

**UNC Workgroup 0506 0506A Minutes
Gas Performance Assurance Framework and Governance
Arrangements**

Tuesday 24 March 2015

at the E.ON Office, 7th Floor, 129 Wilton Road, London SW1V 1JZ

Attendees

Bob Fletcher Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AMa)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Andy Miller	(AM)	Xoserve
Angela Love	(AL)	ScottishPower
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON
Edward Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0506/240315>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 June 2015.

1.0 Review of Minutes and Actions

1.1. Minutes

AL proposed amendments to the 06 March 2015 minutes. Thereafter, the minutes of the previous meeting were approved.

1.2. Actions

0506 1101: Xoserve (EL) to investigate the areas of concern with regards to manual workarounds.

Update: EL requested that the action be carried forward in order for her to have more time to seek additional clarity on some matters. **Carried Forward**

0506 0301: Reference Pre-Nexus Xoserve settlement intervention activities document – National Grid Distribution (CW) to double check whether the provisions of ‘Pre-Nexus Xoserve settlement intervention activities’ potentially conflict with those of UNC Modification 0527.

Update: CW explained that he had double checked the legal text drafting for both UNC Modifications 0527 and 0528 and is comfortable that everything dovetails together correctly and is ‘fit for purpose’. He asked participants to note that a legal text review meeting is to be planned for Project Nexus Transitional modification, which would confirm the final legal text. **Closed**

0506 0302: *Reference the Agency Charging Statement for 0506A – Xoserve (AM)* look to provide examples of how the Total SOQ for all LDZs for the relevant billing period for each Shipper would be expected to work in reality.

Update: AM pointed out that Xoserve had provided a presentation entitled 'Performance Assurance Workgroup' which is published on the Joint Office web site under the meetings papers. Please refer to item 2.2 below. **Closed**

2.0 Consideration of Modifications 0506 and 0506A

2.1. Consider Amended Modification(s)

Modification 0506

When asked AL indicated that she would consider the discussions undertaken at the meeting with the view to possibly amending the modification in due course.

Modification 0506A

MJ provided a brief onscreen review of the latest round of changes to his modification explaining that it focuses on removal of various []s throughout the document. When asked, MJ confirmed that it is still his intention that the modification is implemented with effect from 01 October 2015, and as such, should be seen as a transitional arrangements modification with sunset clause provisions. He also concedes that how the limited iGTs scope is to be included, would need further consideration in due course.

BF questioned whether or not 0506 and 0506A should be de-coupled in order to better facilitate their respective development life cycles and potentially different implementation dates as the scope of 0506 appears to be expanding compared to 0506A. BF also advised that there are no hard and fast rules around alternate modifications that would / could prevent de-coupling as two separate modifications can be accommodated through the process rather than delay progress – this was not necessarily a universally supported suggestion and AL believes that there are no issues that would delay 0506 progressing alongside 0506A and anticipated meeting the June Panel reporting date.

AM pointed out that under 0506 at this time there are certain undefined costs, whilst under 0506A these are better defined in terms of a services schedule. AM said that Xoserve could not provide a cost estimate as no work has been defined. In addition, 0506A includes a 3 year sunset clause. Furthermore, he believes that 0506 is unclear as to when the administrator role would actually 'kick in' to effect. Several parties questioned why a 3 years window is required (under 0506A provisions) as they believe that after the first years monitoring of data and grace period only one further year is needed to implement proposed incentives (i.e. two years in total and not three). BF suggested that perhaps three years is the maximum period involved, although regardless, it is up to the Proposer (SSE) to decide what they wish 0506A to propose.

AM indicated that he would look to provide an updated ACS charging basis (for 0506A) based on discussions at the meeting, although this would not include actual costs at this time, as no one has specifically requested these as the full set of services is still to be defined. He also believes that until the administrator role scope is finalised it would be difficult to provide actual costs anyway. Furthermore, AM explained that any costs would be identified within a ROM (Rough Order of Magnitude) rather than a High Level Cost Estimate. When asked how parties would be able to accurately assess any costs associated to 0506A should it go to consultation, AM explained the proposed process for providing a quotation (including the various service provisions), and it then being subsequently approved via the Performance Assurance Committee. When asked, AM confirmed that currently Xoserve quotations are on a time and materials basis and where under 0506A provisions, their (Xoserve's) costs look to be going above the predicted ACS

costs (on an individual service provision basis), Xoserve would have to come back to PAC for approval.

