



# PRIDe in Gas Model workshop

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25 July 2018

# Agenda

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- Introductions
- Objectives of the day
- Problem statement
- Overview of the PRIDe in Gas Model
- Summary of approach
- Timelines
- Conclusions and next steps

# Objectives for the day

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- Share information on the PRIDe in Gas Model
- Discuss and Define the use of each PRIDe technique
- Perform analysis on each PRIDe technique
  - What we like
  - What we don't like (what can be changed)
- Gain agreement on the overall use of the PRIDe in Gas Model
- Gain agreement on timelines for implementation
- Gain PAC commitment/prioritisation for next steps

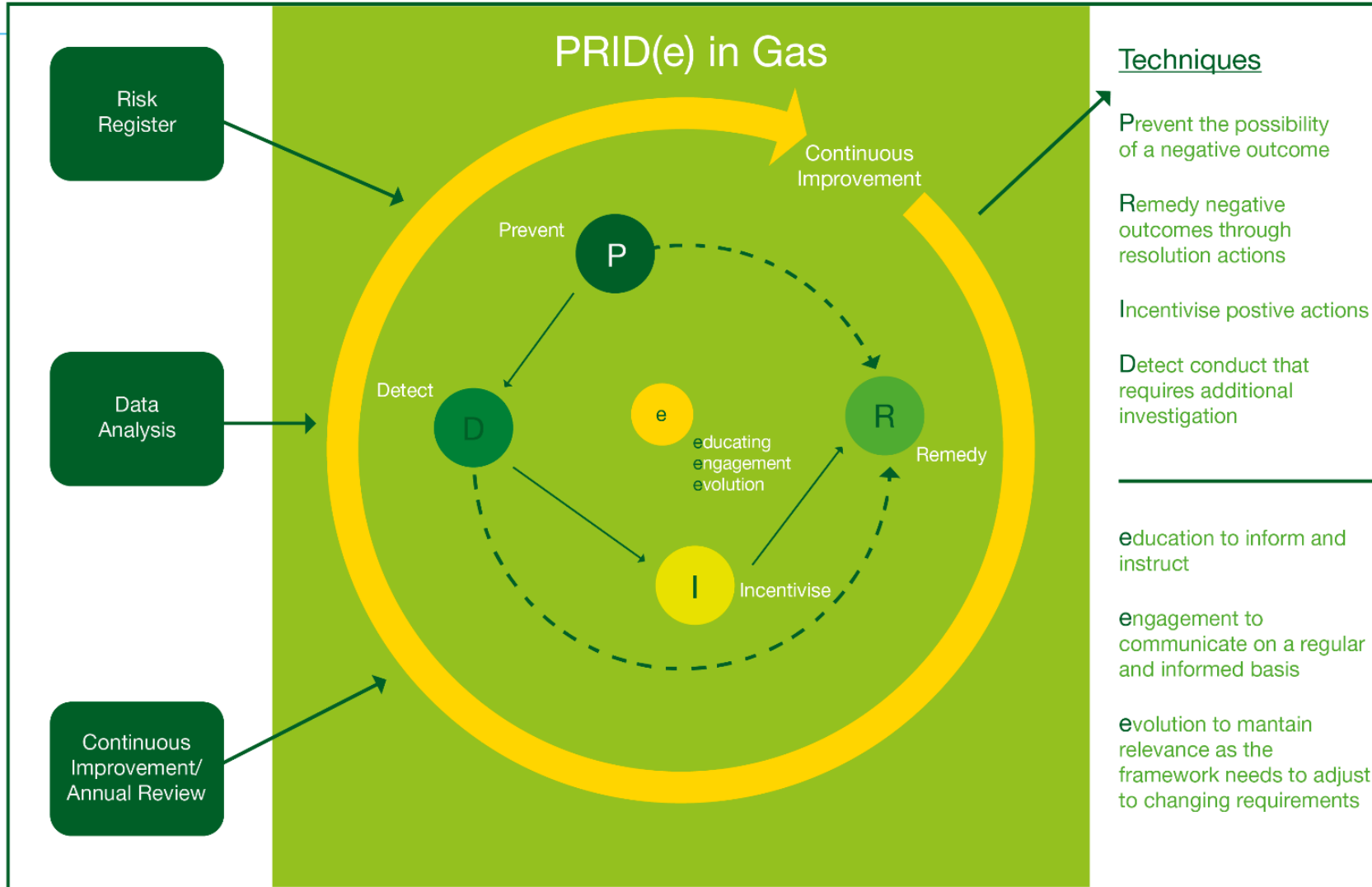
# Problem statement

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- Currently have limited tools to manage performance related risks in the market
- Current controls are not scalable to effectively resolve a wide range of risks
  - Significant risks
  - Non significant risks
- Ability to escalate risks is not defined

