

# 1 Supplemental Report 0674

## Meeting Schedule

Meeting #1	23 August 2021	(High-level governance and relationship with UNCC)
Meeting #2	06 September 2021	(Other governance)
Meeting #3	28 September 2021	(Performance Assurance Objective)
Meeting #4	26 October 2021	(Costs)

## Meeting Contents

Meeting Number	Issue Number	Question	Reference Documentation
1	1	Discuss the advantages and disadvantages of greater levels autonomy for PAC with regard to management of its functions and authorship of the PAFD.	16.2.4 Functions - 16.4 PAFD - 16.7 GTB4.3.1
1	2	Provide views on the adoption of GTD-like governance arrangements.	16.3 & 16.6 GTD
1	3	Comment on the role of the UNCC where a Party appeals its referral to Ofgem.	16.8
2	4	Comment on the right for the PAC to raise performance-related Modification proposal.	MR6.1.1(e)
2	5	Discuss business rule 2a and the corresponding legal text.	16.1.1
2	6	Provide views on the facility for PAC to co-opt PAFA personnel to chair & secretary PAC meetings.	16.6.3 & 16.3.4
2	7	Identify & clarify any IGT requirements should the mod be directed for implementation.	IGT138
2	8	Provide views on PAC's right to request, and the parties' obligation to provide, performance assurance related information.	16.1.5 & GTB4.4.2
2	9	Clarify the rules with respect to quoracy.	16.6.2
3	10	Comment on the Performance Assurance Objective (PAO) and its effect on Code Parties.	16.1.1(b) & 16.1.2
3	11	Comment on the PAO and its effect on non-Code Parties.	16.1.1(c) & 16.1.2(b) & (d)
3	12	Comment on the interaction, (if any), on the requirements of the PAO and the "Relevant Objectives".	16.1.1(b)
3	13	Comment on the interaction, (if any), on the requirements of the REC Performance Assurance Framework and those set out in this proposal.	REC Schedule 6 & REC Code Manager Performance Assurance Consultation (April 2021)
4	14	Comment on the effect the application of the PAO could have on operating costs.	
4	15	Clarify the CDSP's, (and other parties'), implementation costs.	

## Meeting #1

### 1.0 Introduction

At the first meeting it was confirmed that the purpose of the series of meetings was to discuss a number of issues raised during the consultation stage of the modification process.

The group has been allocated 6 months to discuss issues and, if deemed necessary, refine the modification and the legal text to reflect these further stages of development. Each of the issues has been structured into a question although it is down to the Workgroup as to how their views on a particular matter were debated.

In order to do this, the issues have been grouped into 4 themes, (as shown in the table above), with a view to work through them sequentially and report no later than to the December 2021 Modification Panel.

As can be seen from the discussions at the first meeting, the debate has led to a number of matters being reconsidered to the extent that a Modification Variation Request is likely to be made to Panel, which will need to be factored into the governance process further down the line. For the time being the matters being reconsidered are being recorded as actions and can be found in both the minutes of the meetings and in consolidated form at the end of this Supplemental Report.

#### Meeting Group 1: High-level governance and relationship with UNCC

Good governance is a pre-requisite of all the regulated codes and it's understandable that when it is proposed that the governance of a particular committee should be varied, the matter should receive attention and due consideration.

At the simplest level, for PAC, (the Committee) it is proposed that the CDSP model of governance<sup>1</sup> should be adopted, that is to say, the majority of the PAC arrangements would be set out in the Uniform Network Code (UNC), (principally, the Committee's Terms of Reference, PAC's purpose and other constitutional matters), but in order to remain proactive and agile, the operational detail documented in the Performance Assurance Framework Document (PAFD)<sup>2</sup>, which it is proposed would also include the PARR schedule, would sit within the governance of the PAC itself, and could be amended by a Committee vote.

These supporting documents would also include the Performance Assurance Techniques, (PATs), the tools available for deployment should a shipper's performance be deemed by the Committee to require improvement. Earlier in the FMR, this arrangement has been described as providing more autonomy for the Committee by allowing it to progress changes to documents that previously would have required UNCC approval.

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<sup>1</sup> General Terms: Section D

<sup>2</sup> Proposed Performance Assurance Document v4.5

This ability to amend documents without reference to the UNCC, plus an existing and widely perceived understanding that the Committee had a “closed” status, coupled to some historic tension as to when shippers could attend and how on occasion individual shippers could be required to attend it conducted, has led to some questions relating to the Committee’s accountability. In order to allay these concerns it was noted that the functions of the PAC were defined within section 16.4 of the Legal Text and in the PAFD and specific attention was drawn to the fact that the PAC could not levy direct financial penalties on Code parties. To highlight these concerns, one workgroup attendee cited an instance where PAC and the PAFA had caused some issues, (which subsequently manifested in the Modification 0674 consultation), in relation to the Product Class 4 Read Performance letter that was circulated in late December 2020<sup>3</sup>, just prior to Christmas. This was further compounded by there being no obvious governance accountability or clear escalation route. Ultimately, given the pressing need to highlight the matter, it was raised at the UNCC, although ideally the matter should have been capable of being contained and resolved within the PAC governance framework.

