PAC Strategic Workshop #2

24th May 2022

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INTRODUCTION

- Areas to be covered;
  - Market entry requirements
  - Holistic performance matrix workshop
  - **Data**
  - Report Anonymisation/Meeting Anonymity
  - Provision of real time data
  - Is PARR fit for purpose?
  - **PAC processes**
  - PAC escalation process document
  - Annual Cycle review
  - **Wider industry considerations**
  - Consider longer term impacts of code reform
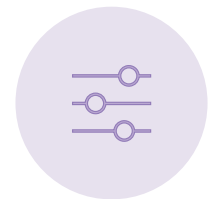 - Training

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RECAP OF STRATEGIC WORKSHOP #1

- Agreed a new PAC Mission Statement;

"To be instrumental in driving, supporting and encouraging industry's continued improvement for gas Settlement performance and risk management."

- PAC agreed to begin work on a new strategy for Performance Assurance Techniques (first draft of the Holistic Performance Matrix was presented at March PAC meeting).

- Considered current UNC targets and wanted to explore how to bring industry up to target incrementally.

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GAS PERFORMANCE ASSURANCE PERFORMANCE IMPROVEMENT PLAN (PIP)

Organisation Name;

Contract Manager (or Senior Manager responsible for successful delivery of the plan);

Date;

Contact Details (email and telephone number);

Area of targeting; Choose an item. If other please state area;

Overall target resolution date; Choose an item.

SECTION 1 – BACKGROUND & CONTEXT FOR ISSUES FACED AND RESOLUTION PLAN

BACKGROUND & CONTEXT [PLEASE INCLUDE ISSUES FACED IN MEETING UNC OBLIGATIONS. PLEASE INCLUDE ANY DEPENDANCIES YOU HAVE AS AN ORGANISATION WHICH MAY HAVE AN AFFECT ON YOUR PERFORMACNE]

PROPOSED RESOLUTION PLAN [PLEASE INCLUDE A HIGHLEVEL DESCRIPTION OF HOW YOU INTEND ON TACKLING YOUR ISSUES]

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SECTION 2 – MILESTONES

IMPROVEMENT AREA	MITIGATING ACTION	MILESTONE DATE
e.g. Moving meters from PC4 Monthly to PC4 Annual	e.g. correcting the read factors and reclassifying meters into the correct class following internal audit. This will ensure the MRF is correct for all meters through this process.	e.g. 22/02/2022

MILESTONE MONTH	PREDICTED % PERFORMANCE	UNC TARGET
e.g. January 2022 etc.	e.g. what you expect your performance to be at as set increments up until UNC target. For example 75%, 82% etc.	e.g. 90%/97.5%

- Agreed to have more rigour around Performance Improvement Plans including;

- New Template to provide alongside letters; and

- Milestones to be requested with forecasts on achieving UNC targets.

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SECTION 3 – ADDITIONAL SUPPORT NEEDS

AREA OF SUPPORT	ADDITIONAL SUPPORT REQUIRED	SOURCE
e.g. Reading Submissions	e.g. Training on how to submit a successful meter read for PC4 monthly	e.g. Xoserve/PAFA support

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Market entry Requirements

To discuss the advantages and drawbacks of Controlled Market Entry in the Gas sector. Discuss areas of risk and mitigations in implementing such a measure.

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MARKET ENTRY REQUIREMENTS

For Discussion

To discuss the advantages and drawbacks of Controlled Market Entry in the Gas sector. Discuss areas of risk and mitigations in implementing such a measure.

Currently no Market Entry requirements on Gas sector.

Licence granted via Ofgem, meeting business suitability thresholds e.g. auditors, companies house information, fee paid ranging from £350 - £1,050.

