

UNC Workgroup 0674 Minutes
Performance Assurance Techniques and Controls
Wednesday 24 June 2020
via Teleconference

Attendees

Alan Raper (Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Andy Clasper	(AC)	Cadent
Claire Louise Roberts	(CLR)	ScottishPower
Fiona Cottam	(FC)	Xoserve
Jennifer Smith	(JS)	Hudson Energy
Kirsty Dudley	(KD)	E. ON
Leteria Beccano	(LB)	Wales & West Utilities
Mark Bellman	(MB)	ScottishPower
Nic Horsfield	(NH)	Mercatis
Richard Pomroy	(RP)	Wales & West Utilities
Sallyann Blackett	(SB)	E.ON
Sally Hardman	(SH)	SGN
Shelley Rouse	(SR)	Gemserv
Steve Williams	(SW)	Eni
Tracey Saunders	(TS)	Northern Gas Networks

** via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0674/240620>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 August 2020.

1.0 Introduction and Status

1.1. Approval of minutes (26 May 2020)

The minutes from the previous meeting were approved.

1.2. Review of Outstanding Actions

Action 0301: ScottishPower (MB) to include the Document 4 PAFA Scope and PAC Review within the Modification.

Update: MB said this action could now be closed as the Document 4 PAFA Scope and PAC review had now been encompassed within the Modification. **Closed.**

Action 0204: Joint Office (AR), ScottishPower (AM) Gemserv (AJ) and Cadent (AC) to produce a Governance Model diagram show how the ancillary documents are linked.

Update: AR said this action could now be closed as the Governance Model diagram had been produced. **Closed**

0404: ScottishPower (MB) and Gemserv (SR) to investigate and clarify the PAC operating principles.

Update: MB and Shelley Rouse (SR) confirmed this action could now be closed as the PAC operating principles had been confirmed. **Closed.**

Action 0501: All to provide feedback and comments on the Framework (PAF D) Document, to Mark Bellman via Mark Bellman Mark.Bellman@scottishpower.com by close of play on **10 June 2020.**

Update: MB confirmed he had not received any feedback and so this action could be closed. **Closed**

Action 0502: ScottishPower (MB) to amend the wording in Section 7 of the Modification in relation to 'funds from Xoserve'.

Update: MB said this action could be closed as the wording in Section 7 had now been included within the amended Modification. **Closed**

Action 0503: Joint Office (AR) to include the topic of review of PAC letters to the June PAC agenda for further discussion.

Update: AR confirmed this topic had been discussed at PAC and so this action could now be closed. **Closed**

Action 0504: ScottishPower (MB) to submit a further amended Modification v9.2 so the revised legal text can be aligned to these changes.

Update: MB confirmed that an updated version of the amended Modification v11.0 had been submitted and so the action could now be closed. **Closed**

Action 0505: Joint Office (AR) to add an agenda item to the UNCC June agenda in relation to the updated PAC Terms of Reference and Section V16.2.1 of the Code to clarify PAC voting arrangements; constituency majorities versus simple majority voting

Update: AR confirmed this action could now be closed as it was being discussed as part of the UNCC agenda. **Closed**

Action 0506: Xoserve (FC) to provide for details regarding Section 13.0, Support for UNC Parties within the PAF Document, concerning general training, tailored training on request and support.

Update: AR confirmed this action could now be closed as this topic was now encompassed within the PAF D document. **Closed**

Richard Pomroy (RP) wanted clarification with regards to expenditure required by Xoserve and how this would be funded and managed. MB said that PAC would ask for funds by raising a DSC Change Proposal, as per the usual Change Proposal raising procedure. RP said that only DSC Committee Members were able to raise a Change Proposal and so this area needed to be reviewed and clarified. MB said he would make further investigations in relation to this matter.

<p>New Action 0601: ScottishPower (MB) to investigate the DSC Change Proposal raising procedure in relation at to which parties have the authority to request and raise a Change Proposal.</p>

Kirsty Dudley (KD) said that it was up to MB as the Proposer, to designate who should raise the Change Proposal in PAC or the DSC. MB said his preference was for PAC to raise a Change Proposal, in order to control the nature of the change requested.

RP said if PAC were going to raise the Change Proposal then it would have to be owned by a specific individual in order to progress it. MB said this would be delegated to the PAFA, but raised in the name of PAC, with the work undertaken by the PAFA. Alan Raper (AR) said from a governance perspective it may be problematic if PAFA took the lead, if as there were any required alterations, this would then have to be returned to PAC for any amendments to be agreed.

2.0 Review of amended Modification v11.0, merged with

3.0 Review of proposed PAC constitution arrangements drafted to reflect the DSC, autonomous Committee

AR said from a consistency perspective, that it made more sense to combine these agenda items in view of the way the Modification is now drafted.