He suggested that in essence 0506A is not truly a User Pays modification as it only seeks to provide a service provision framework for cost recovery. AM presented the ACS from the 06 March 2015 meeting onscreen, explaining how the specific (additional) services would be provided which includes provision of transparent PAC consideration of any ACS's and/or charging statements. Having developed the ACS further, AM accepts that 0506A might need further amendments in due course. He also pointed out that when presented with an ACS, Ofgem has 28 Business Days in which to disapprove (veto) the document. It was agreed that AM would put more attention to this in the modification.

Moving on, AM indicated for example, Xoserve could easily adopt a 12 monthly PAC attendance approach, supported by 8 days of data analysis, should this be deemed appropriate for the future. AM clarified that they would only charge for costs incurred so if 12 meetings were quoted for but only 8 needed they would charge for attendance at 8 meetings, but if the scope changes Xoserve would have to come back.

When asked, AM confirmed that the 6% Xoserve costs identified within 0506A would be included within the ROM – this is a standard (User Pays) uplift that is identified within several published industry documents. AM also advised that visibility of Xoserve charges would be available within any quotations for work that would provide sufficient detail to ensure that they are commensurate with Transporter Licence Obligations.

New Action 0506 0303: Xoserve (AM) to look to provide examples of the various Xoserve Charge Out Rates.

2.2. Consider Associated Documents

Draft 0506 Guidelines document for the Energy Settlement Performance Assurance Regime (v0.4)

Opening, AL explained that further review meetings are planned and she expects that the document would be amended again at some future point.

In reviewing each change / comment in turn revealed the following summary:

- Comment 1 – Workgroup consensus is that this statement is fine;
- Page 4, Document 4 statement amended and subsequent document statements renumbered;
- Page 5, Definitions - new definition for 'Change' added and previous statement deleted.

A brief discussion around whether or not this means a UNC Modification would be needed to make future changes to the document ensued with AM suggesting its really about changes to the proposed services.

New Action 0506 0304: Reference draft 0506 Guidelines Document - ScottishPower (AL) to double check whether future changes to the document would require the raising of a UNC Modification.

- Pages 5 & 6 – definition for 'Performance Assurance Framework Administrator Scope' amended to include ".....as set out in Document 4";
- Page 6 – typographical change to the definition for 'Performance Assurance Scheme Party' and removal of []'s in other definitions;
- Page 7, Item 4 Performance Assurance Scheme – new statement added at end of first paragraph.

Discussion centred around whether or not this includes, or should include the iGTs and whether or not an accompanying change to the iGT UNC (via an iGT Modification) would be required in due course.

In recognising that the Workgroup would wish to avoid leaving any industry party out of these provisions, BF pointed out that looking to include the iGTs might jeopardise the October 2015 implementation target, especially when considering the proposed tendering for services.

It was suggested that it might be prudent to consider the various potential timetabling impacts. In noting that the 0440 'Project Nexus – iGT Single Service Provision' framework is new and untested, CW suggested that trying to create a framework around this matter potentially involves an element of risk that he would need to discuss with lawyers, especially how it is proposed to 'lock' the iGTs into the framework, before committing to a solution.

AM provided a brief background on the iGT system interface points and how the process would apply in regards to the iGT CSEP Network. He also questioned why the Workgroup believes that the iGTs would potentially not perform to their required objectives, especially when baring in mind that if they do not, they are unable to apply their charges – it is already an incentive for the iGTs to perform to appropriate levels. It was noted that this was also presently the case and there are still data update issues.

It was suggested that attempting to draw the iGTs into a PAF regime at this time might be overly complex and expensive and that it might be prudent to allow the new single service provisions to 'bed in' successfully first. Views remained divided as to whether or not it is preferable to include the iGTs at this point in time and that should the Workgroup wish to exclude the iGTs, a suitable business case would be needed to justify such a decision. AM pointed out that regardless of whether the iGTs are in scope or not, the reporting would include CSEP Supply Points. CB was in favour of including all parties from the beginning as previous experience with SPAA for example had shown it is difficult to bring parties in to a process after it had commenced.

