

**UNC Workgroup 0674 Minutes
Performance Assurance Techniques and Controls**

Wednesday 26 June 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Alan Raper / Bob Fletcher (Chair)	(AR)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Andy Clasper	(AC)	Cadent
Anne Jackson	(AJ)	Gemserv
Beth Brown*	(BB)	Elxon
Carl Whitehouse*	(CW)	Shell Energy Retail Ltd
Gurvinder Dosanjh	(GD)	Cadent
Karen Kennedy	(KK)	British Gas
Leanne Jackson	(LJ)	Xoserve
Mark Bellman	(MB)	ScottishPower
Mark Jones	(MJ)	SSE

* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0674/260619>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 September 2019.

1.0 Introduction and Status

1.1. Approval of minutes (20 May 2019)

The minutes from the previous meeting were approved.

2.0 Consideration of Amended Modification

Whilst there was no specific amended modification to consider at the meeting, AJ briefly explained that the intention was to provide an amended modification in time for consideration at the July meeting. This would be following a meeting with the Transporters lawyers to seek views on the proposed approach.

In noting that the Workgroup Report is due to be submitted to the 19 September 2019 Panel for consideration, BF pointed out that after the July Workgroup meeting there would only be time for a further two meetings in order to consider the key elements such as the business rules / legal text etc.

AJ went on to explain that the intention is to 'cover off' incentives and sanctions via a separate modification to be raised at some point in the future. Furthermore, it should be noted that the market entry testing related ancillary document from this exercise on the grounds that they are already related to the Significant Code Review (SCR) aspects.

3.0 PAF Approach - Strawman

Item not specifically addressed during meeting.

4.0 Consideration of PAF Principles

Item not specifically addressed during meeting.

5.0 Development of Ancillary Documents

When AJ provided an overview of the Gemserv (and ScottishPower) '*Ancillary Document Development*' presentation.

Attention focused initially on the '*1. Performance Assurance Framework*' slide during which each bullet point was debated by the Workgroup at length. The main points from the discussions are detailed below:

- Budget
 - Original PAC change budget of circa £50k subsequently increased to circa £75k;
 - The 'original' £50k provision was the result of the absence of a specific reporting requirement identified – in essence, it was an 'educated guess' at a historical point in time;
 - PARR reports are already included in the PAC budget provision;
 - Request for one report resulted in a quoted cost of circa £45k which some parties believe constrains PACs ability to undertake the necessary actions;
 - MB confirmed that it is not the intention of Modification 0674 to look to set the PAC budget going forwards, although he does believe that the supporting budget approvals process could be included within the modification;
 - It was noted that a supporting DSC Contract / Change Management Committee business case would be needed for any budget provisions, as the budget is funded via services lines approved by the DSC Contract Management Committee, from which the PAC 'draws down' funds;
 - Whilst approval of PAC change budget service line is via DSC Contract Management Committee, retention of a level of flexibility is important;
 - Whilst some parties believe that DSC Contract Management Committee approval of the PAC budget poses a potential risk, it is noted that having a challenge point for any PAC budget requests provides an opportunity to ensure that appropriate justification is present;
 - BF provided a brief explanation of how historical PAC budget requests had been managed in the past, and how extraordinary requests could be processed via a new UNC Modification (including the associated funding provisions) should the need arise – regardless of route, care is needed to avoid constraining PACs ability to access funds when needed in order to remain as 'agile' as possible;
 - Concerns voiced around whether there could be potential 'tensions' between PACs view of industry improvement requirements and that of the DSC Contract Committee members view;
 - It was suggested that extra consideration and care is needed when considering budget requests over and above the (previously) agreed funding provision (i.e. extra spending via the Change Proposal based mechanism);
 - It was noted that it would be doubtful that the DSC Contract Management Committee would withhold funding in instances where a suitable justification was present;
- Access to data

- It was noted that the PACs general feel is that the PARR reports are fundamentally two dimensional and that further teasing out of enhanced data will greatly improve matters;
- LJ pointed out that there are already provisions in place (and being developed) to improve data and reporting provisions, whilst lessons learnt from 2018 / 19 would also be carried forwards;
- Remains a 'balance' between data provision to the PAC and Xoserve change prioritisation, in short, the budget is seen as being one of many potential PAC constraint points;
- Concerns highlighted around apparent inconsistent messages emanating from Xoserve regarding their prioritisation processes (i.e. differing messages to both PAC and DSC audiences). It was noted that for the avoidance of doubt, the prioritisation assessments are undertaken in accordance with agreed procedures and not simply an Xoserve view – the alternative option is to raise a specific UNC Modification;
- Concerns were voiced that at times it has taken up to 2 years in some instances for information to be provided to the PAC (in a suitable form) to enable it to discharge its responsibilities and progress risks and issues in a timely manner;
- It was noted that Priority Change Proposals (PCPs) could be one potential answer to the concerns being voiced;
- In recognising the delays imposed by UNC Modification 0520A reporting requirements, it was noted that Xoserve are working towards better alignment of the PARR and Shipper Change Pack communications going forward;
- When MB pondered whether the issue actually relates to the PAC budget or the annual budget planning aspects (and could therefore be included within 0674 going forwards), AR made reference to the Performance Assurance Framework suggesting that the bulk of these elements are already included – accepting the point, MB agreed to consider what elements should / should not be included within the modification (i.e. PAFA to undertake an annual budget assessment exercise);
 - It was suggested that a view of the potential Xoserve (service line) costs would be beneficial and could be incorporated within the planning phase;

