



PRIDe Techniques – Low Level Example

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Overview



- Low level process that encompass the PRIDe PAF techniques for PAC to use as a tool set to manage risk in the Gas Settlement arrangements

- Assumption: This example assumes that the Market Participant has confirmed their agreement with the PAF and the use of techniques in order to mitigate industry risks and manage performance

Risk description



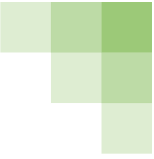
- Example used in this document is the lag in DM read submission progress
- The risk relates to the use of estimates for DM sites which are not reflective of actual consumption
- For sites reporting against the risk there is a lag in adjustments as there is no incentive for shippers to update reads
- There is a risk that this lag in submitting reads leads to inaccurate adjustment

PAF Model



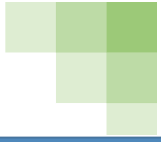
- The PRID(e) in Gas PAF model is based on simple, but robust, principles
- Complementary set of Preventive, Detective, Incentive and Remedial assurance techniques. Used flexibly to address Settlement risks
- The use of any techniques under this model is the decision and discretion of the PAC based on the information it receives through the PARR and the PAFA
- A risk that presents a significant impact to Settlement would necessitate the use of a stronger control
- Whereas a risk that presents a smaller impact to Settlement would necessitate the use of a weaker control

