

**UNC Workgroup 0483 Minutes**  
**Performance Assurance Framework Incentive Regime**  
**Tuesday 16 December 2014**

**at Energy UK, Charles House 5 – 11 Regent Street,**  
**London SW1Y 4LR**

**Attendees**

Bob Fletcher Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AMa)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Angela Love	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter	(EH)	npower
Emma Lyndon	(EL)	Xoserve
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Richard Pomroy	(RP)	Wales & West Utilities

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0483/161214>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 April 2015.

**1.0 Review of Minutes and Actions**

**1.1 Minutes**

BF undertook an onscreen review of the proposed amendments to the 26 November 2014 minutes, provided by AL on behalf of ScottishPower, during which those parties present accepted the suggested changes.<sup>1</sup> Thereafter, the minutes of the previous meeting were approved.

**1.2 Actions**

**0483 1001:** AMa to continue to develop section 4 of the modification dealing with invoicing and to report back to the next workgroup meeting.

**Update:** AMa confirmed that an updated version of the modification had been provided to, and published by, the Joint Office on 04 December 2014. **Closed**

**0483 1101:** AMa to look at the process for appeals and non payment in light of consideration against USRV process.

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<sup>1</sup> Post meeting note: a revised set of minutes (v2.0) for the 26 November 2014 0483 Workgroup meeting have been published on the Joint Office web site at: <http://www.gasgovernance.co.uk/0483/261114>

**Update:** AMa explained that as the previous meeting had agreed to utilise current UNC arrangements, he was not planning on developing any new ones. **Closed**

**0483 1102:** AMa to look into the costs of administering the neutrality pot.

**Update:** AMa advised that this had been included in the User Pays section of the latest version of the modification, and he would be requesting a cost estimate as the modification is developed further.

BF reminded those present that sufficient cost information (i.e. a Rough Order of Magnitude (ROM)) would need to be provided in time for the consultation phase of the modification. CW suggested that National Grid Distribution and Xoserve (EL) could look to provide a ROM in due course. **Closed**

**New Action 0483 1201: National Grid Distribution and Xoserve (EL) to look to provide a cost estimate in the form of a Rough Order of Magnitude (ROM) in due course.**

**0483 1103:** All parties to consider the best way to update the targets and ensure they remain dynamic.

**Update:** AMa explained that he had already amended the modification to state that targets would be provided within an Ancillary Guidelines Document with the actual requirements residing within the UNC.

He went on to add that he is advocating a methodology similar in style to the ScottishPower reporting modification one. Furthermore, he has avoided going into too detailed a view on the governance aspects and simply kept these at a high-level.

When asked, AMa indicated that he does not believe that 0483 places a dependency upon 0506. **Closed**

## 2.0 Discussion

Before moving on to undertake an onscreen review of the latest change marked version of the modification, RP suggested that a view on the possible implementation order for the PAF related modifications would assist Wales & West Utilities to produce aligned legal text.

### 2.1 Review of Latest Version of the Modification (v2.0, dated 04 December 2014)

AMa provided an overview of his recent amendments to the modification whilst BF undertook onscreen changes to reflect the points/comments raised by the Workgroup participants. The main areas that generated debate are captured below:

2 Why Change ? – in considering the new ‘Change Overview’ statement, AMa explained that this seeks to place an obligation on Transporters to manage any changes to the table values and as far as the Ancillary Document was concerned, governance would be via the appropriate mechanisms;

3 Solution – AMa explained that Performance Assurance Neutrality Pot would become a new defined term.

- BR1 – when considering whether or not ‘UK Link Replacement System’ should be a defined term, CW advised that the information would be sourced for the Supply Point Register going forward;
- BR2 – CB voiced concern regarding the potential impact this might have on E.ON’s multiple licences due to the modification seeking to look at organisational level portfolio information.