# PRIDe in Gas Model



# PRIDe in Gas Model

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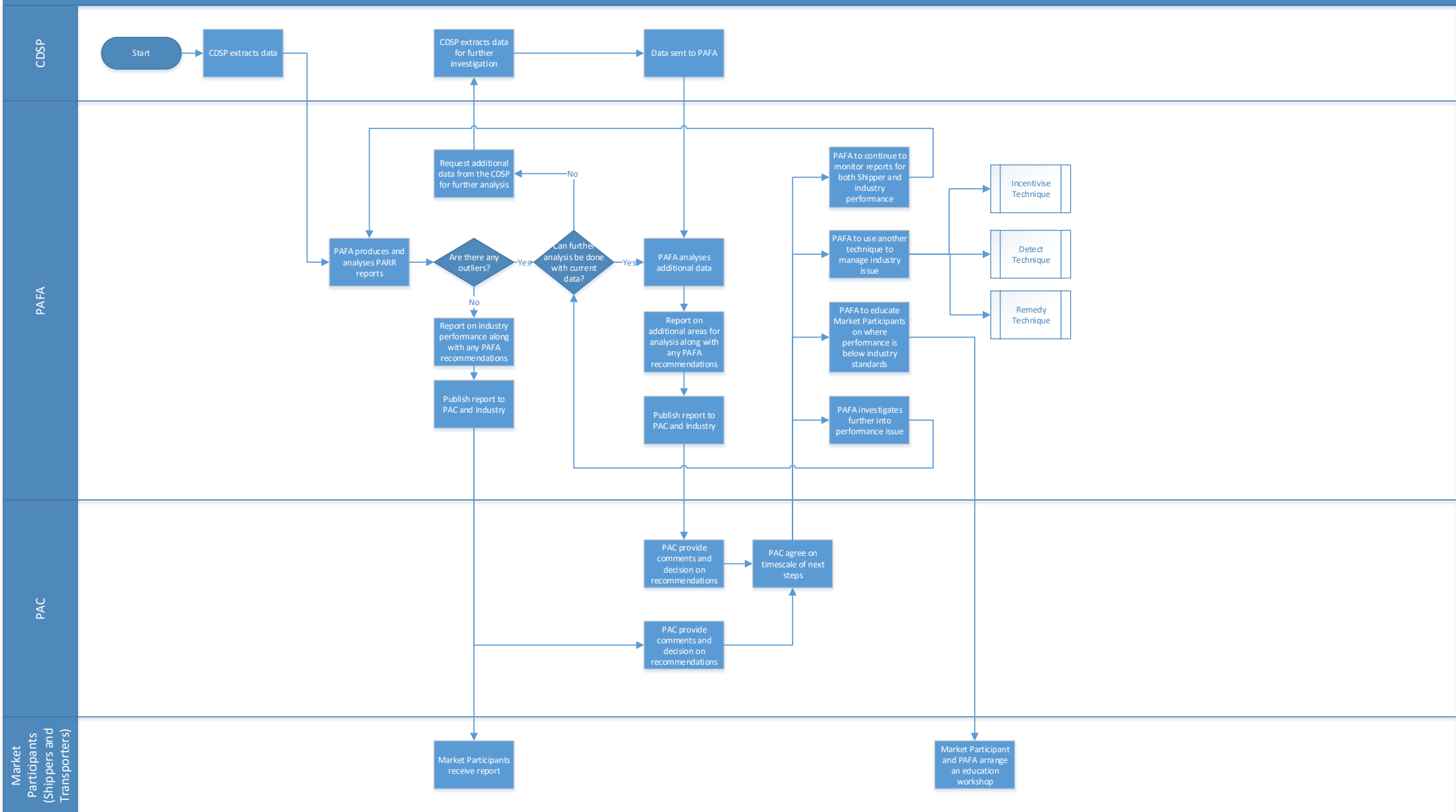
- Complementary set of Preventive, Detective, Incentive and Remedial assurance techniques. Used flexibly to address Settlement risks
- The use of any techniques under this model is the decision and discretion of the PAC based on the information it receives through the PARR and the PAFA
- A risk that 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

