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, post work carried out by Xoserve.
2. All sites that have been subject to any AQ Appeal activity in the current gas year will be categorised as successfully updating and be included within the 85% target.
3. New Connection sites will be excluded from the 85% target.
4. The performance by Shipper would be on a per Shipper ID basis and not by Licenced entity[1] and is the same level, irrespective of market segment.
5. If a Shipper does not meet the 85%[2] performance criteria they would be subject to an audit.
6. 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.
7. New market entrants will not be subject to the scheme until after at least 12 months from the point of registering sites, 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 at least 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.
8. There would be no ability to purely explain performance issues without an audit being conducted and paid for.
9. 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.
10. Prior to the issue of the MOD081 reports Xoserve would, on annual basis, approach a number of auditors or gas industry consultants, outlining the scope of the work that the companies would be expected to undertake and the day rate that they would be paid (such day rate being in line with that paid to the SME in relation metering errors).
11. Once it is known which Shippers require an audit to be carried out, as their performance is below 85%, then Xoserve will allocate the auditors/gas industry consultants to each of the Shippers who have not met the performance target. Xoserve would receive and pay the cost

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Comment [1]: All site status are included with the performance target, as any overstatement of AQs could lead to inefficient network investment by the Transporters and any understatement of AQs could cause issues in relation to security of supply.

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Comment [2]: For the avoidance of doubt the 85% target includes all sites updated at the T04 stage and all amendment activity carried out by the Shipper.

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[1] This mirrors the BSC electricity process around performance assurance.
[2] 85% has been chosen, as it represents an improvement in the current SSP performance rate and will see a significant increase in LSP performance, brining it more in line with current SSP performance [83%]

of all of the audits and re-charge the audit costs across each of the Shippers audited according to the costs of the audit for each of the comapnies. Xoserve would also charge these Shippers the costs for their time in undertaking the audit arrangements in equal proportions, depending on the number of Shippers who require an audit.

12. These rules would require that the Shipper (and the relevant Supplier) co-operates with the "auditor" and the report from the "auditor" should outline if this has happened to their satisfaction.
13. 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 (and the relevant Supplier).
14. The scope of the audit would include:
    a. A review of the approach taken by the Shipper (and the relevant Supplier) to the AQ Review and how amendments have been determined for both SSP and LSP sites (and in the case of an LSP Shipper (and the relevant Supplier) 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[3]
15. For future years Shippers (and/or the relevant Supplier) would be required to keep a log of the processes noted above and the corrective action taken on a monthly basis.[4]
16. The audit reports created by each auditor against the Shippers (and the relevant Supplier) who did not make the 85% update performance would be provided to Ofgem for their information.
17. The Shipper (and the relevant Supplier) 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.
18. If at the time of the next AQ Review the Shipper (and the relevant Supplier) has not improved performance, then "Supplier Charges" will be applied to them.
19. "Supplier Charges" will be levied on the basis of an appropriate incentive charge.
20. 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) * £20
21. 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 next available invoice.
22. 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 shares, as at the 1st October of the Gas Year following the AQ Review,

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[3] For the avoidance of doubt this list is not conclusive

[4] The log would be held, to be made available to Ofgem should they wish to look at what the Shipper has done to improve performance, in particular if they do not improve performance year on year

relative to all those other Shippers/Suppliers who have met or exceeded the 85% performance level.

23. The re-distribution will take place in the next available invoice .

24. Where there are no Shippers who meet the 85% performance level there will be no charges applied.

25. For the avoidance of doubt Daily Metered and Unique Sites will be excluded from this process.

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The process is demonstrated in the chart on the following page.