AR explained that the amended Modification v11.0 now contained the constitution arrangements, however he proposed that an overview should initially be carried out using the amended v10.0 as this version contained all the changes in relation to Business Rule 7 of the Solution. MB agreed to this suggestion and he then provided an overview of the specific changes or alterations.

Richard Pomroy (RP) said that he did not agree with the following point in Business Rule 7 of the Solution, in relation to the term bipartisan and suggested it should be un-partisan and exercisable in relation to voting. *“PAC will be added to “UNC – Modification Rules 6.1.1” as a Proposer to raise performance-related modifications. This has the benefit that the proposal is bi-partisan, and in the interests of the industry not a single UNC Party. Controls over this power will be that the proposal is.”*

MB said that he wanted the option for a decision to be able to be made via email, in relation to a vote, if needed. Kirsty Dudley (KD) said that from an IGT UNC perspective she had in the past, allowed a vote ex-Committee to take place rather than waiting for the next meeting.

RP said that this was not possible in this instance, as the PAC did not have authority. MB then agreed to make the necessary amendments within the Modification which would be v12.0. AR said he was not sure why all the PAC members would have to be included in a vote as there was a sufficiently robust governance procedure within the UNC Modification Rules to review and develop proposals.

<p>New Action 0602: ScottishPower (MB) to amend Business Rule 7 in the Modification to use exercisable, from a voting perspective, and to be mirrored within the PAF document concerning majority voting.</p>
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MB continued to provide an overview of the content of the Modification and drew attention to areas that had been amended, as necessary.

AR then provided an overview of the amended Modification v11.0 and explained that this version encompassed the constitutional arrangements, which were based on the present DSC constitutional arrangements, and so drafted so as to provide PAC with autonomy from interaction with the UNCC. MB reiterated his previous thanks to RP for the suggestion of adopting the DSC constitutional arrangements. AR said that from the drafting of the legal text that Dentons had provided a colour key to assist with the 'cross-check' process.

AR proceeded to move through the amended Modification and drew attention to Solution, specifically the sub-section entitled “PAC COMMITTEE”:

In relation to 4.2.3. as detailed in 'Constitution of the PAC', RP said he appreciated that this was an overlay, but he questioned whether this was required and MB said that this would be confirmed once the legal drafting had been cross-checked. AR confirmed that it had been included within the legal text drafting in 16.6.6. and clearly needed further discussion with Dentons in relation to the Modification Rules.

MB said regarding 4.4, as detailed above in 'Proceedings of PAC' Committee meetings, he did not agree with having only one member of the same company at the same PAC meeting. He added that all PAC Members should act impartially and for the good and benefit of the Industry and so he did not see why another member could be present at the meetings.

Tracey Saunders (TS) she understood MB's train of thought, however that there had been Shippers in the past that had acted in their own companies' interest and had not adhered to this requirement and that point 4.4 gave an extra level or protection and she felt that was both required and warranted. She added that this also ensured that PAC could not become overly weighted with Members from one specific company, especially in the situation of voting. MB said he was proposing no more than two Members from anyone company. Both TS and RP said from a Transporters view point there would only be two Transporters from the same company at the same time and it seemed there was one rule for Shippers and another rule for Transporters which was not ideal on any level and needed discussion and clarification. KD said she felt it was in relation to ensuring the right level of expertise was in the composition of the Membership and that she did feel the rules needed to change, however there may be an opportunity to develop an independent mechanism instead, to ensure the correct expertise level was equally represented, to counteract the present proposed different rule for Shippers and Transporters.

<p>New Action: 0603: ScottishPower (MB) to further investigate the two Members from the same company at PAC meetings scenario to include the alternate.</p>
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A brief discussion then took place in relation to TPD V16.2.1 and MB said this was going to be discussed further with the UNCC in respect of the change of the constituency voting. RP said that the DNs had discussed this in detail in 2018 and that there was an email audit trail regarding this matter, as Centrica had raised it in terms of the Shippers issues and that it was not disproportionate of the Transporters change in constituency from a timescales and cost implications.

MB said that this area was still being discussed and RP said that the correct question to the UNCC was on the issue of what the PAC voting arrangements were; that is to say, what was the intent of UNCC when they approved the change to the PAC terms of reference [to 9 Shippers and 3 transporters from 5 and 5] in June 2018. RP said that he wanted this exact question to be relayed to the UNCC and feedback on the discussions that took place. TS agreed that this topic required further attention and exploration, especially as the Transporters had a different view of how this worked. MB said that this topic needed to be caveated in relation to settlement and accuracy within the industry. RP reiterated that the Transporters were not trying to stop PAC being effective, it was just that he felt all parties should have equal opportunity to debate and determine PAC matters.