# Prevent

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- 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





# Prevent



Control strength	Control
Low	Continue to monitor PARR reports as standing monitoring
	Continue to monitor PARR reports for a fixed timescale before escalation decision
	Provide education to the industry
	Provide engagement to acknowledge performance
Medium	Consider if further analysis is required on an adhoc basis
	Consider if further analysis is required on a frequent basis
	Determine if current risks are being mitigated
	Determine if escalation for other techniques is required

# Detect

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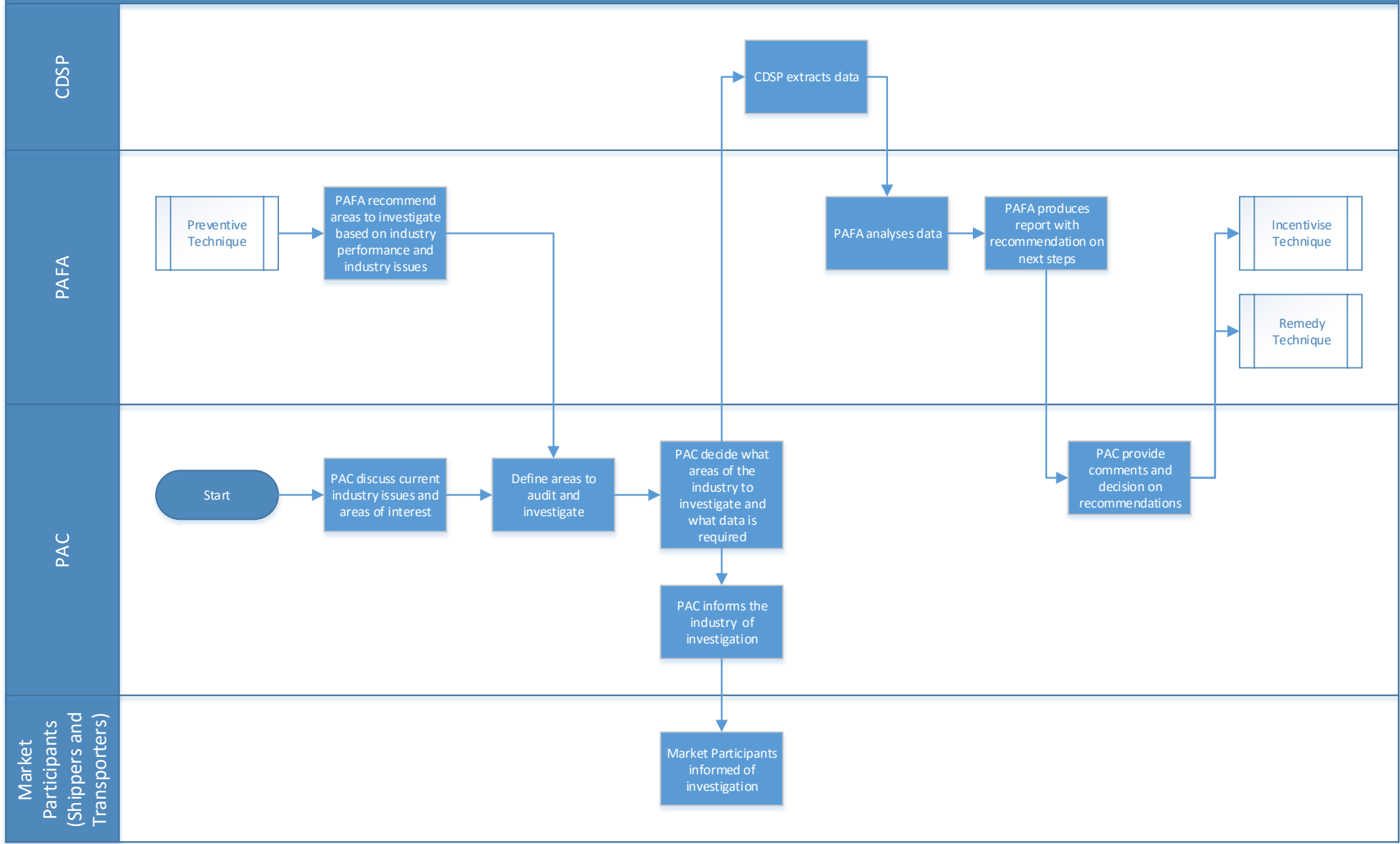
- Used to further investigate and audit areas of interest
- Drill down into data to find determine materiality of issues
- Determine root cause if not already known via data analysis or engagement with parties
- Monitoring of issue via ad-hoc developed anonymised reports
- Option for issues not captured in the PARR reports to be presented and discussed

