





Modification	At what stage is this document in the process?
<h1>IGT138:</h1> <h2>Performance Assurance Techniques and Controls</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>To provide an effective framework for the governance of industry performance that gives industry participants mutual assurance in the accuracy of settlement volume allocation</p>	
	<p>The Proposer recommends that this modification should:</p> <ul style="list-style-type: none"> <li>be assessed by a Workgroup</li> <li>be subject to Authority decision</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 28<sup>th</sup> February 2020. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p>
	<p>Medium Impact:</p> <p>Shippers</p>
	<p>Low Impact:</p> <p>Independent Gas Transporters</p>

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Any questions?

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## Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	13 March 2020
Amended Modification considered by Workgroup	<del>dd month year</del> 30 November 2020
Workgroup Report presented to Panel	<del>28<sup>th</sup>-18<sup>th</sup> August-December</del> 2020
Draft Modification Report issued for consultation	<del>21<sup>st</sup> 2<sup>nd</sup> September</del> December 2020
Consultation Close-out for representations	<del>23<sup>rd</sup> September 2020</del> 1 <sup>st</sup> February 2021
Variation Request presented to Panel	dd month year
Final Modification Report available for Panel	<del>30<sup>th</sup> September 2020</del> 8 <sup>th</sup> February 2021
Modification Panel decision	<del>23<sup>rd</sup> October 2020</del> 26 <sup>th</sup> February 2021

# 1 Summary

This Modification is proposed by Scottish Power following discussion with and the support of the Performance Assurance Committee (PAC).

## What

In operating the PAF (Performance Assurance Framework) the PAC (Performance Assurance Committee) have identified some weaknesses and limitations in the performance assurance regime which are impacting the effectiveness of the performance assurance model.

## Why

The PAC have a number of examples where performance issues have been identified and have not been remedied over a prolonged period. This has resulted in settlement inaccuracy over extended periods.

PAC are keen to prevent such situations occurring (through new performance assurance principles, proportionate incentive mechanisms and a progressive series of escalating controls) and when performance issues occur, they are curtailed speedily.

## How

The Proposer on behalf of PAC proposes to introduce a Performance Assurance Regime to the IGT UNC, where the performance of Parties under the IGT UNC impacts settlement accuracy.

IGT UNC Parties are not currently subject to any Performance Assurance measures, although the performance of parties in respect of IGT UNC sites is included in the standard reports reviewed by the ~~UNC Performance Assurance Committee (PAC)~~ on a monthly basis currently.

The Proposer intends that the performance assurance regime that is introduced is that of the UNC. The Proposer is currently proposing changes to the Performance Assurance regime in the UNC within modification UNC0674 and it is the regime described in this modification that the proposer wishes to be inserted into the IGT UNC.

Modification UNC0674 Performance Assurance Techniques and Controls if implemented will ~~The Proposer on behalf of PAC proposes to~~ modify the UNC to define the following outcomes:

- I. Require UNC Parties to adhere to a basic principle that their negligence, poor performance or bad behaviours must not distort settlement even when such behaviours have not been specifically proscribed within the UNC.
- II. Determine additional tools and processes available to the PAC in its work in the provision of performance assurance within the code.
- III. Allow the Performance Assurance regime to be more agile and responsive to the information it is receiving by empowering the PAC to determine and action an appropriate response at any time.
- IV. Provide PAC and PAFA (PAF Administrator) access to any standard reports already being provided to individual UNC Parties within performance packs e.g. shipper performance packs.
- V. Allow PAFA access to such data as reasonably approved by PAC to allow PAFA and PAC to carry out performance assurance activities (e.g. risk assessment and performance monitoring).
- VI. Require UNC Parties to take action to improve their performance and remedy issues if it is identified and requested by the PAC.

- VII. Require UNC Parties to provide and adhere to any plans of action they provide.
- VIII. Ensure that where it is proposed adding to or changing UNC performance standards within the UNC and performance monitoring is required, the report requirement must be added to the modification.

The CDSP will be required to provide a ROM (rough order of magnitude) for the production of the monitoring reports needed for that proposal, for the modification workgroup to determine if the cost of a report is not deemed prohibitive.