PAF Model

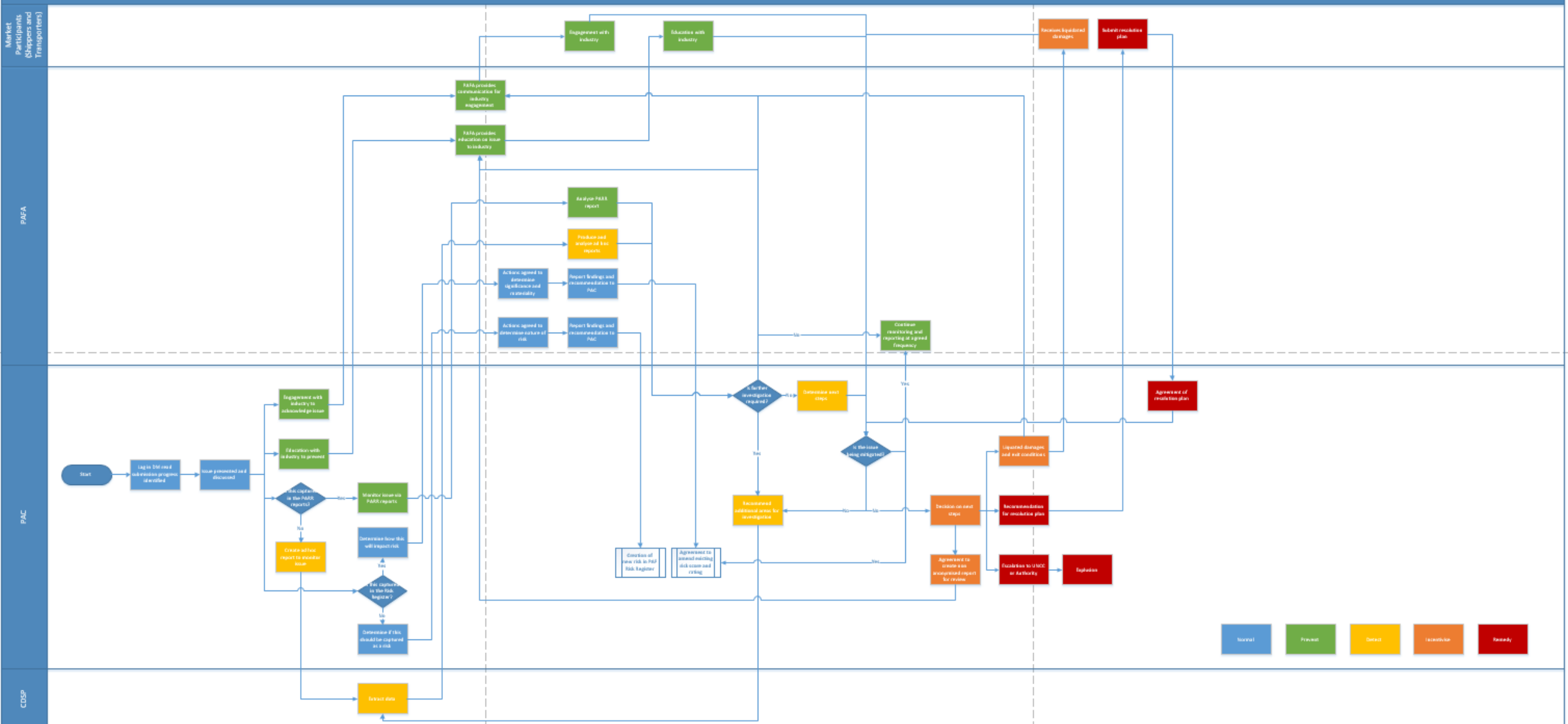


Technique Purpose	Techniques Description
Prevent the possibility of negative outcomes before they occur	<ul style="list-style-type: none">• Monitor data for patterns proactively for both party and industry performance decline• Educate a Party (or group of parties) where reporting shows parties to be falling short of a performance standard or is impacting negatively on Settlement allocation or reconciliation• Engage stakeholders on a regular and informed basis• Develop processes for parties to declare adherence to obligations
Remedy negative outcomes through resolution processes	<ul style="list-style-type: none">• Require a Party to assess an identified performance issue and propose a resolution plan for approval by the PAC• Require the PAFA or an industry working group to assess an industry performance issue and propose a resolution plan for approval by the PAC• Escalation to the UNCC or Authority
Incentivise positive actions	<ul style="list-style-type: none">• Peer comparison reporting• Industry education sessions• Engage stakeholders on a regular and informed basis• Liquidated Damages
Detect conduct that requires additional investigation	<ul style="list-style-type: none">• Performance monitoring and reporting• Audit and investigation

Lag in DM read submission progress



PAF Approach



Questions for consideration



- Can you incentivise via name and shame?
- Does the liability represent the risk incurred?
 - How would this be quantified?
- Who pays who?
 - How would cash flow be managed and redistributed?
- What happens if a Party doesn't pay?
 - Escalation actions?
- What if the fine is less than the cost of the benefit?
 - Fit for purpose?
 - Mechanism for model adjustment?

Prevent technique



- Used as a first course of action to consider when presented with a risk to Settlement
- Technique is always used for managing risks
- It contains the use of the PARR and production of performance reports on a monthly basis

- Industry performance would be monitored based on PARR reporting
- Engagement with industry on performance monitoring
- Education provided as necessary

Detect technique



- Used to further investigate and audit areas of interest
- Drill down into data to find determine materiality of issues
- Determine root cause if not already known via data analysis or engagement with parties
- Monitoring of issue via ad-hoc developed anonymised reports
- Option for issues not captured in the PARR reports to be presented and discussed
 - Issues can be captured from:
 - PAC members
 - Raised at other sub committees
 - Raised by industry Parties

Incentivise technique



- Used for persistent performance issues and encouraging positive behaviours
- PAC receives non anonymised report data with names of all parties contributing to issues captured in PARR reports
- PAC receives non anonymised report data with names of all parties contributing to persisting issues not captured in PARR reports
- PAC discussion on
 - Significance of issue on the market
 - Use of liquated damages based on performance
 - Exit conditions for parties to exit from liquated damages

Remedy technique



- Used as a last resort once other techniques have been exhausted
- Used to monitor party resolution plans based on PAC exit conditions
- PAFA to provide updates on resolution plan progress at agreed frequency to PAC
- PAC discussion on next steps based on lack of improvement
 - Escalation to UNCC
 - Escalation to Authority
 - Expulsion from UNC

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