

Performance Assurance Committee Minutes

Wednesday 31 August 2016

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

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andy Clasper	(AC)	Transporter Member
Angela Love	(AL)	Shipper Member
Colette Baldwin	(CB)	Shipper Member
Fiona Cottam	(FC)	Observer, Xoserve
Fraser Mathieson	(FM)	Transporter Member
John Welch	(JW)	Shipper Member Alternate
Rachel Hinsley	(RH)	Observer, Xoserve
Shanna Key	(SK)	Transporter Member

Copies of non-confidential papers are available at: www.gasgovernance.co.uk/PAC/310816

1. Introduction and Status Review

LJ welcomed everyone to the meeting. The meeting was declared quorate.

1.1 Apologies for absence

R Pomroy (Transporter Member) and A Margan (Shipper Member).

1.2 Note of Alternates

J Welch for E Hunter (Shipper Member).

1.3 Appointment of New Shipper Members 2016/17

At the August UNCC meeting a change to the Terms of Reference (ToR) was agreed to accommodate a request to increase Shipper representation. All seven nominees for the coming gas year are to become Performance Assurance Committee (PAC) Members, but only five will have voting rights (as determined by the election using the 'first past the post principle'). (The ToR has been amended to reflect this UNCC decision and has been republished here: <http://www.gasgovernance.co.uk/PAC>).

LJ confirmed that the UNC Election process had concluded and the following persons had been appointed as Shipper Members for the coming year 2016/17:

Voting Members

Angela Love (Scottish Power)
 Colette Baldwin (E.ON)
 Lisa Saycell (Gazprom)
 Mark Jones (SSE)
 Mitch Donnelly (British Gas)

Non-voting Members

Edd Hunter (RWE Npower)
Jonathan Kiddle (EDF Energy)

Seeking to maintain a balanced representation, LJ had also written to the DNO Members regarding the appointment of a fifth member.

In addition, the UNCC ratified a previously agreed (by correspondence) deviation to the Framework Document to enable the appointment of a person not directly employed by a Shipper. In essence, a 'nominating party' assurance letter will replace the usual employer letter in such circumstances. It was noted that the Committee will need to amend the Framework document accordingly - this is recorded in the Issues Register as PAC005.

2. Review of Minutes (27 July 2016)

The minutes of the previous meeting were approved.

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

LJ reminded the meeting that certain documents relating to the procurement were commercially confidential and would not be published on the Joint Office website.

3.1 PAFA Interactions Diagram (draft)

FC had provided a draft process flow diagram illustrating the PAFA information/service interactions, monetary/financial interactions, and change control process. This was reviewed and discussed, and suggested additions and changes were noted by FC.

Information/Services Interactions (slide 1)

The contract was between Xoserve and the PAFA, and would be tendered for and appointed under instruction from the Transporters. The change from Xoserve to Central Data Service Provider (CDSP) was considered, and FC believed it would still work following the replacement, as it will not change any other roles or responsibilities. CB observed that the PAFA would not be a Code signatory and therefore cannot have Code obligations; LJ believed these would be discharged through the UNC Committee (UNCC). It was suggested that the relationships should be rechecked and timelines added to clarify what happens following the implementation of FGO (post April 2017) and any disruptions to and reforming of relationships/obligations in respect of the CDSP. Some arrows/lines may need to be bi-directional.

AL referred to recent meetings where it was suggested that some reports might not be able to be produced. RH confirmed that Shipper performance packs have been reviewed and Xoserve was impact assessing what could be produced.

LJ then asked the PAC to consider what output was required and what else should be included in this flow diagram. It was suggested that it was appropriate to show governance routes; there needed to be some way of showing how the PAC would be communicating and reporting on its activities and focus to the wider industry. A discussion ensued; this might be demonstrated through draft modifications, performance targets, incentive regimes, etc, and through a provisional risk assessment and consultation to identify the top ten issues for industry and creation of a Settlement Risk register. The addition of a box 'Industry Stakeholders' (to receive PAC communications) was suggested. Whether Ofgem should have a permanent presence at PAC, and whether it should have sight of attributable or anonymised information was discussed, as was the potential inclusion of SPAA (cannot be obligated under this regime).

Taking account of the comments and suggestions, FC will review the information flows and relationships and adjust the diagram appropriately.