Shelley Rouse (SR) said in the original version of the Modification no voting changes had been proposed, and she had a concern that this was a change was to the UNC. MB said that he was not proposing any changes to the voting arrangements and any changes would affect the Term of Reference only. He added it was not in his intention to change the voting arrangements within the Modification, as he did not see this Modification was the correct vehicle to do this. He said this had been raised as a discrepancy between the UNC and the Terms of Reference. He said that a new Modification would have to be raised prior to Modification 0674 being implemented to tidy this issue up. AR said that as the proposal stood, clause TPD V16.2.1 was being deleted and the Terms of Reference would be deleted by the proposal, hence if the UNCC decided that constituency voting is the current arrangement, it would have to be included within the proposal.

A further lengthy general discussion then took place and TS said that in relation to TPD V16.2.1. if the Terms of Reference were being taken out, then this effectively changed the way in which this area was managed. RP agreed and reiterated that constituency voting was the intent of the UNCC when the Terms of Reference were amended in May 2018. RP said that further clarification was required regarding TPD V16.2.1, as presently the situation was not clear.

With regards to 4.4.3. 'Proceedings at PAC Committee Meetings' Fiona Cottam (FC) said that only PAC Members were authorised to view the documents and that the DSC and CDSP were precluded from seeing these documents. She added that she felt 4.4.6 in relation to Third Parties needed more clarity.

MB said that in relation to the 4.5 'Appeal' process, he felt it was important that an appeal could be raised to PAC for them to consider it, and allowed the right to appeal to the UNCC if required and appropriate. RP asked if this would be in the context of an appeal with evidence for a decision to be overturned or was for it a reassessment, based on a reapplication of the evidence presented. MB said it was in the context of a reconsideration on the information submitted. MB added that the process would be to limit the appeal to where PAC had decided to refer the party to Ofgem, as this would be seen as one of the later techniques, as the main route and progression would be via PAC, and only refer a party to the Authority, where absolutely necessary. MB said that Ofgem were not keen to get involved in any dispute or appeals process as they had said they would expect the industry to address this with an acceptable and agreeable resolution.

New Action 0604: ScottishPower (MB) to update the Appeals section in the amended Modification v12.0.

MB said that he and SR would do a crossmatch exercise against the legal text and the PAF D Document to ensure there were no areas of duplication.

New Action 0605: ScottishPower (MB) and Gemserv (SR) to perform a crossmatch exercise against the legal text and the PAF Document to ensure no duplication exists.

4.0 Review of revised Legal Text v2.0

AR explained that the first draft of legal text had been received from Dentons, but that it is still required a final review and cross-check against the amended Modification and so needed refining prior to the Workgroup assessment.

Kirsty Dudley (KD) enquired if the legal text would be available for the Workgroup at the next meeting on 20 July 2020, as she said it would be useful to be able to read it alongside the Modification proposal. MB confirmed that yes it would be available at the next meeting.

5.0 Review of revised consolidated PAF Document

AR provided an overview of the PAF Document v3.0 and explained that there was soon to be a version 4.0 which would encompass the PARR references and MB said this work was being undertaken presently. AR said that a consistency checking exercise needed to be undertaken against the legal text.

A brief general discussion took place regarding point 6.1 'PAFA Scope' and 6.2. 'PAFA Appointment Criteria'. MB said that the underlying principle was that the PAFA Scope was specified in the contract with the CDSP, but the service was supplied to PAC in-line with the Rules of Engagement, where it states that specific areas would need to be approved by PAC rather than the CDSP.

MB then requested that all Workgroup participants should feedback to him directly in relation to the PAF Document with any comment by Monday 13 July 2020.

New Action 0606: All to feedback directly to Mark.Bellman@scottishpower.com with any comments concerning the PAF Document by Monday 13 July 2020.

KD said that in relation to 17.7 'Publication', she asked if there was going to be a league table included within the legal text to keep people focused on how they were performing. MB said he would investigate this area from a legal text perspective and the view from PAC on targets.

New Action 0607: ScottishPower (MB) to investigate where the league table is detailed within the legal text including the PAC views on targets and performance.

KD said that regarding 17.9 'Referral to Authority' should this not be used more as a deterrent, much like the breach procedure within SPAA, which is very rarely used due to the amount of administration that was involved and so she was not sure if this could be seen as an empty threat. MB said he would discuss whether this section should still be included or adapted to consider the operational and practical application of the technique.

MB moved on to overview 17.10.1 'Financial Techniques' and he said at present there were no 'techniques' in this section and KD said it might be better to refer to the section as 'Financial Incentives' instead. AR added that it might be appropriate to include these arrangements by reference in the legal text.