# Detect



Control strength	Control
Low	Use Prevent technique to continue monitoring for a fixed timescale before escalation decision
	Use Prevent technique to continue monitoring standing monitoring
Medium	Define and create adhoc reports as standing monitoring
	Define requirements for CDSP data extract
	Request data analysis from PAFA
	Recommend further area of investigation
	Determine if escalation for other techniques is required
	Determine the conditions to appeal any escalation decision for incentive and remedy techniques
	Determine if current risks are being mitigated
Determine if newly identified risks/issues are being mitigated	

# Detect



# Incentivise

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- 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

# Incentivise



Control strength	Control
Medium	Determine the conditions for entering and exiting liquidated damages
	Determine the conditions for peer comparison reporting
	Determine the conditions to appeal any decision for liquidated damages
	Determine the conditions to appeal any decision for peer comparison reporting
High	Determine if the significance of poor performance necessitates the use of liquidated damages
	Determine if the significance of poor performance necessitates the use of peer comparison tables
	Determine if performance is improving
	Determine if current risks are being mitigated
	Determine if escalation for other techniques is required

# Incentivise

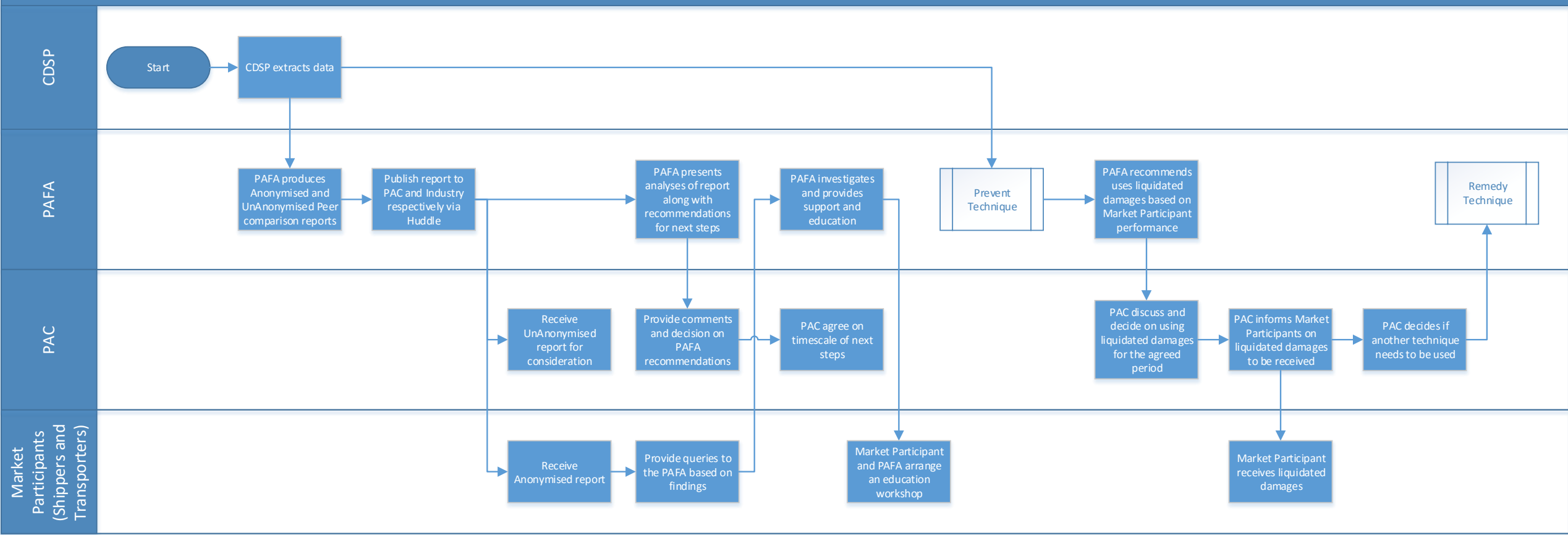
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- Can you incentivise via name and shame?
- Does the liability represent the risk incurred?
  - How would this be quantified?
- Who pays who?
  - How would cash flow be managed and redistributed?
- What happens if a Party doesn't pay?
  - Escalation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