AL suggested that it might be better if the modification looked to target an organisations individual sub organisations;

- BR3 – AL was under the impression that previous Workgroup discussions had decided that a 12 month rolling measurement period would be difficult to monitor. Responding, AMa explained that this is based on a rolling 12 months basis.

When asked how quarterly meter reads would be catered for, EL advised that the key issue relates to reconciliation aspects and that she anticipates providing a report in January 2015 which would contain four months worth of data. AL suggested that we would need to make sure that Xoserve can provide the required information, and that this information does not skew industry views/positions;

- BR4 - CW asked that 'Nexus Go-Live date' is changed to read as 'Project Nexus Implementation Date' on the grounds that this is a defined term.

In discussing advocating a possible 'grace' period, CW advised that whilst the incentive and measures report could be run from the Project Nexus implementation date, invoices would not be issued for 12 months from that date. AMa noted for the avoidance of any doubt, this modification only advocates utilisation of Project Nexus data.

AL highlighted the fact that when you first start charging, it would only be based on a 9 months rolling period due to the associated time lags between reporting and invoicing (reference Xoserve's two month reconciliation related process). BF also suggested that in essence, the 'trigger' date should be when the report is generated and published at which point the 12 months invoice grace period commences.

CB suggested that reading cycles could potentially have an impact regardless of the fact that users are hitting their meter read performance and Code obligations – it's the lack of a single dropping off point which is the concerns. AMa suggested that the 0506 target levels might need to be reviewed. MJ on the other hand believed that this is only an issue when read cycles change mid period.

When challenged around potentially pre-judging Engage's risk proposals, AMa indicated that he would be happy to consider amending the grace period to a 14 months one. MJ voiced his concern that the modification could result in some potentially large unreconciled energy values (an increase of circa 50% in some cases). AL felt that the modification is focusing on the reporting aspects whilst Engage's risk model work would identify the actual targets required. AMa added that BG's experts do not perceive a significant issue relating to seasonal aspects. CB felt that AMa should look to consider identifying how much energy was reconciled 12 months previous and she remains concerned that the modification seems to be looking at reconciled energy and read provision targets. Responding, AMa stated that the modification was seeking to place a new obligation on the industry.

MJ went on to suggest that monthly read frequencies along with seasonal impacts could have a bearing on matters. Responding, AMa felt it was not about whether a party has reconciled 100% of its energy, rather it is about looking to identify what percentage has not been successfully reconciled. In short, the modification is all about targeting reconciliation of energy in a Shipper's portfolio. Some parties voiced their doubts about whether or not the modification actually delivers this, whilst noting that Engage's piece of work is looking to identify levels of perceived risk – a potential source of tension between this modification and Engage's work. AMa agreed to consider the points/comments made around how and when the incentive is to be applied.

AMa pointed out that whilst the modification references a Performance Assurance sub-committee role, he is not prepared include their governance aspects within this modification. BF suggested that it might be prudent to develop a set of transitional and enduring business rules;

- BR7 – when asked whether or not more than one table would be required (based on Engage's work so far), AMa suggested that one is sufficient on the grounds that it relates to reconciled energy;

- BRs 8 & 9 – targets to be inserted in an Ancillary Document in due course;
- BR11 – when asked if this is where this modification potentially ‘ties in’ with 0506, AMa suggested that a sub committee decision point would be needed – CW suggested the UNCC should make the decisions. BF pointed out that the UNCC does NOT sit below the UNC Panel.

AMa indicated that he is not fully supportive of the 0506 proposals relating to this matter and has concerns about potential dual governance issues and that he is also concerned that 0506 proposes establishment of a sub-committee that sits at the same (hierarchical) level as the UNCC.