Monetary/Financial Interactions (slide 2)

The draft illustration of what was expected to happen through the End of Year process was reviewed. Once a year there was to be a charge for the PAFA services, to which would be added Xoserve's costs, etc. It was believed to be similar as to how the AUGE process worked.

This was discussed and a number of points were raised. CB did not think it would work in the 'FGO world' - different service lines might apply? An annual charge might not be appropriate; the Service Provider might wish to charge more frequently. How would charges be applied to/recovered from new market entrants, or those who exited the market within that year? Would Xoserve want to bear the costs for a year before charging back? Some workload might be cyclical with peaks and troughs, but PAFA bills might be presented monthly. FC indicated that she was working from the current ACS information. CB observed that Xoserve will have to manage its own cash flow position, and this annual model may not be appropriate to continue after FGO implementation.

Noting these points, LJ indicated that he would raise this with the FGO Workgroup (Charging/Cost Allocation) and ask them to consider the perceived PAFA funding model/charging arrangements gap and how it should work post FGO.

Action PAC 0801: PAFA funding model/charging arrangements gap - LJ to raise with the FGO Workgroup (Charging/Cost Allocation) and ask them to consider the perceived PAFA funding model/charging arrangements gap and how it should work post FGO.

FC commented this had been interpreted as an annual charge accountable at 30 September. Referring to reporting under Modification 0520A it accumulates through a calendar year and has implications for invoicing; all example reports under Modification 0520A start in January. CB believed that the industry would not be worried about which starting point to use. FC suggested that the PAC might need to consider the detail more closely.

Change Control Process (slide 3)

The draft process was illustrated. FC noted that she had interpreted this from the framework document information, and it may need to have an end/beginning in a modification. This was discussed. LJ pointed out that the Transporters would not generally consider a Change Order until a Modification was approved, however it may depend on what was seeking to be changed. CB gave examples of different changes that may be required. It may require a case-by-case assessment to agree an appropriate approach.

FC referred to Modification 0520A Risk Register and read out the wording; she understood that the list was under UNC control and would require a modification to effect a change. AL observed these were envisaged to be the minimum or 'cornerstone' requirements and that others would be needed or adaptations may be required. LJ referred back to the detail of Modification 0520A, and noted that any changes to reports and the Reporting Register must be made through the UNC Modification process. The publication and amendment of attributable and anonymised reports was then discussed. FC noted that the diagram should include where a Code modification(s) would be required and where the checkpoints in relation to associated costs might be appropriate. PAC needs to be in a position to be able to assess risk and acquire information to facilitate/support any investigation. Then if added visible reporting is required then it is a change to the Performance Assurance Reports Register (PARR) and this needs a Code modification. Formal changes to reports can only go through a modification. However, if PAC is actively investigating and assessing a potential new risk it may need to ask for anonymised information (i.e. not a

listed report) to be provided to it in order to make that initial assessment. The framework document may need to be adapted to reflect the requirement to involve PAC earlier in the process to review any requirements/queries received from other parties.

LJ reiterated his view that PAC needs an annual plan and potential budget, and should consult on its perceived requirements to maintain visibility/acceptance within the industry and provide an opportunity for industry to comment. It was suggested this might be done alongside the CDSP process for budget setting. LJ did not believe that PAC should be constrained in the 'usual' manner of budgetary constraints and explained his view. CB suggested PAC appeared to need another process for consulting on this and a mechanism to apportion/recover costs. Perhaps this should be considered, and approval sought at UNCC.

Referring to the process flows, FC indicated she would revise the order of the lanes/boxes as discussed, giving PAC the ability to take an assessment view first, before involving Xoserve in any work/costs. The framework document may also require revision to address this.

FC then asked for views on the initial presentation of information required to facilitate/support the PAC's initial investigation/assessment of any received query. Would the anonymisation of this need to be differently coded to any subsequent or regularly provided information/reports, which may be automatically coded to a 'standard' or 'usual' categorisation. Would the PAC initially, and generally, expect just to assess 'a spread' rather than delve into more telling detail at that stage? This was briefly discussed. The PAC had the power to request sight of attributable information if necessary, but it was suggested the default or standard position should be anonymised information, unless there was a good reason to request otherwise. At the end of any investigation a modification might be required to change a report for visibility.

Action PAC 0802: *PAFA Interactions Diagram* - FC to provide a revised draft for review at the next meeting (10 October 2016).

