

Performance Assurance Committee Minutes
Wednesday 29 June 2016
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan	(AM)	Shipper Member
Andy Clasper	(AC)	Transporter Member
Angela Love	(AL)	Independent Member
David Mitchell	(DM)	Transporter Member (Alternate)
Edd Hunter	(EH)	Shipper Member
Jon Dixon*	(JD)	Ofgem
Richard Pomroy*	(RP)	Transporter Member

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/PAC/290616

1. Introduction and Status Review

LJ welcomed everyone to the inaugural meeting of the Performance Assurance Committee. The meeting was declared quorate.

1.1 Apologies for absence

H Chapman, C Baldwin.

1.2 Note of Alternates

D Mitchell for H Chapman.

2. Terms of Reference

The Terms of Reference (ToR) were reviewed.

The structure of the Performance Assurance Committee (PAC) was discussed, in particular the number of DNO Members (5) - there were currently only 4 DNOs. AM recalled the background to the discussions within the Performance Assurance Workgroup, where it was agreed to mirror the UNC Modification Panel composition of 5 Shipper and 5 Transporter representatives as an initial construct, which could then be reviewed and adjusted as future circumstances dictated. It was pointed out that currently the ToR does not permit two representatives from the same Shipper organisation. Following the implementation of UNC Modification 0440, it was believed an iGT representative might be required and this would then complete the envisaged complement of 5 DNO Members.

In the meantime it was suggested that the DNOs should give some thought to how their representation would be fulfilled from 01 October 2016, when the Performance Assurance Committee full membership, post the Gas Year 16/17 User Representative elections, would be formally instated.

Action 0601: PAC Terms of Reference - DNOs to decide how their representation (5 DNO Members) would be fulfilled from 01 October 2016, when the Performance Assurance Committee is formally instated.

Attention then moved to Shipper representation. At present there were 4 Shipper Members, for whom the Designated Person holds appropriate letters of confirmation/confidentiality. The requirements for Alternates were discussed. Members were reminded that the same requirements as for Members should apply in respect of letters of confirmation/confidentiality.

LJ suggested that all Members should consider appointing standing Alternates so that issues of quoracy can be avoided.

Action 0602: PAC Terms of Reference - All Members to consider who their standing Alternate should be and procure and provide to the Designated Person (the Joint Office) the relevant documentation to support appointment(s) as an Alternate.

LJ explained to the committee the situation that existed with respect to AL's 'employer letter'. Love Energy Consulting was the relevant employer here and the JO was in possession of the appropriate letter. The issue arose because AL's participation was funded by Scottish Power and no warrant was provided by them. This was believed to be inconsistent with the position of other PAC Members, who were warranted to be free from influence by the party funding their participation (their employer). Members recognised that, during this interim period, AL had in fact been appointed by UNCC and the situation was therefore acceptable. It would need to be addressed should AL be nominated by Scottish Power for the coming gas year.

Advising that the annual UNC Election process for appointing parties to UNC Sub-committees for the next Gas Year 2016/17 was now underway, LJ directed Members' attention to the list of registered SPoCs 2016, published on the Joint Office website at: www.gasgovernance.co.uk/elections, and encouraged Members to contact their SPoCs to ensure nomination for PAC membership for the next term.

Continuing with the subject of quoracy for meetings, it was queried whether the requirement for six Members to be in attendance was appropriate. LJ explained that post 01 October 2016 there would potentially be a total of ten Members (assuming all places were filled), and that six seemed to be appropriate given the increased size of the PAC. However, for this interim phase (until 30 September 2016) working with reduced membership, it may be more practical to reduce that requirement to four Members in attendance at each meeting. LJ indicated he would raise this at the next UNCC to gain agreement.

Members then reviewed the section relating to roles and responsibilities of the PAC. It was queried which party should place the order with the Performance Assurance Framework Administrator (PAFA) for any additional work agreed at PAC; it was discussed how the process might work and what should be the formal placement route/party responsible. RP added that Xoserve would have the contract with the PAFA post FGO, and will no longer be the Transporters' Agent; it may have to be fulfilled through the DSC route. This needed more thought.

Action 0603: PAC Terms of Reference - All Members to consider how and by whom the PAFA will be instructed.

3. Review the Performance Assurance Framework (PAF) Document

The 'Guidelines document for the Energy Settlement Performance Assurance Regime' was reviewed, and RP's preliminary comments were considered and discussed; amendments were agreed to be made where appropriate. Further changes to this document may be considered at the next meeting (27 June 2016).