Electricity currently employ controlled market entry, where parties are taken through the onboarding process, given controlled maximum customer thresholds to ensure they can meet all the demands of customer functions, e.g.;
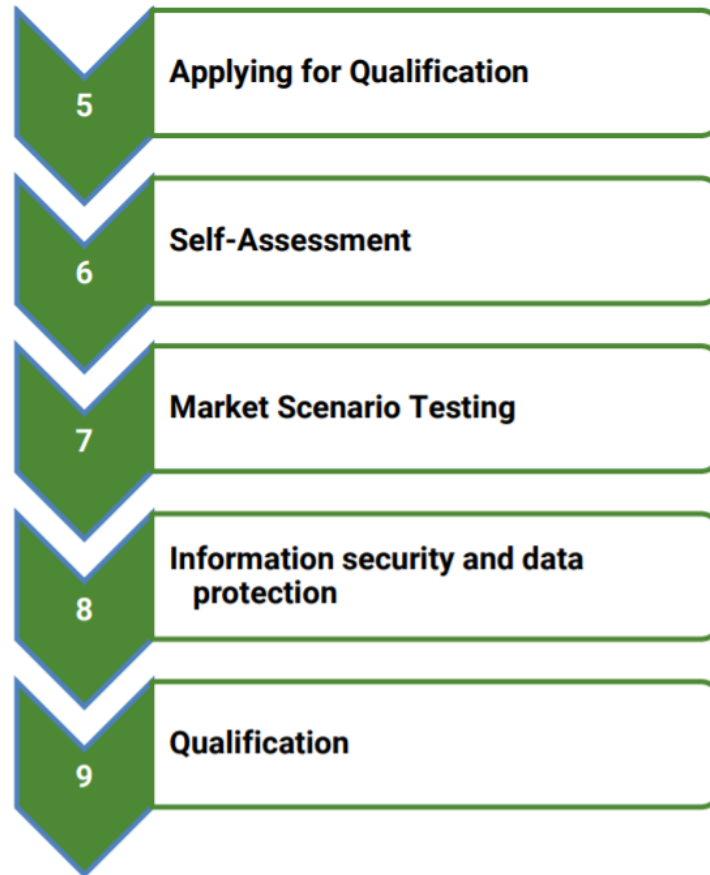
Could market entry requirements of lessened the blow of SOLRs in late 2021?

What would we want to get assurances about? e.g. creditor arrangements, audits, system specifications, knowledge of central systems etc.

submit readings; Transfers; meter management; embed systems; and check interoperability with industry systems etc.

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CURRENT REC PROCESS

5	Applying for Qualification
6	Self-Assessment
7	Market Scenario Testing
8	Information security and data protection
9	Qualification

Source: REC Entry Assessment Information Pack 2021

- Market Scenario Testing includes data flow testing to central systems, Controlled Market entry with a small number of customers to minimise impacts to the wider settlement regime and various audits.

- Have 1-2-1 access to an assessor throughout the processes and various checkpoints at which to assess progress.

- This is reported back to the PAB at various stages.

MARKET ENTRY REQUIREMENTS

For Discussion

To discuss the advantages and drawbacks of Controlled Market Entry in the Gas sector. Discuss areas of risk and mitigations in implementing such a measure.

What are the advantages and drawbacks of market entry?

Should this be a function of the PAC?

Examples of what could be implemented;

- Similar regime to electricity/REC;
- 'Probation' periods which could be extended if parties do not meet criteria/thresholds;
- 1-2-1 mentor;
- Mandatory industry training to be undertaken before complete market entry;

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Holistic Performance Matrix Workshop

Deep dive into the matrix that will provide PAC with a new approach on considering Shipper performance.

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OVERVIEW

At present, the PAFA look at those Shippers performing poorly under UNC targets within each market. Currently this is irrespective of the portfolio size of the Shipper and Annual Quantity (AQ).

At the previous Strategic workshop, the PAC requested the PAFA to develop a renewed approach to targeting poorly performing Shippers.

The new approach would contain a single report which uses a scoring system that takes a holistic view on performance to inform the PAC on which parties to potentially engage with.

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REVISED APPROACH

- A holistic performance matrix has been developed by the PAFA which considers all the data that is available.

- The reports which have combined into one single report are (apply to PC1-PC3 only):
  - Read performance
  - Check reads not completed
  - Shipper Transfer Read performance
  - AQ at risk
  - Aged reads (split by band)
  - AQ read performance (split by Monthly SMART/>293k/Annual) – **PC4 only**

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REPORTING MATRIX – REPORTING DEFINITIONS

- Read performance
  - Takes a the last three months average, which smooths out any anomalies in the data which may have skewed result (highly likely due to the nature of PC1 portfolio)
- Check Reads
  - Converted into the proportion of check reads not completed in the market.
- Shipper Transfer Read Performance
- Aged Reads
  - The value represents the % of meters within the market which have no had a read for 1,2,3 or 4+ years.
  - *Please note the current values are not accurate – has been raised with the DDP team and a fix is to be deployed in the next three weeks*
- AQ at Risk
  - The value represents the % of AQ at risk within each respective market
- AQ Read performance **(PC4 only)**
  - 3-month average of the last three months AQ read performance

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REPORTING MATRIX – SCORING BANDING (PC1)

- The higher the score, the better the performance and therefore the higher the ranking.