3.2 Draft Recitals/Introduction

FC had also provided a draft introductory document setting out the background to and appointment of the PAFA. The contract itself needs to be ready for the Official Journal of the European Union (OJEU) Notice stage. Xoserve needed to consider if the same will stand in an 'FGO world' and what needs to be replaced by CDSP references in the contract(s).

In the context of whether a full OJEU notice was necessary, how procurement was to be funded was discussed. Was Xoserve seen to be a 'public utility' and captured by various regulations? FC had taken further legal opinion and explained her view. CB believed that the implementation of FGO would be a 'game changer' as Xoserve funding would come through a different route. Regulated businesses, income, monies and services were briefly discussed. FC pointed out the difficulty in that eventual procurement could fall either side of the FGO implementation, and explained the internal discussions that had taken place and why the risk averse route was to be followed.

The final version of the draft recitals as agreed by PAC needs to go into the contract. LJ confirmed that he had sent the scope, tender evaluations criteria and tender questions to FC. It was believed that this was all that was required at present.

3.3 Next Steps

FC confirmed that the documents need to be set in order and the OJEU Notice got ready; this may take 4-6 weeks to get in place, and then OJEU Notice commences.

To assist understanding, it was suggested that FC should provide a tender and procurement timeline for the next meeting (10 October 2016).

Action PAC 0803: *PAFA Tender and Procurement Timeline* - FC to provide for review at the next meeting (10 October 2016).

4. Performance Assurance Framework (PAF) Document

The title of the document was discussed, it being noted that there were discrepancies within the legal text that gave it recognition and substance. It will be published as "PAF document for the (Gas) Energy Settlement Performance Assurance Regime" (Framework document).

LJ summarised that there were four key topics to be considered in the next reiteration and various PAC Members took responsibility to produce a Section for inclusion in the draft document to be reviewed at the next meeting.

Action PAC 0804a: *Framework document* - CB to produce a draft section on the Budgeting process, and provide to the Joint Office by 30 September 2016.

Action PAC 0804b: *Framework document* - FM to produce a draft section on the Requirements for Changes to Services, and provide to the Joint Office by 30 September 2016.

Action PAC 0804c: *Framework document* - AC and SK to produce a draft section on Independent Expertise (position of and procurement of) and provide to the Joint Office by 30 September 2016.

Action PAC 0804d: *Framework document*- AL to produce a draft section on the Membership (Shippers and Ofgem) and adaptations to statements in the associated documentation (e.g. endorsements) and provide to the Joint Office by 30 September 2016.

5. Overall Implementation Approach/Plan

Following a brief discussion, AL offered to produce a draft implementation plan (in Excel for ease of updating), to include:

- Procurement (dates/key milestones as provided by FC)
- Risk methodology/consultation process (a draft will need to be prepared for issue shortly)
- Reports on the PAR - schedule/cycle for availability, delivery, review, etc
- Interim assessment points in event of delays to reports
- Soft landings
- What it might look like up to June, with a longer horizon following out from there.

Action PAC 0805: *Overall Implementation Approach/Plan* - AL to produce a draft for review.

FC observed that Xoserve might need further clarification on the details of Pre Nexus Reports, and to consider the mechanism for making anonymised versions available. RH added that Xoserve was holding an internal workshop on this and intended to return for PAC's clarification on any questions/suggestions etc, regarding dates, treatments, consistency etc. Depending on the granularity/technicality of detail involved it was noted that some points might need to be looked at by a group other than PAC.

It was suggested that some links might need to be made between the areas/processes for Unidentified Gas (UG), the Allocation of Unidentified Gas (AUG) and the Performance Assurance processes to give an overview/better understanding of root causes and problems. Delivery of outputs from TRAS might also need to be taken into view.

Implementation dates and potential for misalignment of reports were discussed.

For Pre Nexus, RH agreed to produce a schedule of reports against the PAR (from Modification 0520A) setting out availability and delivery.

Action PAC 0806: Pre Nexus - RH to produce a schedule of reports against the PARR (from Modification 0520A) setting out availability and delivery.

It was questioned how the PAFA would engage with and issue communications to industry. The approach to risk was discussed. A cogent understanding of how parties might operate under the new regime was perceived to be a 'gap' at present. Noting there appeared to be two methods in the framework document, SK suggested that a scoring mechanism needed to be agreed. Following a brief discussion it was suggested that the Engage model be used until such time as the PAFA was in place, when it could be reviewed.

