and the corrective action taken on a monthly basis.
14. The audit reports created by each auditor against the Shippers who did not make the 85% update performance would be provided to Ofgem for their information.
15. The Shipper who receives the audit will then be able to make changes to their processes to ensure that their performance improves by the next AQ Review.
16. If at the time of the next AQ Review the Shipper has not improved performance, then "Supplier Charges" will be applied to them.
17. "Supplier Charges" will be levied on the basis of an appropriate incentive charge.
18. Where a Shipper's performance is below the 85% AQ update level after the grace period, and in the case of a new entrant the second grace period, Supplier Charges will be applied. The "Supplier Charge" will be (100 – Shipper performance percentage) * [appropriate incentive charge].
19. The charges to those Shippers who have failed to meet the performance criteria will be issued on an ad-hoc invoice as a one off charge in the November invoice run.
20. There will be a re-distribution of the "Supplier Charges" to all of those Shippers who have had greater than 85% performance (with the exception of new entrants in the first two years, if applicable). These charges will be distributed to Shippers on the basis of overall national market share.
21. The re-distribution will take place in the December invoice run.