- IX. Specify the tools available to the PAC to incentivise, drive and require performance behaviours and to document these in a new ancillary document under PAC (UNC sub-Committee) governance.
- X. Suitably empower the PAC, as an elected, independent body, to make decisions for and on behalf of the UNC Parties in respect of Performance Assurance matters.
- XI. Ensure that the PAC budget does not act to constrain the duties and requirements of the PAC.
- XII. Provide clarity that UNC parties (Gas Transporters (GTs), Independent GTs (IGTs), Shippers etc.) and CDSP fall under the remit of the PAC and performance assurance measures to be applied.

The ~~P~~proposer would like parties to the IGT UNC to be subject ~~to these changes to the Performance Assurance r~~egime changes in the same way that UNC parties would be subject to these changes ~~under the equivalent modification under UNC governance (UNC Mod 0674 Performance Assurance Techniques and Controls).~~ The implementation of this modification is therefore dependent on the implementation of the UNC Modification 0674.

## 2 Governance

### Justification for Normal Procedures and for Authority Decision

The ~~M~~modification will ~~introduce impact the~~ performance assurance regime into the IGT UNC, which ultimately seeks to have a positive material impact on parties and therefore competition between them. It also seeks to increase the authority of the PAC (formed and governed under the UNC) to specifically manage the IGT UNC Performance Assurance r~~egime in respect of IGT UNC obligations impacting settlement and,~~ to allow it more decision-making powers which is likely to materially impact specific parties.

The modification:

- i. is likely to have a material effect on:
  - a. competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
  - b. the ~~IGT Uniform network code~~NC governance procedures and the ~~IGT UNC network code~~ modification procedures;
- ii. is likely to discriminate between different classes of parties to the ~~IGT UNC uniform network c~~ode/relevant gas transporters and / or, gas shippers ~~or DN operators~~ depending on their individual performance.

- iii. Is likely to impact consumers through competition in tariffs, due to the implications of a settlement process that is not fair and equitable across parties.

## Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- be assessed by a Workgroup

The detailed business rules in this modification should be reviewed by a workgroup to ensure there are no unintended consequences or ~~loop holes~~ loopholes in the governance requirements that would thwart the performance assurance intent of this modification and the review of these rules should be within the UNC0674 workgroup. Additionally, the modification should act as an incentive to meet the required IGT UNC performance levels and a disincentive to make commercial decisions that detrimentally impact competing parties.

This ~~is a complex~~ Modification Proposal, should be read in conjunction with UNC 0674 Performance Assurance Techniques and Controls and will require stakeholder engagement. The contractual requirements of the PAFA (Performance Assurance Framework Administrator) may also be impacted. UNC The ancillary documents will also contain governance or guidance relevant to the IGT UNC and therefore should be considered by IGT UNC Parties through the development of UNC0674. ~~must also be drafted for initial adoption.~~

## 3 Why Change?

The electricity performance assurance regime in the Balancing and Settlement Code (BSC) costs approximately £3m to provide the regime.<sup>1</sup> This modification does not advocate this level of expenditure nor the more prescriptive style of this regime, but it does advocate that the Code supports some additional investment to deliver a 'harder-hitting' assurance that parties anecdotally indicate they require and which will deliver better returns from improved performance and less settlement uncertainty.

The existing Performance Assurance Reports do not provide context and the potential impact of performance behaviours on settlement accuracy. The PAC has an annual budget of £50k for additional support and / or reports from the CDSP (Central Data Services Provider). To put this in context – the PAC explored amending one of the existing PARR reports and the CDSP indicated that one option for doing so would use £45k of the annual budget (Ref: PAC minutes 20 November 2018 ROM). Such a budget limitation can constrain the PAC's ability to identify, assess and bring to account poor behaviour.

Since the implementation of Project Nexus on 01 June 2017, a number of issues have impacted settlement allocations. These and the length of time issues have been endured have had a direct effect on the financial and commercial health of market participants and ultimately customers. The absence of a stronger PAF, is likely to have prolonged settlement distortion and therefore, in part, high and volatile UIG.

<sup>1</sup>Page 42 Annual BSC Report 2017/18

To date performance remedies are limited to PAC instructing the CDSP to engage with the failing participant proactively and asking the PAFA to write a formal letter requesting the issue be resolved.

This is having limited effect in some instances but is simply ignored in others.