AL drew attention to a new system brought in by National Grid NTS that has adversely affected Settlements (July and August - negative values), commenting that the PAC may need to understand what the cause(s) was and if there would be any longer term effects to take into account.

Attention was also drawn to weather station issues and FC explained the error in more detail (a DNO's weather data provider error).

6. Issues Register

Current

LJ explained the focus of each Issue.

PAC003 - This was discussed in greater detail. CB believed that PAC may have to request the CDSP to procure. FC asked if this was a possible 'add on' service, to be noted as an example of potential future requirements, at procurement time. It was suggested that PAC give this closer consideration.

PAC004 - Post FGO the CDSP budget process might be more appropriate to take account of this. Suggested it be included in the next framework document.

Action PAC 0807: Issue PAC004 Annual Industry Workplan and Budget Statement - PAC Members to consider what is required and return with a view to the next meeting (10 October 2016).

PAC005 - LJ briefed Members on the UNCC's views and the outcome of agreement regarding membership. Concerns had been raised that not all Members proposed were 'Settlement experts'. How to establish proof of competency was discussed, and it was suggested that a 'warranty of appropriate experience' statement might be included in the appointment letters provided by the organisation.

Action PAC 0808: Issue PAC005 User Representative Appointment Rules - Shipper PAC Members to review the framework documentation and reach a view on an appropriate approach to assuring an acceptable level of competency.

Any new issues

LJ then asked if there were any further issues identified.

How to charge new market entrants and exiting parties was briefly discussed. The scale of any proposed charge was not considered to be a barrier to market entry; the fact that it would be a 'snapshot' charge would mean that some exiting parties would avoid being

charged depending on their time of exit, but any such charge was believed to be so minimal as to be not worth pursuing.

Reference had been made earlier in discussions as to whether PAC membership should automatically include Ofgem, and whether it should automatically have sight of attributable information (was signature to a confidentiality letter required). Market performance information at whatever level might be considered commercially sensitive/confidential, and there were concerns that there could be unintended consequences in respect of Ofgem's membership and access to information, whereby it could be inadvertently released if Ofgem was responding to a Freedom of Information (FOI) enquiry. AL offered to discuss Shippers' concerns with Ofgem (JD). It was agreed to add this as Issue PAC006.

Action PAC 0809: Issue PAC006 PAC Membership - to consider whether Ofgem should be included explicitly (non-voting) - AL to discuss Shippers' concerns in respect of unintended consequences of Ofgem's membership/access to information, i.e. the potential release of sensitive information should Ofgem need to respond to a Freedom of Information (FOI) enquiry.

An updated Register will be published for the next meeting (10 October 2016) at www.gasgovernance.co.uk/PAC/101016.

7. Review of Actions Outstanding

PAC 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.

Update: FM reported that the DNOs might look to appoint an Xoserve Settlement expert to the PAC as an interim step, with the view to the position being filled by an iGT party in the longer term. CB pointed out that iGT data was having an impact now. FM responded that the iGTs had no formal involvement until after Nexus implementation. Views were sought and a discussion ensued. There were concerns about how it might work after FGO is implemented, and about Xoserve's role in these meetings. It would be inappropriate, and potentially a conflict of interest, for Xoserve to have a formal vote given its central role. LJ encouraged the DNOs to re-explore iGT representation as iGTs currently have an indirect impact on Settlement and in the knowledge that this is likely to increase. **Carried forward**

PAC 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.

Update: AC and SK reported that this was in hand, as did CB and AL. LJ advised that he had written to all new appointees requesting the provision of the appropriate signed documentation. **Carried forward**

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

Update: The route was discussed and the flow diagram provided by FC was revisited. Currently the DNOs should instruct Xoserve, who in turn instructs the PAFA. After FGO implementation it may require review. **Closed**

PAC 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).

Update: Deferred to the next meeting. **Carried forward**

PAC 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 July 2016).

Update: Briefly discussed; a number of remaining square brackets were noted. It was agreed that if no other views were provided regarding the information as currently illustrated within the square brackets, in advance of the next meeting then the Joint Office will remove the square brackets and publish the framework document 'as is'. **Closed**

8. Next Steps

The following items will be scheduled for discussion at the next meeting:

- Confirm PAC Membership and formal Alternates
- Receive an update on the PAFA tender process
- Review any draft documentation circulated/comments received;
- Review the next iteration of "Guidelines document for the Energy Settlement Performance Assurance Regime"
- Review the draft Implementation Approach/Plan
- Review the output from any actions outstanding.