# Incentivise





# Remedy

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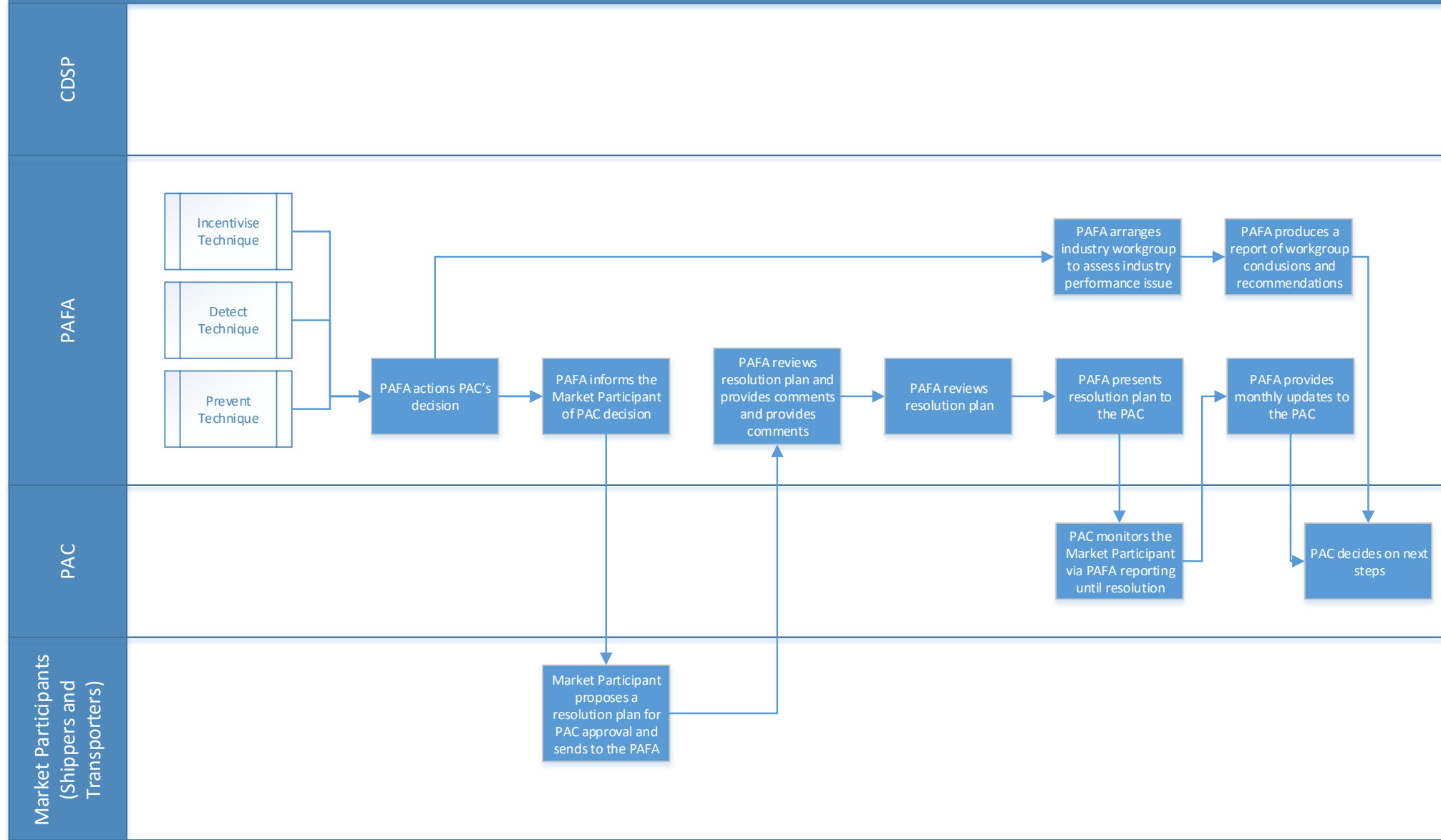
- Used as a last resort once other techniques have been exhausted
- Used to monitor party resolution plans based on PAC exit conditions
- PAFA to provide updates on resolution plan progress at agreed frequency to PAC
- PAC discussion on next steps based on lack of improvement