To cite 3 examples:

- There have been significant issues with the reconciliation of mandatory DM (daily metered) sites since the implementation of Nexus in June 2017. As at November 2018, there were still 32 sites that have not had a retrospective consumption adjustment since June 2017. Actions taken to remedy this situation have included direct engagement by the CDSP (Xoserve) and a letter from Ofgem to involved parties. It took nearly a year to resolve the root causes for 177 DM meters.
- Product Class 3 read performance, despite Xoserve's engagement with the involved Shippers, is still well below the performance target.
- All shippers have access to shipper information packs and dashboards that highlight performance in many other areas. Where processes are failing and the shipper has the management information indicating that, there are no consequences of Shippers failing to act on these reports and no controls that PAC can employ to support Shippers in improving their performance.

Ofgem, the PAC and the industry have discussed the benefits of incentives to improve settlement accuracy and reduce risk. For example, in the level of reads accepted into settlement.

Ofgem has on a number of occasions advised that they want to see improvements to the performance assurance scheme developed in the gas market – including in their determination on Modifications 0473/A and 0506V.

Additionally, Ofgem, in their decision letters on Modifications 0619/A/B, requested that industry parties increase “the frequency and quality of meter read data being submitted to the Central Data Services Provider” and in their decision letter on Urgent Modifications 0642/0642A/0643 they requested that “To the extent that Xoserve depends on data provided by third parties, including the provision of frequent and accurate meter readings, it is expected to work with those parties and the PAC to ensure that these requirements are identified and being met.” There is currently no effective mechanism for meeting these challenges, aside from relying on Shippers best intentions, which is not currently delivering adequate read performance or settlement certainty.

Despite introducing a risk-based PAF, the PAF is currently limited to monitoring performance reports and writing letters to the Market Participants displaying poor performance.

Neither the UNC or IGT UNC obligations provide consequences for failing to meet obligations or target measures, where they exist, and no incentives to meet them. There is no mechanism to hold to account the performance of failing parties; and target measures provide no indication of how they might impact settlement quality nor is there evidence that impact on settlement is considered in making decisions to modify UNC obligations.

[For the efficiency of the Code and to align the IGT UNC with the current Performance Assurance regime in the UNC, this change looks to introduce the foundations of that regime into Code. IGT Supply Points contribute to settlement accuracy and current reporting to the PAC include IGT Supply Point data in the monthly Performance Assurance Reports Register \(PARR\) \(as per Part K23.9 of the IGT UNC\).](#)

[To ensure that the changes being introduced by UNC0674 are reflected in the IGT UNC, it is necessary to ensure that correct defined terms and areas of the UNC applicable are captured in this solution.](#)

## 4 Code Specific Matters

### Reference Documents

Performance Assurance Framework

UNC TPD Section V

UNC General Terms B

UNC - Modification Rules (section 6.1.1)

### Knowledge/Skills

Knowledge of settlement risk or other performance regimes would be an advantage.

## 5 Solution

The UNC performance assurance regime in respect of settlement accuracy as envisaged post implementation of UNC Modification 0674 is to be introduced in its entirety to the IGT UNC.

The requirements of modification 0674 below will be incorporated into the UNC directly and into the IGT UNC, either through direct reference to the UNC from the IGT UNC or through insertion into the IGT UNC, so that IGT UNC parties will also be subject to the UNC Performance Assurance Regime in all respects.-

For clarity this will include:

1. Parties being required to meet the Performance Assurance Objective;
2. Parties coming under the authority of the UNC's Performance Assurance Committee for actions or omissions that impact the Performance Assurance Objective;
3. Parties being able to Appeal PAC decisions through the UNC Appeals process;
4. Parties being subject to the Performance Assurance Framework Document (PAFD) and decisions of the PAC;
5. Parties to be subject to the Performance Assurance Techniques described in PAFD;
6. Provide information and data to the Performance Assurance Framework Administrator (PAFA) over and above what is already provided through Part K of the IGT UNC; and
7. PAC being able to raise modifications in the IGT UNC as in the UNC and for the same reasons.

The intent is to ensure that the PAC has authority over both IGT UNC and UNC parties as they contribute to settlement accuracy and that the PAC may take action to improve accuracy where the actions of those parties impact settlement.

~~C~~(Associated changes will be also be made to the Performance Assurance Framework in the UNC which will ~~also be~~ also be relevant to IGT UNC Parties).



[Please see Appendix 1 for full details of the changes being made by UNC0674, which this solution seeks to mandate in the IGT UNC.](#)

## 6 Impacts & Other Considerations

**Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

None identified.

### Consumer Impacts

No direct impacts identified.

