

UNC Workgroup 0483 Minutes
Performance Assurance Framework Incentive Regime
Wednesday 26 November 2014

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

Attendees

Bob Fletcher Chair)	(BF)	Joint Office
Ian Hollington (Secretary)	(IH)	Joint Office
Andrew Margan	(AMa)	British Gas
Angela Love	(AL)	Scottish Power
Azeem Khan	(AK)	RWE npower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
James Rigby*	(JR)	RWE npower
John Peters (part)	(JP)	Engage
Jon Dixon	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Mark Jones	(MJ)	SSE
Naomi Anderson (part)	(NA)	Engage

* *via teleconference*

Copies of all papers are available at: www.gasgovernance.co.uk/0483/261114

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 December 2014.

1.0 Review of Minutes and Actions

1.1 Minutes

The minutes of the previous meeting were accepted.

1.2 Actions

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

AMa confirmed that he had updated the Solution section and asked NA/JP if they could provide assistance in the identification and categorisation of risks explaining that the amendment would not be finalised until after the completion of the Engage report.

AMa explained the changes that he had made and discussed the issue of risk management with JP. NA noted these discussions and the usefulness they would have on the application of the risk assessment model they were developing. The workgroup discussed levels of risk and effects of their settings, together with advantages of using a soft landing and the hierarchy for action.

AMa then went on to discuss the costs of the neutrality pot and whether it should be smeared across all parties, including the organisation(s) responsible for the failure. JP advised that in his opinion it should be. BF and AL both noted that this was beyond the remit of the work that Engage had been appointed to consider. The

workgroup then discussed the acceptance of damages from failures to meet adequate performance levels and whether this should be allowed to form a commercial decision. The general feeling of the meeting was that it should not.

Carried Forward.

At this point the representatives from Engage left the meeting.

2.0 Discussion

AMa explained the amendments that had been made to Section 4. This now followed a performance reporting period of twelve months but was based on monthly reporting which was designed to keep the charging process for underperformance easier to manage. He went on to explain the invoicing process when the target was missed which will be via an ad-hoc debit invoice.

CW asked about non payment of charges and AMa explained that the process involved paying first and querying later, following energy principles. AL queried the statement that a Shipper is unable to defer or make a non payment of this invoice and the workgroup went on to debate the invoicing process and the options for dealing with appeals together with non payments.

JD suggested that the Performance Assurance Committee should have the same powers as the EBCC to deal with these matters and CB commented that there needed to be a dispute process with payment being an obligation under UNC, a view that was supported by EM. JD agreed with this but noted that any sanctions would need to be proportionate. After AL had made the suggestion that there may be something to be gained from revisiting the USRV process, the workgroup concluded that the wording should be "invoices will be paid in accordance with Section 3" and will follow the normal process.

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

AMa discussed the operation of the neutrality pot with a payment being made in month one with the costs then being smeared across the industry via the credit invoice in month two. CW noted that there is usually an administrative charge for such arrangements and BF asked about this cost which AMa agreed to look into .

New Action 1102: AMa to look into the costs of administering the neutrality pot.

The name of the neutrality pot was discussed and AMa amended it in the document to "Performance Assurance Neutrality Pot". AL queried how transporters would be dealt with by this modification and AMa said that he felt that this was a separate issue.

The workgroup moved on to discuss how best to update the Performance Assurance targets, whether they should be documented in a separate ancillary document, and if so whether this should be prepared by the transporters. Hard wired targets that would require a modification to change them were not favoured by the group. JD advised considering the risk levels in the Engage risk assessment model and AL commented that any agreed level of risk needed to be treated confidentially. All agreed to consider the best way to update the targets and ensure they remained dynamic.

New Action 1103: All to consider the best way to update the targets and ensure they remain dynamic.

BF closed the discussion by asking if an amended modification is to be submitted which AMa agreed to do.

3.0 Legal Text

This was not discussed at today's meeting

4.0 Workgroup Report

This was not discussed at today's meeting.

5.0 Any Other Business

None raised.

6.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting will take place on Tuesday 16 December 2014 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 16 December 2014	Energy UK (Room LG8)	<i>To be confirmed</i>
10:30 13 January 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</i>
10:30 04 February 2015	Energy Networks Association (Room to be confirmed)	<i>To be confirmed</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>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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)	Pending
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)	Pending
1102	26/11/14	2.0	AMa to look into the costs of administering the neutrality pot.	British Gas (AMa)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1103	26/11/14	2.0	All to consider the best way to update the targets and ensure they remain dynamic.	All	Pending