Report name	Score				
	5	**4**	**3**	**2**	**1**
Read performance	>97.5%	72% - 97.49%	48% - 71.99%	24% - 47.99%	0- 23.99%
% check reads not completed	0% -24%	25% - 50%	50% - 75%	75% - 99%	100%
Shipper Transfer Read Performance	100%	75% - 99%	50% - 75%	25% - 50%	0% - 25%
Aged reads	0% aged reads across all bandings	Any aged reads in 1 year category	Any aged reads in 2 year category	Any aged reads in 3 year category	Any aged reads in 4 year category.
AQ at risk	0%	1% - 10%	11% - 20%	21%-30%	31%-40%

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REPORTING MATRIX – SCORING BANDING (PC1)

- The total score can be a flat score i.e. taking an addition of each of the five measures.

- However, the PAFA recommend that a weighted score is accounted for, as some categories performance are more important than others.

- The PAFA have applied the current weightings:
  - Read performance (50%)
  - % of check reads not completed (10%)
  - Shipper Transfer Read Performance (10%)
  - Aged Reads (10%)
  - AQ at Risk (10%)

	Shipper A	Shipper B
Read performance	3	4
% check reads not completed	3	3
Shipper Transfer Read Performance	5	1
Aged reads	5	4
AQ at risk	5	1
Total Score	**21**	**13**
Total Weighted score	**25**	**16**

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REPORTING MATRIX – SCORING BANDING (PC4)

- The higher the score, the better the performance and therefore the higher the ranking.

Report name	Score				
	5	**4**	**3**	**2**	**1**
Read performance	>97.5%	72% - 97.49%	48% - 71.99%	24% - 47.99%	0- 23.99%
% check reads not completed	0% -24%	25% - 50%	50% - 75%	75% - 99%	100%
Shipper Transfer Read Performance	100%	75% - 99%	50% - 75%	25% - 50%	0% - 25%
Aged reads	0% aged reads across all bandings	Any aged reads in 1 year category	Any aged reads in 2 year category	Any aged reads in 3 year category	Any aged reads in 4 year category.
AQ at risk	0%	1% - 10%	11% - 20%	21%-30%	31%-40%
AQ read performance	>90%	67.5% - 90%	45% - 67.5%	22.5% - 45%	0% - 22.5%

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REPORTING MATRIX – SCORING BANDING (PC4)

- Similar approach has been taken for PC4

- The PAFA have applied the current weightings:
  - Read performance Monthly **(25%)**
  - Read performance Annual **(25%)**
  - % of check reads not completed **(5%)**
  - Shipper Transfer Read Performance **(5%)**
  - Aged Reads **(10%)**
  - AQ at Risk **(15%)**
    - AQ >293k **(5%)**
    - AQ<293k with SMART/AMR **(5%)**
    - Annual **(5%)**
  - AQ Read Performance
    - AQ >293k **(5%)**
    - AQ<293k with SMART/AMR **(5%)**
    - Annual **(5%)**

	Shipper A	Shipper B
Read performance Monthly	4	5
Read performance Annual	3	5
% check reads not completed	4	4
Shipper Transfer Read Performance	1	3
Aged reads	1	1
AQ at risk (>293k)	4	4
AQ at risk (<293k SMART)	4	4
AQ at risk (Annual)	4	4
AQ Read performance (>293k)	3	3
AQ Read performance (<293k SMART)	4	4
AQ Read performance (Annual)	4	5
Total Score	**36**	**42**
Total Weighted score	**39**	**46**

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Data Section

Report Anonymisation

Provision of real time data (Presentation provided by CDSP)

Is PARR fit for purpose?

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REPORT ANONYMISATION/ MEETING ANONYMITY

For Discussion/Decision

- Current produce two different formats of the monthly PARR suite. Industry view is anonymous and PAC view is non-anonymous.

- Currently in Meetings PAFA use Pseudo names (Capital cities) when reporting on Shippers to preserve anonymity following previous decision to use code names in meetings. Is this still the appetite?

? Why are we anonymising?

- UNC674S would bring in 'Public Peer Comparison Metrics' for all PARR report metrics which will include;
  Shipper name (i.e. not anonymised)
  Rank for the reported month across all shippers
  Rolling 12-month history

What are pros and cons?

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PAC action; PAC to decide whether Pseudo names should still be used within PAC meetings.

Provision of real time data

(CDSP presentation)

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IS PARR SUITE FIT FOR PURPOSE?

For Discussion

- Currently 16 anon reports (13 reports with sub reports) and 24 non-anon reports (15 reports with sub reports)

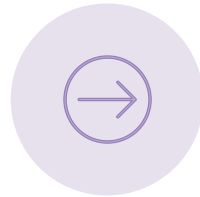- Last PARR review was carried out in 2019.