New Action PAC0601: <i>Reference PAC Annual Budget Planning – ScottishPower (MB) and PAFA (AJ) to consider incorporating a PAFA Annual Budget and Planning requirement within UNC Modification 0674.</i>

- LJ advised that should the general consensus be that the PAC reporting requirements and requests should be a higher priority, this should be highlighted to the DSC Contract / Change Management Committees – parties were asked to note that satisfying H&SE requirements would take priority
- It was noted that Gemserv (PAFA) access to data needs further consideration;

New Action PAC0602: <i>Reference DSC PAC Budget and Report Prioritisation – Xoserve (LJ) to investigate what if any PAC prioritisation mechanism exists; how PAC requests are made visible and whether a</i>

PAC self-service provision (including access for the PAFA) could be developed / provided.

- LJ explained that all reports that are currently part of the PARR reporting provisions would continue to be produced going forward;

New Action PAC0603: *Reference DSC PAC Budget and Report Prioritisation* – Xoserve (LJ) to ascertain what Data Protection and/or commercial barriers exist that could potentially constrain the PAFAs access to data (anonymised / non-anonymised) in order for it to deliver new PAC information requests.

- It was noted that a 'balanced' view would be needed in assessing what data the PAC would need in order to make an informed decision versus what information the PAFA would need to view in order to provide information to the PAC – in short, what, if any, are the advantages of PAC seeing 'raw' data;
- It was noted that the PAFA identifies data / concerns / risks which PAC assess when undertaking their decisions. It is acknowledged that whilst this information could take the form of anonymised data for PAC purposes, the PAFA would need access to non-anonymised data in order to successfully fulfil its role;
 - Care needed in 'matching' UNC Modification 0520A provisions and the value in PAC having visibility on non-anonymised data;
 - Where the information being viewed related to a PAC Member, it would be expected that that Member would declare 'a conflict of interest' and exclude themselves from any discussions;
- Central service provider performance considerations
 - Discussions centred around the benefit (or not) of PAC focusing attention on the performance of other industry parties such as the CDSP and DMSP;
 - BF reminded those present that the CDSP (Xoserve) are not a Code signatory and are 'managed' (governed) through the Data Services Contract in terms of performance and as a consequence, should not be perceived as a (full) Code party;
 - It was also pointed out that the DMSP is the responsibility of Transporters separate contracting arrangements. Transporters are subject to DM liabilities within Code. It was noted that Scotia Gas Networks has its own DMSP provision and all the other Transporters share another DMSP and that these are set up on an unique LDZ specific basis;
 - There are established DM read performance provisions to fall back on;
 - Care is needed to ensure that the main focus is on the performance aspects of UNC Parties, as it is those that PAC can challenge from a poor performance perspective;
- Explicit IGT data
 - When BF explained how the various industry parties' relationships work and how they might potentially impact upon the PAC Performance Assessments (i.e. settlement etc.), MB agreed to pursue the matter offline with AJ after the meeting;

- It was noted that a reciprocal IGT Modification may be needed in due course;
- Ensuring performance report costing
 - Questions asked as to who should be responsible for informing Proposers of the need to clearly consider PAC requirements when developing / raising new UNC Modifications that potentially have a PAC (reporting related) impact;
 - MB explained that it is proposed that the PAFA would undertake a new role in assessing new modifications – in short, a high level initial assessment of whether there are any new reporting provision requirements or potential risks;
 - LJ outlined a possible Xoserve interface mechanism;
 - It was noted that in order to facilitate the required changes going forwards all that might be needed is a simple tweak to the (UNC) modification templates (i.e. a quick 'tick list' based provision);
 - Consideration of Code provisions such as TPD Section V, paragraphs 12 and / or 16 required – care needed in understanding the subtle detailed requirements;
- Role / Engagement of the Customer Account Managers (CAMs)
 - Discussion focused on expanding the (communications) role of the CAMs to enable them to provide more active feedback to the PAC based on their strategic positioning and industry engagement;
 - It was acknowledged that feedback is of paramount importance, especially during the early stages of a PAC performance assessment;
 - Reference was made to the Operational Services Managers (OSMs) model utilised within the equivalent electricity market;
 - It was noted that the OSMs do not directly undertake an audit role, but do provide a Red / Amber / Green (RAG) based (weekly / monthly) update;
 - When LJ advised that Xoserve's CAMs are already actively engaging with shipper, it was stated that this fact is not necessarily reaching the PAC;
 - It was recognised that improvements had been made in respect of improving Shipper poor performance with the adoption of a process by which Shippers are providing the PAFA with their resolution plans;
 - Whilst valuing the CAMs involvement, it might be that PACs expectations might be unrealistic in this regard;
 - It was suggested that perhaps all that is needed is a form of 'heads up' mechanism;