# Remedy



Control strength	Control
Medium	Determine the conditions to appeal any decision for escalation to UNCC
	Determine the conditions to appeal any decision for expulsion from UNC
High	Define and create resolution plan to improve market participant performance
	Request the PAFA to monitor resolution plan and provide updates
	Determine if escalation to UNCC is required
	Determine if recommendation for expulsion from UNC is required

# Remedy



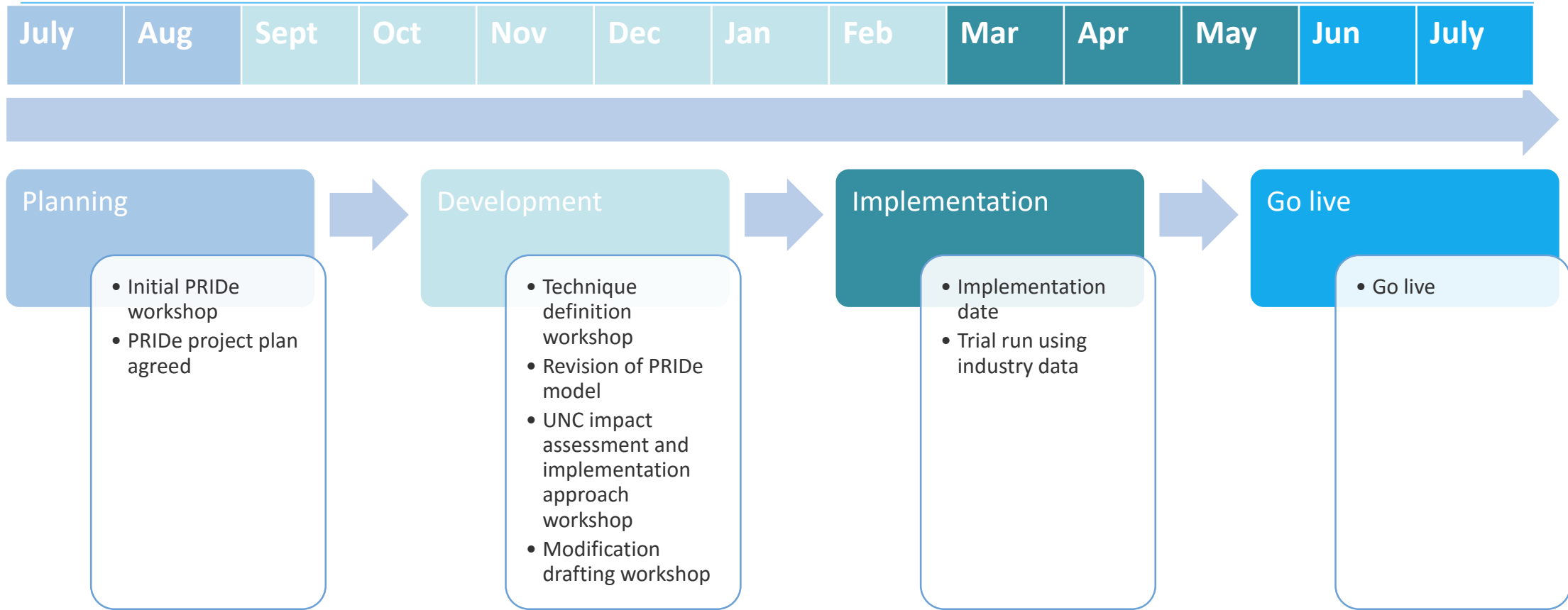
# Appeals process

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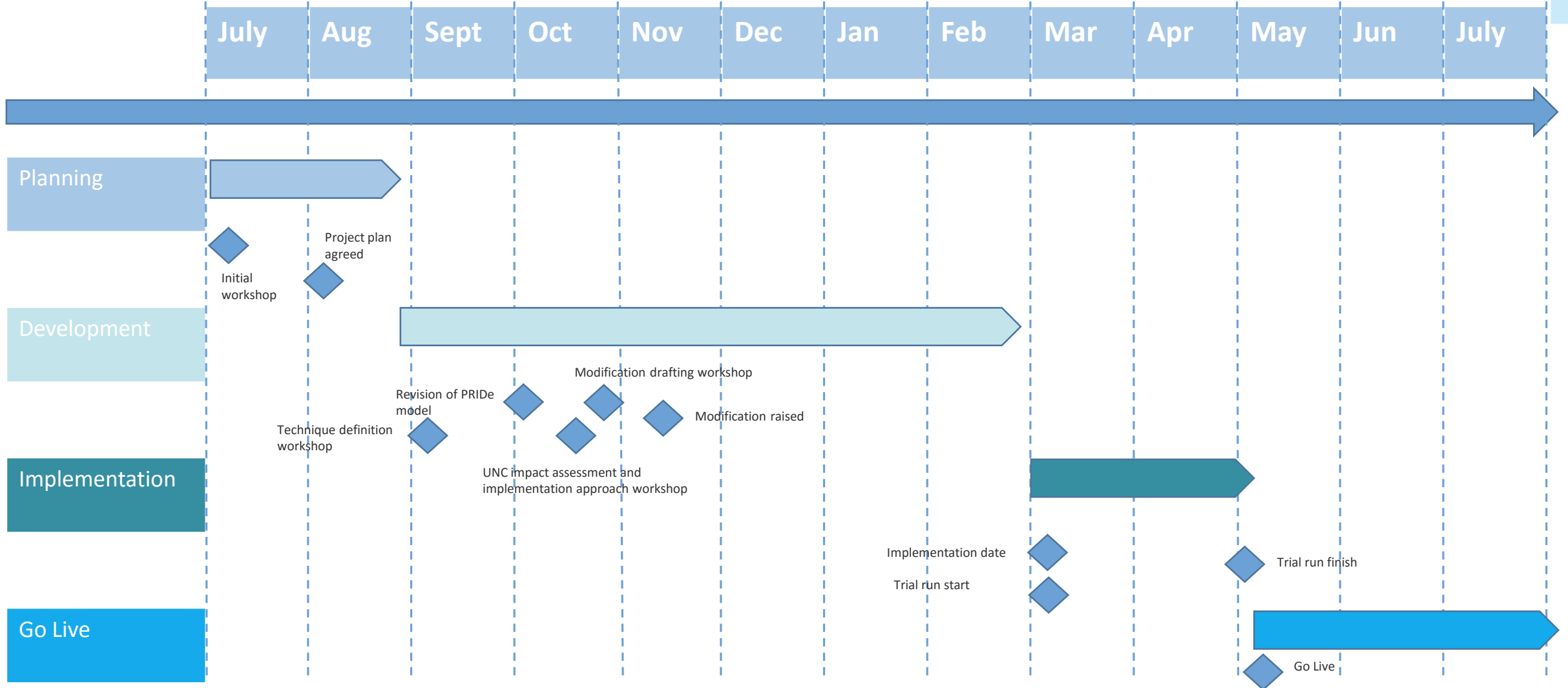


- A Market Participant can appeal the PAC's decision to activate a PRIDe technique if they believe:
  - The due process has not been followed
  - The use of evidence and circumstances has either been over or under emphasised
  - The evidence used has been misinterpreted
- Appeal can be via email to the PAFA or PAC describing the query within 10 Working Days of a decision being made
- The appeal will be considered by the PAC at their next available meeting

# Summary approach



# Timeline



Indicative timeline

# Timeline



Event	Date
Initial PRIDe workshop	25 July 2018
Project plan agreed	August/September 2018
PRIDe technique definition workshop	w/c 17 September 2018
Revision of PRIDe model	9 October 2018
UNC impact assessment and implementation approach workshop	w/c 15 October 2018
Modification drafting workshop	w/c 22 October 2018z
Modification raised	w/c 12 November 2018
Modification process	w/c 12 November 2018 – 18 February 2019
Implementation date	4 March 2019
Trial run using industry data	4 March 2019 – 6 May 2019
Go live	6 May 2019

Indicative timeline

# Conclusions and next steps

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