



Modification 0674V - Performance Assurance Techniques and Controls

August 2022

Contents

- Objective
- Background
- Overview of Key Changes under Mod 0674V including “PATs”
- Transitional Arrangements
- Role of PAFA under 0674V
- Reporting under 0674V
- Impact on PAFA contract
- Impact on Reporting

Objective

3

- Brief PAC on recently approved UNC Modification 0674V
- Gain PAC insights into appetite to use its new powers to support an assessment of the current PAFA contract
 - Current PAFA contract runs to June 2023, intending to extend to June 2024 – includes a mechanism to make contract variations
- Also to gain insights to possible impacts on PAC's future reporting budget

Background

- UNC Modification raised 2018 by Scottish Power
- Aim: **“To provide an effective framework for the governance of industry performance that gives industry participants mutual assurance in the accuracy of settlement volume allocation.”**
- Approved by Ofgem 29 July
- Implementation date 1 November 2022
- Link to Mod and supporting material:
<https://www.gasgovernance.co.uk/0674>

Overview of Key Changes under Mod 0674V

5

- Introduces a new Performance Assurance Objective into UNC
 - **To ensure in relation to a Day accurate and timely Settlement for the Day; such accuracy as would be expected if all UNC obligations were met**
- Introduces concept of “PAPs” – Performance Assurance Parties – Shippers, CDSP and relevant Third Parties who can materially impact settlement
- Performance Assurance Framework Document (PAFD) will be “owned” by PAC – can be changed by simple majority, must give 3 months notice of implementation
- Performance Assurance Report Registers (PARR) become part of the PAFD – can also be amended by PAC without recourse to UNCC
- Formalises the existing Performance Assurance techniques and adds new techniques – *Slide 6*
- PAC voting arrangements and membership are unchanged (9 Shippers, 3 Transporters)

Performance Assurance Techniques (PATs)

6

- The Draft PAFD lists the following “PATs” which **can be applied in any order or combination**:
 1. Monitoring – PAC to determine source of data (e.g. CDSP, self-reporting by PAPs, other UNC parties)
 2. Communication (e.g. letters) to PAPs and escalation to more senior management
 3. Communication to other Third Parties who are impacting settlement
 4. Requesting a resolution plan from a UNC Party – template included in PAFD
 5. Requesting attendance at PAC
 6. Training – mandating a party to undertake training *at its own cost*
 7. Audit – mandating a party to be subject to an audit *at its own cost* – PAC to determine who should perform the audit and the scope
 8. Referral to Ofgem – as a last resort
- Only items 6 and 7 are completely new – PAC has used the other measures from time to time previously
- Appeal mechanism against mandated audit or referral to Ofgem – appeal first to PAC and then to UNCC

Transitional Arrangements

- Implementation date specified in Ofgem decision: 1st November 2022
- PAFD specifies implementation activities including:
 - Industry communication
 - Awareness event
 - Training sessions
 - Gathering contact details for each Shipper
- Existing plans would remain in place
- New PATs would not be used for at least 6 weeks after implementation (and no new engagements related to poor performance in that period)

Role of PAFA under 0674V

- New PAFD (7.1) specifies the following PAFA services - ✓ = *in current PAFA scope*
 - Management of a Register of Risks to Gas Settlement ✓
 - Development/maintenance (including periodic updates) of a Gas Settlement Risk Model ✓
 - Collation, validation, publication and interpretation of a suite of reports on Shipper Performance, with appropriate versions for each channel ✓
 - Provision of expert advice on Gas Settlement and associated risks ✓
 - Administration of the service ✓
 - Management of changes to the service ✓
 - Liaison with UNC parties in relation to areas of Settlement performance ✓
 - Use of Performance Assurance Techniques (PATs) as requested by PAC – **NEW**
 - Co-ordination of the Annual PAF Review ✓
 - On request champion UNC Modifications that are relevant to Settlement and/or Performance Assurance (where the Modification Proposer is unable to do so) ✓ - *in scope but no specific time assigned in the contract*

Reporting to PAC

- PAC now fully “owns” the Report Register and does not need UNCC approval of changes – Report Register is an Appendix within PAFD
- Draft PAFD includes reports up to V3.0 of the PARR – reports 2A.13 and 2B.16 may need to be added, plus other V4.0 updates
- PAC may also request any data that reasonably relates to Gas Settlement performance, without anonymisation
- Requests could go to CDSP, Shippers or DNs

Impact on PAFA Contract

- PAFA current contract is based on 3 new Shipper performance plans per quarter
- Contract already extended to cover seeing the remaining 48 plans from the previous contract through to completion
- **Question for PAC:** following implementation of 0674V what is the PAC appetite (and industry bandwidth) for further plans? Do we need a further contract variation?
- Class 4 EUC01 sites with no reads provided as an example of an area of low performance
- *Note:* PAFA is currently developing a “Holistic Performance Matrix” (balanced scorecard approach) which could help to identify parties which would benefit from application of PATs

% of Class 4 MPRNs with reading not received for 1, 2, 3 or 4 years by EUC01				
Shipper Name	May-22			
	1 Yr	2 Yr	3 Yr	4 Yr
Bamako	0.00%	0.00%	0.00%	100.00%
Bishek	0.00%	0.00%	0.00%	100.00%
Maputo	0.00%	0.00%	0.00%	100.00%
Ashgabat	2.78%	8.33%	13.89%	36.11%
Reykjavik	7.69%	2.20%	4.40%	21.98%
Djibouti	6.76%	4.34%	4.46%	15.43%
Saipan	9.21%	2.63%	2.63%	13.16%
Ramallah	0.00%	0.00%	0.00%	12.50%
Roseau	13.43%	6.34%	3.22%	8.37%
Lisbon	5.35%	1.67%	1.50%	7.94%
Kampala	0.00%	0.00%	7.69%	7.69%
Prague	5.00%	2.77%	2.03%	7.03%
Luanda	8.35%	4.27%	1.95%	6.42%
Bucharest	10.35%	5.31%	4.18%	5.76%
Rome	10.69%	8.13%	2.27%	4.51%
Majuro	5.12%	1.93%	2.00%	4.48%
Papeete	5.94%	3.14%	1.49%	4.20%
Philipsburg	7.70%	7.18%	2.14%	3.84%
Praia	18.83%	7.71%	3.04%	3.66%
Gaborone	20.00%	3.33%	1.11%	3.33%

Impact on Reporting

11

- Bringing the PARR into PAFD and giving PAC ownership will make it easier for PAC to make updates – July agenda item re: scope of review of the PARR was carried over to August PAC
- **Question for PAC:** are there any immediate areas of extra Adhoc (i.e. non-PARR) reporting or new PARR reports? Do we need to increase PAC's annual reporting budget for 2023/24 to cover more than just the planned DDP sprints?



Thank You