- Separate workgroup to work through rationale of reports and suitability in current climate

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PAC Process

PAC escalation process document
Annual Cycle Review

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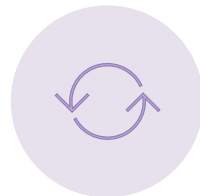
PAC ESCALATION PROCESS DOCUMENT

For Discussion

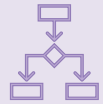- PAC have expressed view for more direction around the escalation process.

- Document created in 2018 which sets out stages of escalation from PARR report to end stages.

- Updated version created to reflect current and future approach.

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ANNUAL CYCLE REVIEW

For Discussion

- Decisions on PAC direction are made by the PAC and require time to bed in and become BAU in order to show results.

- PAC potentially changes every 12 months (Following September elections to join in October).

- Does there need to be some process documents/term of reference changes to ensure that PAC direction does not deviate before an appropriate time has lapsed to allow new strategies to take place?

- What is an appropriate time?
    - 18 months review?
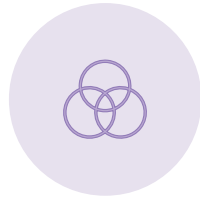   - 24 months review?

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Wider industry considerations

Consider longer term impacts of code reform (REC PAB Chair to present)
Training (presentation provided by CDSP)

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CONSIDER LONGER TERM IMPACTS OF CODE REFORM
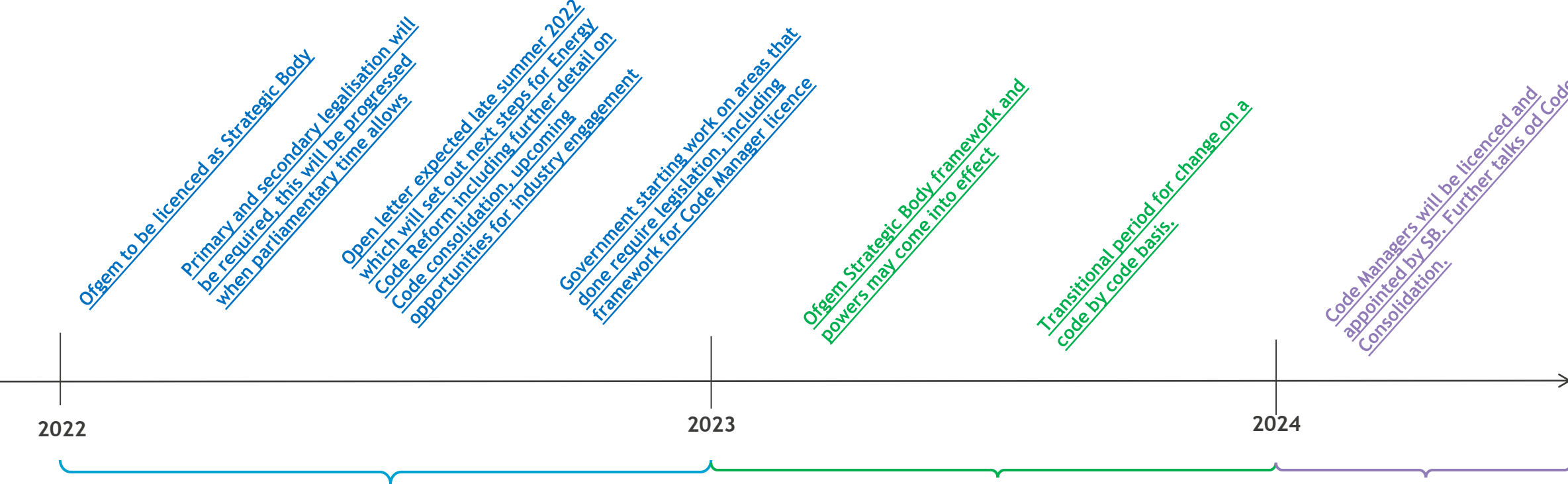
For Discussion

- Code Panels being removed from change structure – what does that mean for a Performance Assurance Committee? More autonomy?

- Relationship with REC PAB (John Dixon to present).

CONSIDER LONGER TERM IMPACTS OF CODE REFORM

Ofgem to be licenced as Strategic Body

Primary and secondary legalisation will be required, this will be progressed when parliamentary time allows

Open letter expected late summer 2022 which will set out next steps for Energy Code Reform including further detail on Code consolidation, upcoming opportunities for industry engagement

Government starting work on areas that done require legislation, including framework for Code Manager licence

Ofgem Strategic Body framework and powers may come into effect

Transitional period for change on a code by code basis.

Code Managers will be licenced and appointed by SB. Further talks od Code Consolidation.

2022

2023

2024

Training

(CDSP presentation)

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