### Cross Code Impacts

This modification is designed to [install a Performance Assurance regime into the IGT UNC and](#) support the implementation of UNC Mod 0674 to ensure that UNC Performance Assurance measures in respect of settlement risk are applicable to Parties to the IGT UNC as well as the Parties to the UNC.

There may be an impact on the DSC and the contract between the PAFA and CDSP.

### Central Systems Impacts

Some development to support new reporting and invoicing processes.



## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
(A) Efficient and economic operation of the pipe-line system	None
(B) Co-ordinated, efficient and economic operation of (i) the combined pipe-line system; and/or (ii) the pipe-line system of one or more other relevant gas transporters	None
(C) Efficient discharge of the licensee's obligations	None
(D) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation agreements with other relevant gas transporters) and relevant shippers	Positive
(E) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers	None
(F) Promotion of efficiency in the implementation and administration of the Code	Positive
(G) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators	None

d) It is believed that these proposals will reduce settlement costs by reducing volume uncertainty at nomination and allocation, thereby reducing the likelihood of Shippers building in risk premiums into budgets and customer contracts. It should also level the playing field between shippers in the costs of meeting UNC obligations and ensure that one party's commercial decisions do not adversely impact other parties. Together these will improve competition between Shippers (and potentially Suppliers) and reduce a potential barrier to entry for new Shippers.

f) ~~The current PAF is having limited effect and therefore the value from associated expenditure is sub-optimal.~~ It is believed that these proposals will improve the effectiveness of PAF and ensure that the Framework is applicable across both the UNC and IGT UNC, therefore promoting more efficient application, implementation and administration of the Code- and preventing the requirement for separate and exclusive reporting for the sites under the IGT UNC.

## 8 Implementation

No implementation timescales are proposed.

This Proposal could be implemented as soon as an authority direction is received and subject to DSC Change Management Procedures for any consequential system changes.

This modification is dependent on the implementation of UNC0674 and ideally the modifications should be implemented on the same date as UNC Mod 0674.

## 9 Legal Text

*The Proposer is welcome to put forward suggested legal text. If this is a proposed Fast Track Self-Governance modification then legal drafting and commentary must be provided. Otherwise the legal representative when requested to do so by the Modification Panel will provide formal legal text and commentary.*

### Text Commentary

*In support of the legal text provided, the legal representative will provide a plain English explanatory note setting out the approach taken to converting the Solution into legal text, illustrating how the legal text delivers the intent of the Solution.*

Insert text here

### [Suggested] Text

*The legal representative will provide the Text (to be inserted into Code) with instructions for the Code Administrator. The Text can be published alongside the main document.*

Insert text here

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.

[Refer separate document](#)

