

Performance Assurance Workgroup Minutes
Wednesday 12 June 2013
at Ofgem, 9 Millbank, London. SW1P 3GE

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Andrew Margan	(AM)	British Gas
Angela Love	(AL)	ScottishPower
Anne Jackson	(AJ)	SSE
Colette Baldwin	(CB)	E.ON UK
Edward Hunter	(EH)	RWE npower
Emma Lyndon	(EL)	Xoserve
Jonathan Kiddle	(JK)	EDF Energy
Jon Dixon	(JD)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Marie Clark	(MC)	ScottishPower
Steve Mulinganie	(SM)	Gazprom

A copy of all presentation materials can be found at: www.gasgovernance.co.uk/PA/120613

1. Introduction

TD welcomed all to the meeting, and noted that EL was representing the Transporters.

1.1 Review of Minutes

The minutes from the previous meeting were approved.

1.2 Review of Actions

Action PA05/01: Xoserve (EL) to develop a matrix for identification of areas of concern.

Update: A document had been produced and published. **Closed**

Action PA05/02: Ofgem (JD) to provide a view on the potential regulatory impacts associated with development of a Performance Assurance Framework.

Update: JD advised that consideration of the potential regulatory impacts remains ongoing. It is anticipated that a letter would be issued shortly (relating to current world AQ issues, the 2013 AQ review and reporting requirements etc.) to help raise the profile of the PAF Workgroup.

He went on to suggest that the thinking within Ofgem is that the work undertaken by this Workgroup may be better aligned with that of the Project Nexus rollout – there might be one all encompassing letter, or several inter-related letters issued. EH added that at a recent Energy UK meeting parties had discussed the possible adoption of a 'Hot House' style approach, similar to SMART metering and he expects to discuss this in more detail with Xoserve in due course. **Carried Forward**

Action PA05/03: ScottishPower (AL) to develop a draft action plan.

Update: A document had been produced and published. **Closed**

2. Discussion

Xoserve Presentations

EL explained that Xoserve would welcome early visibility of any targets prior to the implementation of Modification 0432 “Project Nexus – gas settlement reform”. In agreeing that the Performance Assurance Framework (PAF) is potentially a post Project Nexus deliverable, it was suggested that care would be needed to avoid any undue duplication (i.e. data cleansing exercise etc.) – consensus was that data cleansing should sit within the auspices of Project Nexus and feed into the PAF where appropriate – it is anticipated that communication will be two way.

It was suggested that the levels of service expectations around the Project Nexus Product Line would change over time.

In acknowledging that read performance, RGMA and AQ appear to be the primary goals for the PAF, EL suggested that educating industry parties would be of paramount importance, and to this end, Xoserve anticipate providing the necessary support (the content of which would depend upon the topic(s) involved).

During discussions it was suggested that if the aim, as far as PAF and data cleansing was concerned, is to achieve a transparent industry wide approach, then anonymity should be removed, although it was also suggested that adopting a ‘naming and shaming’ approach from day one may not be the right approach as, in order to maintain PAF credibility, the industry needs to ensure that any supporting mechanisms are robust before identifying potentially underperforming parties. Some parties felt that adopting a ‘grace period’ approach before moving finally to a naming regime was a sensible way forward. However, any data cleansing evidence would be of crucial importance and what the industry decides to do with parties who do not undertake a pre Nexus data cleansing exercise (for whatever reason), should be considered as part of Project Nexus.

In considering how best to reduce risk, SM observed that as not all Shippers are MAMs, it would be difficult to manage some of the risks. AJ suggested that PAF might need an ability to test some of the industry data cleansing assumptions relating to the SMART regime rollout. Some felt that this approach would be fine as long as it concentrated upon where the industry is going to be in the future and that this is supported by careful consideration of potential costs and benefits – a dynamic approach is needed to accurately target and assess risk. AM advised that his presentation goes some way towards addressing such issues as it seeks to focus attention on energy reconciliation and how best to incentivise the industry – in his eyes it is about creating the right incentives to ensure that an effective data cleansing exercise is undertaken prior to the implementation of Project Nexus. He went on to suggest that perhaps the answer lies in engaging an impartial 3rd Party (academic) to report on any data cleansing issues.

In considering the ‘Data issues’ slide, EL advised that analysis remains ongoing, although the initial view is that of the 70k supply meter points where no reads have been loaded for the last 4 years, circa 80% have utilised the AQ spec calculator. It was also noted that the AUGE has identified similar issues (including correction factors). EL advised that a Xoserve communication to impacted parties would be coming out within the next few weeks.

EL suggested that as far as Theft of Gas aspects are concerned, whilst there could be other forums more suited to looking at this, it is included here for completeness. When asked, it was confirmed that iGT and GT performance aspects would also be considered as well, which reflects the industry consensus. In acknowledging that the bulk of this matter (circa 90%) relates to reconciliation considerations, and the remaining (10%) to Transporter related aspects, it was also suggested that the performance of the MAMs (and beyond UNC Parties) would also need considering.