Title of Document (Page 1)

It was suggested and agreed that it be renamed 'Performance Assurance Framework (PAF) Document' to be consistent with the legal text.

Development of Rules (Page 2)

Following discussion the inclusion of this information was deemed unnecessary, and it was agreed to remove the text on pages 2 and 3.

Document 5 - Letter of Confirmation

This was discussed. RP noted that UNC Modification 0520A envisaged that some reports were to be confidential and others not. Concerns were expressed regarding potential dissemination of information, and it was believed that a Confidentiality Agreement should also be required. It was suggested that the DNOs develop a Confidentiality Agreement for approval by the UNCC; this could be incorporated or appended to Document 5 rather than be made a separately issued document. AM referred to the requirements put in place under the AUGER regime, as offering an example. The DNOs would then also need to reconsider the definitions in Section 1 (page 5), and the content of the existing Document 5.

Action 0604: 'Performance Assurance Framework Document': Document 5 - DNOs to develop a Confidentiality Agreement for incorporation into Document 5 and review the existing content of Document 5 and the definition (page 5, Section 1).

Document 4 (Page 28) - Performance Assurance Administrator Scope: Part 1 General

Responding to questions from AL regarding the timescales within square brackets (in paragraph 5 - Agreeing the PAFA Scope, cost estimates and cost reporting), LJ did not anticipate there would be major change year on year and that, as far as he could see, this was not something that was needed for the first year (commencing 01 October 2016). This was an evolving process that interfaces with annual elections, but it would be kept under review.

Definitions (Page 5) - Performance Assurance Framework (PAF) Year

It was questioned whether the current membership would be able to complete all the necessary work prior to 01 October 2016. LJ explained that, once the new PAC membership had been elected, it would manage whatever of the process/activities remained to be completed and the outgoing Members (assuming they are not elected as PAC Member 2016/17) could still be invited to participate and contribute to the work although they would not retain any voting rights. The Workplan put in place would continue across Sub-committee years, and would not come to an end and be restarted at each new election.

JD observed that different and specialist expertise might be required as the programme evolves, and it was recognised that the skillsets of five Shippers and five DNOs and/or their Alternates might not be sufficiently expert or knowledgeable at certain times when faced with particularly specialist areas to adequately assess and make an informed decision. It was possible that such specialist knowledge may not exist in the industry and consideration may have to be given to the procurement of ad hoc expertise (a standing register?) to call upon as and when, to bridge any gaps. Independent experts may be required, capable of understanding and assessing information if of a specialised nature, such that if necessary the service provider can be challenged and held to account.

This was discussed. A party needs to be able to engage with and monitor the administration/risks, decide on expected requirements and make decisions accordingly. The PAFA could employ an expert, or Xoserve could be instructed to employ an expert to be able to perform this role independently, depending on whether the PAC wanted a direct relationship with such experts. JD observed that each 'risk' may require a different knowledge profile (for advice/decision making).

LJ suggested that an Issues list should be created as a standing agenda item so that matters held over for future consideration (such as this expert engagement) were not lost.

Action 0605: PAC Issues List - LJ to produce a PAC Issues List for review at the next meeting.

4. Procurement of a Performance Assurance Framework Administrator (PAFA)

RP's preliminary comments in relation to the appointment criteria (set out in the Guidelines document for the Energy Settlement Performance Assurance Regime at 6.1.1) were considered and discussed. Clear specification of exactly what is required based on what it is known will be required is of great importance, to ensure that the service provider will deliver what is required. It should not be assumed that the service provider would provide any services unless they are very clearly stated to be requirements. It was noted that semantics was of importance.

6.1.1b) - This was recognised as being difficult, and needed careful scoping. RP and AL gave examples of previous experiences. It was suggested that an agreed rate for additional work could be pre-defined and applied.

LJ asked Members to consider how PAC saw itself holding/managing a budget, and this was discussed. It was observed that a budget had been envisaged, but there was also a view that it could be left to the market to see what was offered/could be obtained and for what cost and set a budget accordingly. LJ noted that serious consideration should be given to an annual industry workplan and budget statement.

AL had provided an example matrix that could potentially be developed and used for assessing and scoring potential providers. AL explained each part of the process and how it was envisaged to work. Broad criteria were outlined, then weighting. A discussion followed of what criteria should be used, with parties giving examples of past usage/experiences; it was concluded it was better to include price as part of the criteria. There was concern that PAC could be open to challenge if it did not choose the least expensive tender, but there were also concerns that selecting the least expensive might not be the best choice in terms of, for example, high quality output. Clear justification would need to be provided for whatever decision was made.