<p>New Action PAC0604: <i>Reference CAMs Information Provision – Xoserve (LJ) to consider how best to share the CAM information that could assist & influence PAC considerations.</i></p>
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- Role / Engagement of the PAFA in performance assurance

- In noting that this area had been broadly covered under the various discussions above, MB went on to outline the last 12 months of PAC operations, including PAF and Schedule 2 aspects;

The Workgroup then turned their attention to the '2. Performance Assurance Techniques (PATs)' slide during which each bullet point was debated by the Workgroup at length. The main points from the discussions are teased out as follows:

- Shipper communication
 - It was noted that the first two points are essential a 'heads up' facility that is utilised to inform parties ahead of the issuing (where necessary) of the poor performance letters;
 - It was suggested that PAC should also look to consider poor behavioural aspects (i.e. post Nexus read requirement related issues, ageing related aspects and none Code compliance etc.), which could be 'covered off' via the observation and poor performance letters and supplemented with verbal engagement;
- PAC Meeting / call in
 - It was noted that milestone plans should be realistic and achievable;
 - Constructive engagement helps to focus on any underlying causes and therefore aids resolution of performance issues;
- Requirement to attend training or education day
 - It is not clear whether the PAFA refers to the appropriate PARR reports when undertaking training / education days;
- Audit
 - MB provided an outline of the equivalent electricity model;
- Report to Ofgem
 - Any report should include underlying statistics and evidence.

When AR suggested that the list could always be enhanced going forwards, some parties felt that early engagement with poor performing parties (before matters escalate to a face-to-face discussion at a PAC meeting) would be beneficial. It was suggested that this is something that could be considered in more detail during development of the modification – a point acknowledged by MB who suggested that perhaps a 'diagnostic' style approach could prove beneficial.

When it was noted that there is a potential role for Xoserve, as they are best placed to engage with the industry, LJ responded by explaining that they (Xoserve) are proactively looking to identify potential issues and engage with impacted parties as soon as possible.

6.0 Appeals Process

The Workgroup discussed the value of developing a full Appeals Process at this stage, given that the development of Incentives and Sanction aspects of the proposal are on hold.

It was suggested that an appeal against a PAC decision to Audit a party or refer a party to Ofgem may require a form of appeal but the view was that at this stage could be built into the PAC decision making process.

It was noted that an absence of a suitable appeals process would mean parties using the UNC general appeals process which would not be suitable for these situations.

7.0 Development of Workgroup Report

Consideration deferred.

8.0 Review of Outstanding Actions

None.

9.0 Next Steps

AR outlined the next steps as being:

- Provision of an amended modification (in line with the above discussions) and including a review of the Section 5 content;
- Consideration of the (draft) Ancillary Documents, and
- Development of the Workgroup Report (including potential business rules and legal text aspects).

10.0 Any Other Business

None.

11.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Monday 29 July 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Agenda, plus: <ul style="list-style-type: none"> • Consideration of amended modification • Consideration of ancillary documents • Development of Workgroup Report

Action Table (as at 26 June 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0601	26/06/19	5.0	<i>Reference PAC Annual Budget Planning</i> – ScottishPower (MB) and PAFA (AJ) to consider incorporating a PAFA Annual Budget and Planning requirement within UNC Modification 0674.	ScottishPower (MB)	Pending
0602	26/06/19	5.0	<i>Reference DSC PAC Budget and Report Prioritisation</i> – Xoserve (LJ) to investigate what if any PAC prioritisation mechanism exists; how	Xoserve (LJ)	Pending

			PAC requests are made visible and whether a PAC self-service provision (including access for the PAFA) could be developed / provided.		
0603	26/06/19	5.0	<i>Reference DSC PAC Budget and Report Prioritisation</i> – Xoserve (LJ) to ascertain what Data Protection and/or commercial barriers exist that could potentially constrain the PAFAs access to data (anonymised / non-anonymised) in order for it to deliver new PAC information requests.	Xoserve (LJ)	Pending
0604	26/06/19	5.0	<i>Reference CAMs Information Provision</i> – Xoserve (LJ) to consider how best to share the CAM information that could assist & influence PAC considerations.	Xoserve (LJ)	Pending