When asked what the benefit of establishing a sub-committee that reports into the UNCC would bring, BF suggested that this relates to ensuring that appropriate dispute escalation and resolution mechanisms are in place and having a representative committee style make up provides a ‘check and balance’ facility. Challenging this point of view, AL advised that 0506 is seeking to establish a committee comprised of members who are directly involved in the Performance Assurance Regime (i.e. a balance of power approach versus a commercially driven one). BF suggested that it really boils down to what you set the UNCC voting terms to, a classic example being the AUGE model;

- BR13 – consensus that this should be by unanimous rather than majority vote;
- BR15 – during a brief discussion, AMa suggested that how targets are updated (i.e. the methodology) should fall under the auspices of 0506. AL requested that BG provide a timeline to identify key decision points;
- BR18 – AMa agreed to reconsider whether or not 15 business days is suitable. It was noted that whilst the sub-committee would determine the target (i.e. kWh etc.), it would be Xoserve who would execute the report;
- BRs 19, 20, 21 & 22 – modification is seeking to ensure that no money is paid out until money has been paid in, in order to avoid Xoserve having to pay out to cover any discrepancies. It was noted that where parties refuse to pay in to the pot, Xoserve would smear it back across the industry.

RP noted that it is up to the proposer to define the various scenarios and thereafter, Wales & West Utilities would develop the legal text based around these. CB believed that detailed prescriptive explanations around the various scenarios, is not needed. CW indicated that he (and the Transporters) is/are keen to avoid impacting upon Transportation mechanisms.

Moving on, AMa suggested that a identification of a minimum threshold was not needed, to which CW voiced concerns suggesting that the modification should steer well clear of impacting UNC TPD Section S Transportation Invoicing aspects. He also suggested that should the modification look to changing Transportation Charges and Invoicing aspects then this could potentially be a very complex area – care being needed to avoid following the BSC route.

Concluding discussions, RP pointed out that as this is BG’s modification, whilst the Workgroup can make recommendations, it is up to AMa to decide what to change as he has the right to ignore the Workgroup parties views should he wish to.

**New Action 0483 1202: ScottishPower (AL) to discuss with Douglas Alexander regarding what may be feasible (for 0483 purposes) in terms of the Electricity market model for nominating and warranting of Sub-Committee members.**

### 3.0 Legal Text

Consideration deferred.

#### 4.0 Workgroup Report

Consideration deferred.

#### 5.0 Any Other Business

##### 5.1 British Gas Update on Rationale Behind Raising UNC Modification 0520

AMa provided a very brief explanation of the rationale behind raising the modification and the proposal for a supporting Ancillary Document and consideration of its governance via the UNCC.<sup>2</sup>

#### 6.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

The next meeting will take place on Tuesday 13 January 2015 and will be accommodated within the business proceedings of the Performance Assurance Framework Workgroup.

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 13 January 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</i>
10:30 17 February 2015	TBA	<i>Value Chain outputs</i>
10:30 24 February 2015	Energy Networks Association (Room 4)	<i>To be confirmed</i>
10:30 24 March 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</i>

<sup>2</sup> A copy of the British Gas December UNC Panel presentation is available to view &/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/panel/181214>

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0483 1001	28/10/14	2.0	AMa to continue to develop section 4 of the modification dealing with invoicing and to report back to the next workgroup meeting.	British Gas (AMa)	Update provided. <b>Closed</b>
0483 1101	26/11/14	2.0	AMa to look at the process for appeals and non payment in light of consideration against the USRV process.	British Gas (AMa)	Update provided. <b>Closed</b>
0483 1102	26/11/14	2.0	AMa to look into the costs of administering the neutrality pot.	British Gas (AMa)	Update provided. <b>Closed</b>
0483 1103	26/11/14	2.0	All to consider the best way to update the targets and ensure they remain dynamic.	All	Update provided. <b>Closed</b>
0483 1201	16/12/14	1.2	To look to provide a cost estimate in the form of a Rough Order of Magnitude (ROM) in due course.	NGD (CW) & Xoserve (EL)	Update to be provided.
0483 1202	16/12/14	2.0	To discuss with Douglas Alexander regarding what may be feasible (for 0483 purposes) in terms of the Electricity market model for nominating and warranting of Sub-Committee members.	Scottish Power (AL)	Update to be provided.