9. Any Other Business

None raised.

10. 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
10:00, Monday 10 October 2016	Room LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<ul style="list-style-type: none"> - Confirm PAC Membership and formal Alternates - Receive an update on the PAFA tender process - Review any draft documentation circulated/comments received; - Review the next iteration of "Guidelines document for the Energy Settlement Performance Assurance Regime" - Review the draft Implementation Approach/Plan - Review the output from any actions outstanding.
10:00, Tuesday 08 November 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<i>To be confirmed</i>

10:00, Tuesday 13 December 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<i>To be confirmed</i>
10:00, Tuesday 10 January 2017	Room LG8, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>To be confirmed</i>

Action Table (31 August 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 01 October 2016 Carried forward
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 01 October 2016 Carried forward
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	Closed
PAC 0604	29/06/16	3.	' <i>Performance Assurance Framework Document</i> ': 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 10 October 2016 Carried forward
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 July 2016).	ALL	Closed
PAC 0801	31/08/16	3.1	<i>PAFA funding model/charging arrangements gap</i> - LJ to raise with the FGO Workgroup (Charging/Cost Allocation) and ask them to consider the perceived PAFA funding model/charging arrangements gap and how it should work post FGO.	Chair (LJ)	By 10 October 2016 Pending

Action Table (31 August 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 0802	31/08/16	3.2	<i>PAFA Interactions Diagram</i> - FC to provide a revised draft for review at the next meeting (10 October 2016).	Xoserve (FC)	<i>By 10 October 2016</i> Pending
PAC 0803	31/08/16	3.3	<i>PAFA Tender and Procurement Timeline</i> - FC to provide for review at the next meeting (10 October 2016).	Xoserve (FC)	<i>By 10 October 2016</i> Pending
PAC 0804a	31/08/16	4.	<i>Framework Document</i> - CB to produce a draft section on the Budgeting process, and provide to the Joint Office by 30 September 2016.	CB	<i>By 30 September 2016</i> Pending
PAC 0804b	31/08/16	4.	<i>Framework Document</i> - FM to produce a draft section on the Requirements for Changes to Services, and provide to the Joint Office by 30 September 2016.	FM	<i>By 30 September 2016</i> Pending
PAC 0804c	31/08/16	4.	<i>Framework Document</i> - AC and SK to produce a draft section on Independent Expertise (position of and procurement of) and provide to the Joint Office by 30 September 2016.	AC and SK	<i>By 30 September 2016</i> Pending
PAC 0804d	31/08/16	4.	<i>Framework Document</i> - AL to produce a draft section on the Membership (Shippers and Ofgem) and adaptations to statements in the associated documentation (e.g. endorsements) and provide to the Joint Office by 30 September 2016.	AL	<i>By 30 September 2016</i> Pending
PAC 0805	31/08/16	5.	<i>Overall Implementation Approach/Plan</i> - AL to produce a draft for review.	AL	<i>By 10 October 2016</i> Pending
PAC 0806	31/08/16	5.	<i>Pre Nexus</i> - RH to produce a schedule of reports against the PAR (from Modification 0520A) setting out availability and delivery.	RH	<i>By 10 October 2016</i> Pending
PAC 0807	31/08/16	6.	<i>Issue PAC004 Annual Industry Workplan and Budget Statement</i> - PAC Members to consider what is required and return with a view to the next meeting (10 October 2016).	ALL PAC Members	<i>By 10 October 2016</i> Pending

Action Table (31 August 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 0808	31/08/16	6.	<i>Issue PAC005 User Representative Appointment Rules - Shipper PAC Members to review the framework documentation and reach a view on an appropriate approach to assuring an acceptable level of competency.</i>	Shipper PAC Members	<i>By 10 October 2016</i> Pending
PAC 0809	31/08/16	6.	<i>Issue PAC006 PAC Membership - to consider whether Ofgem should be included explicitly (non-voting) - AL to discuss Shippers' concerns in respect of unintended consequences of Ofgem's membership/access to information, i.e. the potential release of sensitive information should Ofgem need to respond to a Freedom of Information (FOI) enquiry.</i>	AL	<i>By 10 October 2016</i> Pending