JD observed that raising the profile of the PAF Workgroup and its role is of paramount importance, especially in seeking to address 'key' issues prior to Project Nexus rollout – it may prove beneficial if the Workgroup were to lock itself away in a room and thrash out the details, including perhaps development of the initial framework requirements. It was suggested that perhaps if Xoserve could rank the topics (i.e. big issues, quick win approach) this would be a good starting point.

British Gas Presentation

In considering the point that 5% of energy (circa 6TWh) on LSP sites is un-reconciled after 12 months, JD noted that this relates to misallocation between Users rather than a 'loss' of energy. When asked whether the figures assume take up of (Project Nexus) Product line 1 would be the same for SSPs/LSPs, the answer was yes - it shows the potential scale. It was suggested the DECC lower band case may be a more realistic scale indicator.

Regarding the potential unsettled/incorrectly settled energy risk under Project Nexus, it was agreed that consideration of appropriate control mechanisms for pre and post Nexus would be needed. Some parties remain concerned about incurring penalties when inheriting existing portfolio errors.

TD suggested, and the Workgroup agreed that as far as the line 1 collection of boxes underneath the 'Targets' column was concerned, these could be seen as the actual target, with lines 2 and 3 representing the reporting mechanism(s). The preference among those present was to adopt a 'top down' approach.

The possibility of engaging a 3rd Party (academic) to model risk points and suggest performance targets was discussed. An Ofgem initiated study was the preferred option, subject to identifying a suitable funding route. In accepting that undertaking such an exercise could be useful, JD argued this should not be at the expense of developing the framework – a view supported by ScottishPower in their discussions with Suppliers who prefer to see the framework developed before any review or report is undertaken.

TD confirmed that the funding of an independent review could be addressed via a User Pays Modification. JD agreed to report back on the possibility of Ofgem commissioning an academic) study, and how this might be funded.

New Action PA06/01: Ofgem (JD) to consider commissioning an Independent statistical analysis and propose how this should be funded.

ScottishPower (on behalf of Shippers) Presentation

AL emphasised that the presentation summarised views from a range of industry, identifying common ground.

It was suggested that it is necessary to identify levels of risk, but also the cost of addressing identified risk. A potential approach would be an academic study to model and quantify the risk factors. JD felt that an output could be the provision of a 'dynamic' model that could be used to set and maintain requirements, which would be preferable to raising a series of modifications, allowing a faster resolution time in response to issues arising. Additionally, a matrix identifying and addressing risk (i.e. a quick and easy statistical assessment tool) could prove beneficial.

It was emphasised that care would be needed to avoid the industry being able to influence any independent entity. Whilst not a universally supported view, it was suggested that an objective should be to negate the potential for lobbying - whoever runs the model should not be able to influence it and, to this end, there should be a feedback loop to monitor and assess the ongoing suitability of any model.

AL suggested that it may be wise to consider development of a PAF Committee to govern the process and make appropriate decisions. Some concerns were voiced

regarding Xoserve's role as an independent body, with Xoserve seen as having 'skin in the game', and their ongoing relationship with the Transporters is also a worry.

Regarding reporting requirements and implications when standards are breached, it was argued that a grace period should apply – for example if poor data was acquired when gaining business. However, it was noted that care would be needed to avoid inadvertently providing a 'get out of jail' card, whereby inheriting a small portfolio error could potentially provide a portfolio wide grace period.

It was agreed that a high level Concept Paper providing a strategic overview of the proposed approach would be useful. AL offered to produce an initial draft, and to discuss this with JD as it could form part of Ofgem's proposed letter.

New Action PA06/02: Scottish Power (AL) to draft a high level paper describing the proposed approach.

Action Plans for PAF Framework & Scope

AL explained that the framework action plan relates to the service provider, and the scope to the academic study.

TD enquired as to whether work should commence on various action plan steps (as this is seen as a vehicle to identifying and answering some of the potential risks) rather than awaiting any reaction to the concept paper. It was agreed that there is value in commencing work now. To this end, it was suggested that the next meeting focus on the first four items on the Framework action plan, and five on the Scope action plan.

3. Any Other Business

None.

4. Diary Planning

The next meeting is due to take place at a location to be confirmed on Monday 22 July 2013 followed by a meeting at Ofgem, 9 Millbank, London, SW1P 3GE on Wednesday 21 August 2013.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PA05/01	14/05/13	2.	Develop a matrix for identification of areas of concern.	Xoserve (EL)	Completed. Closed
PA05/02	14/05/13	2.	Provide a view on the potential regulatory impacts associated with development of a Performance Assurance Framework.	Ofgem (JD)	Carried Forward
PA05/03	14/05/13	2.	Develop a draft action plan.	Scottish Power (AL)	Completed. Closed
PA06/01	12/06/13	2.	Consider commissioning an Independent statistical analysis and propose how this should be funded.	Ofgem (JD)	Pending.
PA06/02	12/06/13	2.	Draft a high level paper describing the proposed approach.	ScottishPower (AL)	Pending.