## 11 Appendix 1 – ~~Proposed PAF Document~~ Proposed Solution in UNC 0674

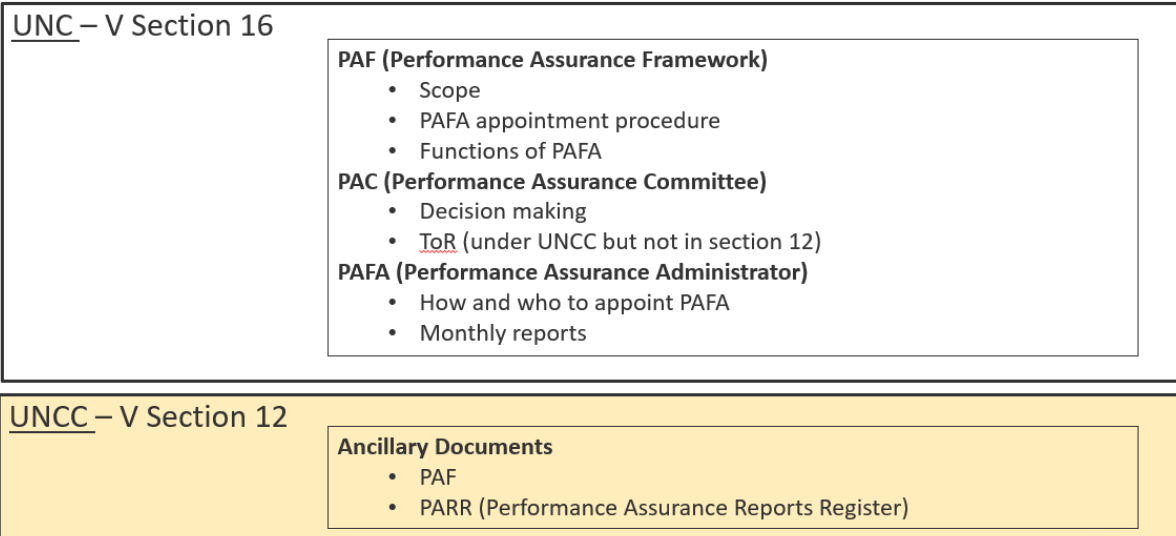
### Solution

*This section shows the solution section of UNC0674 and the regime that will be in situ for the UNC and IGT UNC if the two modifications are implemented.*

*Tracked changes if visible show the differences between of this Appendix in version 2 of the modification against the solution section of version 1 of the modification and is reflective of the development and revised versions of UNC0674.*

The current Performance Assurance regime described in the UNC is represented diagrammatically below:

### As Is



The UNC modification will move the Performance Assurance regime to a new regime represented diagrammatically here:

<b>TPD V16</b> Governance – OFGEM (via UNC Mod process)	<b>Parties subject to new Performance Assurance Objective &amp; Principles</b> <b>Provision of authorities to the PAC (with protections)</b> <b>Defines new UNC terms for PAC constitution</b> (per 'GT D4' for DSC) <b>Performance Assurance Committee section</b> <ul style="list-style-type: none"> <li>One-stop section with all necessary references</li> <li>Definitions, PAC Terms of Reference, Constitution, Appeals, etc</li> </ul> <b>Performance Assurance Framework Document</b> <ul style="list-style-type: none"> <li>Defines this PAC governed document (does not duplicate its contents)</li> </ul>
<b>GT B4</b> Governance – OFGEM (via UNC Mod process)	<b>PAC carve-out from 4.3.1 and 4.4.2</b> <ul style="list-style-type: none"> <li>PAC cannot 'cease to be established' by UNCC vote alone.</li> <li>Parties are obliged to provide information requested by PAC for PA purposes</li> </ul>
<b>PAF Document</b> Governance – PAC	<b>Performance Assurance Framework Document incorporating:</b> <ul style="list-style-type: none"> <li>PAFA scope, schedule of services, appointment, risk approach</li> <li>PATs (Performance Assurance Techniques), PARR, procurement</li> <li>Annual PAF Budget, Review, Plan and Consultation</li> </ul>

In summary the solution is to oblige UNC Parties (transporters, shippers) and CDSP (via [the Data Services Contract \(DSC\)](#) 3.5) to comply with an objective of equitable settlement and to cooperate with other Parties to further this objective.

It will also give PAC some additional authority to identify those areas of performance (whether in Code or not) which impact the objective, to require UNC Parties to improve in those areas and to impose sanctions where performance is below the required level. It will also require [the](#) Proposer of a modification which adds or changes UNC performance standards or might impact a Party's performance against such standards to specify an appropriate monitoring report. The CDSP will be required to provide a ROM (rough order of magnitude) for workgroup consideration.

The requirements below will be incorporated into the UNC [directly and into the IGT UNC, either through direct reference to the UNC from the IGT UNC or through insertion into the IGT UNC.](#) -

(Associated changes will be made to the Performance Assurance Framework documents [which will also be relevant to IGT UNC Parties](#)).

- 1) Introduce a new objective to the UNC [and IGT UNC](#), the Performance Assurance Objective (PAO)

The Performance Assurance Objective is:-

- a. To ensure [in relation to that Settlement is a Day](#)timely, accurate and [timely Settlement equitable share of energy for the Day](#)each shipper.
- 2) Introduce a new overarching principle to the UNC and IGT UNC
  - a. The Modification Panels, UNCC, sub-committees and Parties must always ensure that acts (or omissions) contribute to, and do not prejudice, the achievement of the Performance Assurance Objective even when such acts or omissions are not explicitly proscribed under UNC
  - b. The [acts or omissions](#)performance of any other [Partyparty](#) (such as another shipper, supplier or their agent) [does](#)not absolve any other [Partyparty](#) of their [obligations](#)performance requirements under the UNC.