Another participant noted, (who is a PAC member), the accountability rested with PAC but felt that confusion and oversight was more in relation to timing of the communication, which was released on a working day shortly before Christmas but noted that the issue had been discussed for 6 months previously to get to that stage.

On this point a participant noted that a diagram or process flow showing the required escalation process would have been very helpful and useful. SB said that in essence the PAC operated in a similar way to the Demand Estimation Sub-Committee (DESC) but agreed that maybe the escalation route for the PAC should be made clearer. **(Action Point 803)**

A further participant commented that if all oversight of governance was removed and making it autonomous then this is what could happen again, and another said that their concern was that although individuals could request to attend a PAC meeting for a specific agenda item, the meetings were closed meetings, unlike DESC meetings that were open meetings, and this limited industry oversight.

To summarise, the previous concerns relating to PAC activities a contributor to the debate suggested that the concern could be expressed as a lack of overall transparency and he felt the Terms of Reference were vague and engagement between the wider industry and PAC could be improved.

The Proposer said this was a valid comment and he said he would look to add reference to open and closed part-meetings into the arrangements to assist with awareness and transparency as they felt there should be no restriction on undertaking these meetings in this way. Although he added that there would still need part of the meeting to be closed for confidentiality purposes owing to the shipper specific subject matter to be discussed on the agenda. **(Action Point 801)**

The suggestion was well received and it was commented that such a move would be helpful and would enable an individual to bring a concern or issue to the PAC for discussion in an open meeting and that this would have been very advantageous in December 2020, as an extension could have been sought in relation to the timing of the letters being submitted.

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<sup>3</sup> Minutes of Performance Assurance Committee 10 November 2020 (where matter was discussed)

In a related point on access to PAC, one participant asked if a single party could speak to the PAC but not in an open meeting. It was noted that this could happen if and would entail the party asking PAC to invite them to a “closed session” to discuss their specific issue in a bi-lateral conversation.

To help attendees better understand the activities of PAC, a summary of PAC’s functions and its approach to performance issues was conveyed. It was explained that the PAC and PAFA were available to support and guide a party if they were struggling in relation to their read performance, or indeed any other matter, related to settlement. It was commented that PATs were not solely about reprimanding shippers, most were designed to offer interventions using a collaborative and supportive approach to assist a Shipper with their difficulty.

There was some further discussion on the escalation process, which touched on the Appeals process set out in the proposed rules, which clarified the circumstances, the procedure, and the role of the UNCC in the process to act as a reviewer of PAC’s actions. It was noted that escalations these could ultimately fall into the appeals arrangements. These could be instigated by a party if it was not satisfied with PAC’s action where the party’s view was that there had been a procedural mismanagement or information was incomplete or misleading. It was noted that the UNCC could not overturn a PAC decision, but they could discuss the findings. It was commented that it would be remiss for the PAC not to take onboard a UNCC point, especially as the UNCC meetings were open and, from that point there was an optional course of action that Ofgem could become involved in the matter. There was no suggestion that changes to the proposed Appeals mechanism should be included in any Variation Request

On a related point relating to referrals and appeals, a participant enquired if there would be a dedicated contact at Ofgem for managing these and it was further noted that it would be even better if Ofgem could regularly join the PAC meetings to gain awareness of the Committee’s business. **(Action Point 805)**

Moving on to the governance of the PAFD, and as a consequence of the proposed document consolidation, the PARR, it was noted that the PAC would be authorised to amend the document. The document sets out how PAC achieves its objectives and by allowing PAC to amend this document provides for greater agility for operational matters. At this point it was commented that this too could be viewed as an example of a lack transparency, compounded by the perception that PAC is a closed meeting.

Again, this was acknowledged as a valid point, and to resolve that matter it was agreed that all changes to PAFD should be discussed in the open portion of PAC, (which could, obviously, include Panel and UNCC members). As an extension to this point, it was suggested that perhaps all changes to PAFD should be the subject of a consultation.

After some discussion the consensus appeared to be that significant changes may require a PAC instigated consultation but some changes should be managed with in the open session of the PAC, with the PAC voting on the changes following discussion at a Committee meeting. This matter of document governance would be considered proposer and would be considered for inclusion in the Variation Request, (VR). **(Action Points 802 & 803)**

In summary, AR confirmed that, given today's discussion, a VR would need to be drafted to encompass these changes and he suggested that it might be prudent to wait until all the issues had been discussed and finalised, so that all the proposed changes could be included in a single VR. He also noted that this would make the redrafting of the legal text more straightforward and would ensure all the changes were included in a single iterative step.

It was noted that the single discussion on governance had traversed all aspects highlighted for the first meeting and was that it was encouraging that the discussion had led to further consideration of governance matters and that these would be considered for inclusion in a VR.

**Action 0801:** ScottishPower (MB) to add into the arrangements the reference to the PAC open, closed, and confidential

**Action 0802:** ScottishPower (MB) to add into the arrangements that changes to the PAFD should be discussed in an open meeting

**Action 0803:** ScottishPower (MB) to include in the arrangements that the PAC may be required to consult on any changes requested to the PAFD in an open meeting.

**Action 0804:** ScottishPower (MB) to produce a process flow/diagram to map the PAFD changes processes

**Action 0805:** ScottishPower (MB) to contact Ofgem regarding Ofgem representation at the PAC meetings.

Meeting #2

Meeting #3

Meeting #4