

Performance Assurance Committee Minutes
09.00am Wednesday 27 July 2016
via teleconference

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Bob Fletcher (Secretary)	(BF)	Joint Office
Andrew Margan	(AM)	Shipper Member
Angela Love	(AL)	Independent Member
Colette Baldwin	(CB)	Shipper Member
Fiona Cottam	(FC)	Observer, Xoserve
Fraser Mathieson	(FM)	Transporter Member
John Welch	(JW)	Alternate Shipper Member
Jon Dixon	(JD)	Observer, Ofgem
Rachel Hinsley	(RH)	Observer, Xoserve
Richard Pomroy	(RP)	Transporter Member

Copies of all papers are available at: www.gasgovernance.co.uk/PAC/270716

1. Introduction and Status Review

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

1.1 Apologies for absence

Andy Clasper, Transporter Member.

Edd Hunter, Shipper Member.

1.2 Note of Alternates

John Welch for Edd Hunter.

2. Review of Minutes (29 June 2016)

AL noted that letters of appointment were discussed but not included in the minutes; therefore she would appreciate if this item could be included in a republished version.

CB requested that her apologies be noted in the last minutes.

The minutes of the previous meeting (29 June 2016) were then approved.

3. Terms of Reference

LJ confirmed that the Uniform Network Code Committee (UNCC) had approved the request for a reduced membership/quoracy. For the interim phase (until 30 September 2016) this has been agreed as four Members in attendance at each meeting (including 2 Shippers and 2 Transporters).

The Terms of Reference (ToR) were reviewed and approved.

New ToR Issue:

LJ explained as part of the UNC committees appointment process for 2016/17, 7 Shippers nominations have been received for 5 PAC appointments. It had been suggested that Shipper members should be increased to include the additional nominations and he requested member views

Members noted:

- 1 It is rarely good governance to adjust policy in light of an emerging situation; rules should be principle-based.
- 2 The current membership was determined as a result of the formal Modification process - having been industry assessed, consulted upon, recommended by Panel and approved by Ofgem. To change this would need a strong case.
- 3 The membership would be unequal (Shippers/Transporters) - but this might not be an issue given the scope of PAC.

Views expressed were:

- The membership of 5 was set at an arbitrary level at the onset and was always expected to be reviewed.
- PAC is not a representative model - all members are independent (secured via letters 'insulating' them from outside influence). The collective skills and knowledge of members is more relevant.
- In an environment where other sub-committees struggle for members, the opportunity to encourage wider participation should not be overlooked.
- Principle of balanced committee membership is well established and can be seen across most formal bodies in the UNC, however two examples were provided where this is not the case (EBCC and Offtake Committee)
- Asymmetric voting can work, as long as the Framework is adjusted to accommodate this (eg Shipper members only voting on Shipper matters etc).

The PAC recommendation was a majority (4 to 2) in support of the change of User membership to seven (7).

4. Review the Performance Assurance Framework (PAF) Document

LJ confirmed the documents had been circulated to members and he requested that any comments should be sent through a.s.a.p. so that any amendments could be tabled for approval at the next meeting.

LJ suggested that the appointment review process should be addressed at a point in the future, as it was not an essential item that needed to be resolved at this time.

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

FC provided an overview of procurement process to be adopted by Xoserve and advised that they would be drawing on experience from the recent AUGE procurement process.

The procurement timeline was challenged by a number of members as they felt it would impact the establishment of the PAFA and performance assurance regime in time for Nexus implementation.

LJ suggested this is the Xoserve recommended procurement process and to follow an alternative option would create a significant risk to the procurement event.

CB challenged how this process timeline would impact the CMA report conclusions for the establishment of a performance assurance regime. JD confirmed that their view would prefer to see this in place for Nexus go-live, although they have challenged whether the timeline could be flexed to deliver the agreement in time for next Spring.

FC advised that recent changes to the procurement process/law means that more information needs to be available to inform the bidding process, including a draft agreement. Therefore they needed information/direction from PAC asap before notices could be issued.

AL asked if the AUGE contract could be used as the basis for the draft agreement. FC advised that excluding the fact that the AUGE agreement is confidential and it could not be circulated, the PAF procurement guidelines set out that PAC agree the process, structure and nature of the agreement and the services to be provided and these are not a factor of the AUGE agreement.