- c. Parties acknowledge that reports provided by PAFA or PAC shall constitute evidence of a Party's performance with regard to UNC ~~and IGT UNC~~ compliance, and shall be accepted as such unless evidenced to the contrary.
  - d. Parties will use these reports to self-monitor performance.
  - e. Parties will also respond to PAFA/PAC enquiries with the requested information, timeously and in accordance with such process as may be specified in PAF Document from time to time.
- 3) Introduce a new overarching principle to the UNC ~~and IGT UNC~~ of collective co-operation towards the specified objective.
- a. All ~~UNC and IGT~~ UNC Parties acknowledge that each is dependent on the others for the achievement of the PAO and will cooperate wherever is necessary (whether explicitly required in UNC/~~IGT UNC~~ or not) to achieve the PAO
- 4) ~~Responsibility~~ Move responsibility for updating the PAF document preparation and maintenance from DNO to PAC (and upon notices submitted to Parties and publication of the revised document). ~~UNCC for information).~~
- 5) Define the PAC in the UNC Transportation Principal Document (TPD) V16, as an autonomous UNC sub-Committee following the principle used in UNC General Terms (GT) D4 for DSC sub-Committees. PAC and PAFD will no longer be governed under TPD V12 of the UNC.

The following requirements are to be incorporated into TPD V16 of the UNC. To demonstrate the principle on which they are based, the requirements are shown under each main heading of General Terms Section D 4 of the UNC DSC Committees and the paragraph numbers from that chapter are retained for ease of reference. ~~V12 of UNC.~~

#### PAC COMMITTEE

##### a. 4.1 Establishment and functions of the Performance Assurance Committee

4.1.1 In connection with the requirement to operate the UNC Performance Assurance ~~r~~Regime the following Network Code Sub-committee is established:

(a) The Performance Assurance Committee (PAC)

4.1.2 The Performance Assurance Committee shall perform the functions and have the powers and duties provided in this section UNC V16, and the Performance Assurance Framework Document

4.1.3 The Performance Assurance Committee shall have control of the following documents:

- Document 1: Performance Assurance Reports Register (PARR)
- Document 2: The Risk Register
- Document 3: PAC letters of confirmation and company agreement
- Document 4: PAFA scope
- Document 5: PAF Document

4.1.4 A PAC Committee may establish a sub-committee for such purposes (within the scope of its functions, powers and duties) and comprising such members and on such terms as it decides; and references to a PAC Committee include any such sub-committee.

4.1.5 The PAC Committee is autonomous, and the UNC Committee has no power to overrule a decision of the PAC or its sub-committees or reduce or qualify the scope of its functions, powers

4.1.6 No decision of the PAC shall be made or (if made) shall be effective if the decision would cause a party to be or act in breach of the UNC.

**b. 4.2 Constitution of the PAC**

4.2.1 The PAC shall comprise representatives (“Committee Representatives”) of each Customer Class as follows:

- a) 9 individuals appointed as representatives of Shipper Users (“Shipper User Representatives”); and
  - b) 3 individuals appointed as representatives of Transporters and IGTs, of which:
    - i. 2 shall be appointed by DN Operators (“DNO Representatives”); and
    - ii. 1 shall be appointed by IGTs (“IGT Representatives”).
- For the avoidance of doubt NTS shall not have membership rights

4.2.2 For PAC to fulfil its role under the PAF, its Shipper members shall be appointed using the guidelines as defined in the UNC governed document:

‘Uniform Network Code Panel, Uniform Network code committee (UNCC), Sub-Committees and Data Services Contract (DSC) Committees - Guidelines for the User Representative Appointment Process’

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2019-06/UNC%20User%20Representative%20Appointment%20Process%20v3.0.pdf>

4.2.3 For PAC to fulfil its role under the PAF, its membership must behave in a manner that is consistent with the principles of the PAF and the duties of the PAC.

PAC Members are representatives in their own right and do not represent the company by which they are employed.

All PAC Members and their alternates will be required to sign the following documents to assure that the Member will be attending and voting at the PAC in the interests of the GB gas industry and not representing any commercial interest or commercial body or interest group:

- Letter of Confirmation, which includes
  - Member impartiality
  - Non –Disclosure Agreement
  - Declaration of interest.
- Letter of agreement from Company Employing a committee member
- And if applicable, Letter of Agreement from company nominating a committee member

The documents listed above are controlled by the PAC and can be found in the PAC Framework Document.

**c. 4.2.4 Committee members and alternates**

A list of all PAC Members and standing alternates is published on the Joint Office website.