Using AL's example matrix as the starting point, the Members then discussed what criteria were most appropriate, the level of importance, and the weighting that should be applied to each area. A first draft was created.

It was pointed out that the PAC would not see the commercial contract/terms and conditions between the Transporter Agency and the service provider. It was noted that the PAC should have an interest in whether or not the service provider accepts the terms and conditions of the Framework. RP advised that the question of liabilities had been raised with Xoserve, and he was awaiting a response.

At the conclusion of this part of the discussion LJ thanked AL for her contribution to the work of this meeting, which had enabled it to be a very productive forum.

The discussion then moved on to consider the process for procurement. It was observed that Achilles might be exclusive, and it was asked if something could be done outside of this process? RP had asked Xoserve about this and awaited a response.

It was concluded that Request for Information was not required, and that a two stage process was preferred, to include:

- Expression of interest
- Request for price.

AL read out some details for potential inclusion in the Expressions of Interest stage and indicated she would provide these for circulation to Members. She also offered to draft/define some questions based on the headings agreed within the matrix that was reviewed earlier. There was a brief discussion on what should be asked and when in the process (early on or at point of personal interview).

It was suggested that, firstly, it should be decided what goes into the bid document, i.e. what is PAC expecting bidders to bid for; and secondly, what are the interview questions (this could be considered at the next meeting).

Straw men were required for the scope of Expression of Interest, and also for the service required (see page 31 of the 'Performance Assurance Framework (PAF) Document') - this might need to be reviewed.

Action 0606: Performance Assurance Framework (PAF) Document - All to consider (page 31) Schedule 2, Parts 1, 2 and 3, and provide any comments ahead of the next meeting (27 June 2016).

Action 0607: Procurement - All to consider and list what information the PAC should require from the bidders.

Action 0608: Procurement - RP to approach Xoserve for a timetable for the procurement process.

5. Next Steps

LJ confirmed he would:

- make the agreed revisions to 'Performance Assurance Framework (PAF) Document' and circulate for comment
- circulate the draft Scope and scoring criteria documents
- produce an Issues List.

RP will clarify with Xoserve what is required from the PAC, and also relay that the PAC had discussed and expect Xoserve's attendance for this early stage of the process.

6. Any Other Business

None raised.

7. Diary Planning

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

Meetings have been arranged as follows:

Time/Date	Venue	Programme
09:00, Wednesday 27 July 2016	Teleconference: 020 7950 1251, followed by 21870295#	Review draft documentation circulated and any comments received Clarify procurement process requirements
10:00, Wednesday 31 August 2016	Room 6F1, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>
10:00, Monday 19 September 2016	Room 6F1, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>

Action Table (29 June 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 0601	29/06/16	2.	<i>PAC Terms of Reference</i> - DNOs to decide how their representation (5 DNOs) would be fulfilled from 01 October 2016, when the Performance Assurance Committee is formally instated.	DNOs	By 27 July 2016 Pending
PAC 0602	29/06/16	2.	<i>PAC Terms of Reference</i> - All Members to consider who their standing Alternate should be and procure and provide to the Designated Person (the Joint Office) the relevant documentation to support appointment(s) as an Alternate.	ALL	By 27 July 2016 Pending
PAC 0603	29/06/16	2.	<i>PAC Terms of Reference</i> - All Members to consider how and by whom the PAFA will be instructed.	ALL	By 27 July 2016 Pending
PAC 0604	29/06/16	3.	'Performance Assurance Framework Document': Document 5 - DNOs to develop a Confidentiality Agreement for incorporation into Document 5 and review the existing content of Document 5 and the definition (page 5, Section 1).	DNOs	By 27 July 2016 Pending
PAC 0605	29/06/16	3.	<i>PAC Issues List</i> - LJ to produce a PAC Issues List for review at the next meeting.	LJ	By 27 July 2016 Pending
PAC 0606	29/06/16	4.	<i>Performance Assurance Framework (PAF) Document</i> - All to consider (page 31) Schedule 2, Parts 1, 2 and 3, and provide any comments ahead of the next meeting (27 June 2016).	ALL	By 27 July 2016 Pending
PAC 0607	29/06/16	4.	<i>Procurement</i> - All to consider and list what information the PAC should require from the bidders.	ALL	By 27 July 2016 Pending
PAC 0608	29/06/16	4.	<i>Procurement</i> - RP to approach Xoserve for a timetable for the procurement process.	ALL	By 27 July 2016 Pending