RP suggested that the guidelines document might need to be amended to ensure the timelines could be compressed so that a spring target can be met in the procurement process.

LJ advised that the PAC needs to complete its instructions to Xoserve before the procurement notices can be issued. AL queried how there have been a number of industry projects recently, where she understood the OJEU process was not required, but where there are significant pieces of work, in particular around FGO and Nexus. She wondered if there are other means for awarding contracts, such a framework arrangement, which might reduce the timescales involved. JW was concerned under this proposed model, the PAFA becomes more of administrator rather than an expert that provides the detailed services when required, there is a risk that more parties become involved watering down the services provided. FC advised that Xoserve, being owned by regulated businesses, are caught by the OJEU requirements. CB wondered whether CDSP would change this.

AL suggested the timeline is reviewed so that the time critical events are logged and highlighting where there is likely to be flexibility in the process.

AM wanted to know why this event is initially set out as exceeding that used in the AUGE procurement event which was between 3 and 4 months following signing the confidentially agreement. FC advised that the AUGE process already existed and just needed to be amended to suit the newer requirements.

CB would like to see the Engage model being made available for use by the PAFA. JD agreed that it would need to be verified but from memory he felt the model should be available for the PAFA use and further development if needed.

AL wanted to see oversight of the PAFA by PAC so that they can direct additional work to or create alternative risk models as needed.

LJ suggested that the Guidelines document may need to be reviewed to that the PAFA picks up, maintains and enhances where necessary the Engage Risk model.

AL asked if a widely circulated update could be provided to ensure all parties who may be interested/capable are included in the procurement process.

FC advised that enquiries from interested parties should be sent to xoserve.tenders@xoserve.com.

LJ asked members to note that PAC needs as a matter of some urgency to clarify/approve and provide to Xoserve:

- Criteria for Appointment including weightings (Guidelines 6.1.1);
- Draft recitals/introduction for the PAFA contract (Guidelines 6.1.3);
- Responses to requests for clarification as they arise.

A response is to be sent to FC by LJ once members have confirmed the approach.

6. Issues List

Deferred to the 31 August Meeting

7. Review of Actions Outstanding

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: Deferred to the 31 August Meeting. **Carried forward**

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: Deferred to the 31 August Meeting **Carried forward**

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

Update: Deferred to the 31 August Meeting. **Carried forward**

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 31 August Meeting. **Carried forward**

0605: *PAC Issues List* - LJ to produce a PAC Issues List for review at the next meeting.

Update: Published for review; see 6, above. **Closed**

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: Deferred to the 31 August Meeting. **Carried forward**

0607: *Procurement* - All to consider and list what information the PAC should require from the bidders.

Update: See Section 5 above **Closed**

0608: *Procurement* - RP to approach Xoserve for a timetable for the procurement process.

Update: See discussion under item 5. Above. **Closed**

8. Next Steps

LJ confirmed the following for discussion at the next meeting:

- *Review draft documentation circulated and any comments received;*
- *Clarify procurement process requirements prior to submitting to Xoserve;*
- *UNCC consideration of membership.*

JD requested the implementation approach/Plan be discussed at the 19 September meeting.

9. Any Other Business

None raised.

10. Diary PlanningFurther details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Meetings have been arranged as follows:

Time/Date	Venue	Programme
10:00, Wednesday 31 August 2016	Room 6F1, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>Review draft documentation circulated and any comments received</i> <i>Clarify procurement process requirements</i>
10:00, Monday 19 September 2016	Room 6F1, Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<i>Implementation Plan and Approach</i>

Action Table (27 July 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	<i>By 31 August 2016</i> 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	<i>By 31 August 2016</i> 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	<i>By 31 August 2016</i> Carried forward
PAC 0604	29/06/16	3.	<i>'Performance Assurance Framework Document': Document 5</i> - 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	<i>By 31 August 2016</i> Carried forward

Action Table (27 July 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
PAC 0605	29/06/16	3.	<i>PAC Issues List</i> - LJ to produce a PAC Issues List for review at the next meeting.	LJ	Closed
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	<i>By 31 August 2016</i> Carried forward
PAC 0607	29/06/16	4.	<i>Procurement</i> - All to consider and list what information the PAC should require from the bidders.	ALL	Closed
PAC 0608	29/06/16	4.	<i>Procurement</i> - RP to approach Xoserve for a timetable for the procurement process.	ALL	Closed