CW suggested that it is where any obligations on the iGTs would reside that remains the main concern, especially if this takes the form of a UNC obligation probably set out in the IGTAD.

In recognising that the proposed October 2015 date is tight, it was suggested that whilst the aspiration is for an October 2015 go-live for 0506 / 0506A, there is no reason why the iGT aspects could not be developed further after this date. In noting that 0506A includes the IGTs only in terms of the CSEP Supply Point aspects, it was acknowledged that 0506A could be implemented with minimal 'knock on' shocks for the iGTs, whereas 0506 would necessitate further (and possibly extended) engagement with the iGTs that may, or may not necessitate the raising of an iGT UNC Modification.

AM felt that both 0506 and 0506A are broadly similar as in his opinion they cannot place an obligation on the iGTs without an iGT UNC Modification being raised.

New Action 0506 0305: Wales & West Utilities (RP) to discuss with lawyers on how any legal text would look to bring the iGTs into the Performance Assurance Framework Regime.

New Action 0506 0306: *Reference draft 0506 Guidelines Document - ScottishPower (AL) to consider whether an iGT UNC Modification is required to include the iGTs within the Performance Assurance Framework Regime.*

- Page 7, Item 4 Performance Assurance Scheme – typographical changes in the second paragraph;
- Page 7, Item 5.1 General – new statements added and comments 2 through to 6 considered.

New Action 0506 0307: Reference draft 0506 Guidelines Document - ScottishPower (AL) to consider whether the “The PAC is chaired by the Joint Office and is attended....., but will not have voting rights” statement is still required.

- Page 8, Item 6.2 Scope of Performance Assurance Framework Administrator role – removal of []s from around Annually in bullet 7;
- Page 9, Item 6.2 continued and Item 6.3 – various typographical changes and removal of []s in places, and
- Page 9, Item 8 Performance Assurance Committee Documents – typographical change (deletion) and renumbering of documents.

Review of Proposed (Draft) Letters

In providing a brief overview behind the three draft letters (Letters of Agreement from Company Employing a Panel Committee Member, Instruction Letter and Letter of Confirmation by Panel Committee Member), AL explained that these are extracts from Elexon, which they currently employ for their equivalent provision.

During a quick review of the draft Instruction Letter, BF provided a brief explanation of the UNC Modification Rules and the role played by the Gasforum in electing UNC Panel members. Whilst it was noted that the Elexon model has some anomalies such as instances where previously elected members still retain the role regardless of whether they have left their respective companies or industry, BF reminded everyone that should anyone wish to seek to change the current UNC Modification Rules, a new UNC Modification would be required.

In advising that she had not had sufficient time in which to review the Elexon related document to develop a draft indemnity related document / letter (which may not be required anyway), AL advised that she had looked at the EBCC statement relating to parties acting in either good or bad faith and would now also look at the protected information aspects of the EBCC.

BF suggested that if AL wished to develop the draft letters further, the Transporters (especially RP) could then take a view as to whether or not they would wish to adopt and use them.

Draft 0506 Performance Assurance Committee Terms of Reference (v0.5)

AL provided an overview of the most recent changes to the draft PAC ToR (including the subtle difference to the equivalent 0506A document), during which the most notable discussion points have been captured as follows:

- Page 1, Item 2.1 General – new statement added to second paragraph which is taken from the DESC set up;
- Page 2, Item 2.4 Decision making – two options now identified which have been kept as simple as possible for the purposes of both modifications and in essence achieve the same outcomes.

In explaining the two UNC Panel voting approaches, BF suggested that option 2 might be preferable – this was a view supported by those Workgroup members in attendance, and finally

- Page 3, Item 2.5 Roles and responsibilities of Performance Assurance Committee – new sub bullet statement (at bottom of list) added to main bullet point 3 listing.

AM pointed out that the correct UNC defined term is ‘Transporter Agency’.