6.0 Consideration of the Reporting Timeline & Development of Workgroup Report

AR explained that this would be further discussed once the legal text Drafting was available.

7.0 Development of Workgroup Report

AR said that once the amended Modification v12.0 and the legal text drafting were submitted then he was hopeful to commence work on the Workgroup Report during the July meeting.

8.0 Next Steps

AR said his expectations for the 29 July 2020 meeting were:

- Review of amended Modification v12.0
- Review of legal text drafting
- Review of the revised consolidated PAF Document
- Consideration of the Reporting Timeline & Development of Workgroup Report

Post Meeting Note: AR confirmed following an offline discussion with the Proposer, that he was going to request a further extension from the July Panel to September 2020.

New Action 0608: Joint Office (AR) to request an extension at the July Panel until September 2020.

9.0 Any Other Business

None

10.0 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
10.00 Wednesday 29 July 2020	Teleconference	Standard Agenda, plus: <ul style="list-style-type: none"> • Review of amended Modification v12.0 • Review of legal text drafting • Review of the revised consolidated PAF Document • Consideration of the Reporting Timeline & Development of Workgroup Report
10.00 Monday 24 August 2020	Teleconference	Standard Agenda, plus: <ul style="list-style-type: none"> • TBC

Action Table (as at 24 June 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0301	27/01/20	1.0	ScottishPower (MB) to include the Document 4 PAFA Scope and PAC Review within the Modification.	ScottishPower (MB)	Closed
0204	26/02/20	2.0	Joint Office (AR), ScottishPower (AM) Gemserv (AJ) and Cadent (AC) to produce a Governance Model diagram show how the ancillary documents are linked.	Joint Office (AR), ScottishPower (AM) Gemserv (AJ) and Cadent (AC)	Closed
0404	28/04/20	2.0	ScottishPower (MB) and Gemserv (SR) to investigate and clarify the PAC operating principles.	ScottishPower (MB) Gemserv (SR)	Closed
0501	26/05/20	1.0	All to provide feedback and comments on the Performance Assurance Framework Document, (PAF D), to Mark Bellman via Mark.Bellman@scottishpower.com by close of play on 10 June 2020.	All	Closed
0502	26/05/20	2.0	ScottishPower (MB) to amend the wording in Section 7 of the Modification in relation to 'funds from Xoserve'.	ScottishPower (MB)	Closed
0503	26/05/20	2.0	Joint Office (AR) to include the topic of review of PAC letters to the June PAC agenda for further discussion.	Joint Office	Closed
0504	26/05/20	2.0	ScottishPower (MB) to submit a further amended Modification v9.2 so the revised legal text can be aligned to these changes.	ScottishPower (MB)	Closed
0505	26/05/20	4.0	Joint Office (AR) to add an agenda item to the UNCC June agenda in relation to the updated PAC Terms of Reference and Section 16.2.1 of the Code to clarify PAC voting arrangements; constituency majority versus simple majority voting	Joint Office (AR)	Closed

0506	26/05/20	4.0	Xoserve (FC) to provide for details regarding Section 13.0, Support for UNC Parties within the PAF Document, concerning general training, tailored training on request and support.	Xoserve (FC)	Closed
0601	24/06/20	1.0	ScottishPower (MB) to amend Business Rule 7 in the Modification to use exercisable, from a voting perspective, and to be mirrored within the PAF document concerning majority voting.	ScottishPower (MB)	Pending
0602	24/06/20	2.0	ScottishPower (MB) to amend section 7 in the Modification to use exercisable from a voting perspective and to be mirrored within the PAF document concerning majority voting.	ScottishPower (MB)	Pending
0603	24/06/20	2.0	ScottishPower (MB) to further investigate the two Members from the same company at PAC meetings scenario to include the alternate.	ScottishPower (MB)	Pending
0604	24/06/20	2.0	ScottishPower (MB) to update the Appeals section in the amended Modification v12.0.	ScottishPower (MB)	Pending
0605	24/06/20	2.0	ScottishPower (MB) and Gemserv (SR) to perform a cross-match exercise against the legal text and the PAF Document to ensure no duplication exists.	ScottishPower (MB) and Gemserv (SR)	Pending
0606	24/06/20	4.0	All to feedback directly to Mark.Bellman@scottishpower.com with any comments concerning the PAF Document by Monday 13 July 2020.	ALL	Pending
0607	24/06/20	4.0	ScottishPower (MB) to investigate where the league table is detailed within the legal text including the PAC views on targets and performance.	ScottishPower (MB)	Pending
0608	24/06/20	8.0	Joint Office (AR) to request an extension at the July Panel until September 2020.	Joint Office (AR)	Pending