Draft 0506A Performance Assurance Committee Terms of Reference (v0.6)

As some of the most recent changes are identical to the 0506 version of the document, please refer to the discussions on the equivalent 0506 document above for more details.

2.3. Performance Assurance Workgroup presentation

AM provided an overview of the Xoserve presentation relating to action item 0506 0302 above, which provides an explanation for the proposed charging basis for Modification 0506A.

The main discussion took place around the final slide ‘System Offtake Quantity’, where AM advised that as the SOQ is basically set at the coldest time, any sites that are weather sensitive to colder conditions might be impacted more than other sites which are not – in short, this is therefore perhaps not fully reflective of ‘cold day’ terms and using AQ instead may provide a better (less weather sensitive) solution.

When asked how the User Pays approach is to be agreed, AM indicated that this would be via Workgroup assessment of the Agency Charging Statement (ACS). He reminded those present that UNC Modification 0430 ‘Inclusion of data items relevant to smart metering into existing industry systems’ had in fact, two associated ACSs and Ofgem selected the ACS once the Workgroup could not choose which ACS to apply. Preferring to avoid a repeat scenario for 0506A, AM indicated that he would be happy to move to an AQ based solution and that he would provide an amended presentation and ASC to this effect, to the Joint Office in due course.

New Action 0506 0308: Xoserve (AM) to update both the 0506A presentation and ACS to reflect an AQ based solution proposed for 0506A.

3.0 Consideration of Legal Text

Consideration deferred.

4.0 Development of Workgroup Report

Consideration deferred.

5.0 Diary Planning

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

Workgroup meetings are scheduled to take place as follows:

Time/Date	Venue	Workgroup Programme
10:30, Wednesday 08 April 2015	31 Homer Road, Solihull B93 9PS	Including Workgroups 0506 and 0520.
10:30, Tuesday 21 April 2015	Energy Networks Association (Room 4 - Note: Maximum capacity 20 persons)	Including Workgroups 0506 and 0520.
10:30, Tuesday 05 May 2015	Energy Networks Association (Room 4 - Note: Maximum capacity 20 persons)	Including Workgroups 0506 and 0520. <i>Workgroup Reports 0506 and 0520 are due at 18 June Panel</i>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0506 1101	26/11/14	2.0	EL to investigate the areas of concern with regards to manual workarounds, specifically resolution of outstanding items 2.8 and 2.10 in the 'Pre-Nexus Xoserve settlement intervention activities.	Xoserve (EL)	<i>Action amended at 06/03/15 meeting.</i> Carried Forward
0506 0301	06/03/15	1.2	<i>Reference Pre-Nexus Xoserve settlement intervention activities document</i> - double check whether the provisions of 'Pre-Nexus Xoserve settlement intervention activities' potentially conflict with those of UNC Modification 0527.	National Grid Distribution (CW)	Update provided. Closed
0506 0302	06/03/15	2.2	<i>Reference the Agency Charging Statement for 0506A</i> - look to provide examples of how the Total SOQ for all LDZs for the relevant billing period for each Shipper would be expected to work in reality.	Xoserve (AM)	Update provided. Closed
0506 0303	24/03/15	2.1	To look to provide examples of the various Xoserve Charge Out Rates.	Xoserve (AM)	Pending
0506 0304	24/03/15	2.2	<i>Reference draft 0506 Guidelines Document</i> - ScottishPower (AL) to double check whether future changes to the document would require the raising of a UNC Modification.	ScottishPower (AL)	Pending
0506 0305	24/03/15	2.2	To discuss with lawyers on how any legal text would look to bring the iGTs into the Performance Assurance Framework Regime.	Wales & West Utilities (RP)	Pending
0506 0306	24/03/15	2.2	<i>Reference draft 0506 Guidelines Document</i> - ScottishPower (AL) to consider whether an iGT UNC Modification is required to include the iGTs within the Performance Assurance Framework Regime.	ScottishPower (AL)	Pending

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0506 0308	24/03/15	2.3	To update both the 0506A presentation and ACS to reflect an AQ based solution proposed for 0506A.	Xoserve (AM)	Pending