Alternates need not necessarily come from the same company as the PAC Member. It will be for the PAC Member to consider the suitability of their alternate, in respect of experience and understanding of the issues that the PAC will deal with. For the avoidance of doubt a PAC Member can act as Alternate for another PAC Member

A single alternate may not represent more than one (1) other PAC Member

#### **d. 4.3 Voting Arrangements**

This mod does not seek to make any changes to the extant voting arrangements for PAC as agreed by UNCC. The latest position on which is that modification UNC0732<sup>2</sup> has been implemented effective from 14th Sep 2020. The legal drafting of this modification will deliver the same intent as the changes made to TPD V16.2.1 of the UNC under UNC0732.

#### **e. 4.4 Proceedings of PAC Committee meetings**

4.4.1 The meeting will be quorate where there are at least four Shipper User PAC Members and two Transporters (DNO and/or IGT) PAC Members present with a minimum of six PAC Members in attendance. For the avoidance of doubt Alternates do not count towards quoracy (as per Mod Panel)

4.4.2 The Code Administration Code of Practice shall apply to the conduct of the meetings.

4.4.3 Information to be used within meetings will be provided to PAC Members, the Joint Office and the Ofgem representative via a secure web portal. Such information shall not be downloaded.

4.4.4 PAC members, the Joint Office and Ofgem shall treat all information as confidential unless it is clearly marked otherwise.

4.4.5 The default is PAC meetings are 'closed' to non-Members. PAC Members can agree to hold 'open' meetings.

4.4.6 With agreement of the Chairperson, and for example for the purposes of but no limited to developing the PAC arrangements or carrying out investigations into performance, PAC Members can invite 3rd parties and non-members to the meeting

4.4.4 The CDSP may be required to attend (by one or more representatives) meetings of the PAC.

4.4.5 OFGEM shall have the right for up to 3 representatives to attend as observers

#### **f. 4.5 Appeal**

4.5.1 To enable it to deliver upon its purpose of identifying and mitigating gas Settlement inaccuracy, the gas PAFD gives PAC the power to apply Performance Assurance Techniques (PATs) to various industry roles.



4.5.2 The parties to whom the PATs are applied (the subject of a PAT) can be materially affected, financially, operationally or reputationally, by their application.

4.5.3 The party subject to a PAT may believe that the accuracy of the information underpinning PAC's use of a PAT is materially and demonstrably incorrect. It may also believe that the procedure surrounding use of the PAT, as set out in the PAT technical document, has demonstrably not been followed, resulting in a material impact on them.

4.5.4 Where PAC determines that a party is to be referred to OFGEM the subject of the PAT is entitled to appeal the PAC's decision, initially to the PAC and potentially to UNCC. The decision of the PAC, having considered any new information that might arise from any subsequent UNCC appeal, is final.

4.5.6 The criteria for a valid appeal, is as follows:

- i. The inaccuracy of fact or irregularity of procedure can be demonstrated
- ii. A material inaccuracy of fact or irregularity of procedure has occurred, such that the outcome would be different if the correct information or procedure were used instead
- iii. The appeal must be raised with the PAC within [1 month] of the relevant PAC decision

4.5.7 Procedure

- c) The gas PAFA will assess any appeal in respect of whether the criteria for the appeal has been met, before presenting the appeal to PAC at the next practicable opportunity.
- d) The PAFA's initial views on the validity of the appeal and the appropriate rectification will be presented to the PAC alongside the appellant's representations.
- e) PAC's original reasons for applying the PAT will form part of the material PAFA reviews and provides to PAC to aid its decision on the appeal.
- f) During the period between an appeal being raised and the PAC hearing the appeal, any obligations on the appellant, PAC and PAFA pursuant to a PAT which is wholly or partly the subject of the appeal will be suspended. The PAC's decision on the appeal will include guidance for resumption or termination of timescales for action under any of the PATs at issue.
- g) The PAC will treat the matter as confidential. All meetings to hear the appeal will be closed and the meeting and the material presented for consideration during an appeal will not be published.
- h) The appellant may be invited to present their case and their supporting evidence. Notice of the meeting will be not less than [two weeks].
- i) The PAC will determine the extent to which it accepts the appeal. This could be wholly, partially or not accepted. The PAC may recommend or provide guidance on how or whether the application of the original PAC decision resumes or continues.

4.5.8 Appeal Decision

- a) Any communications from PAC, PAFA or JO in regard to the Appeal shall be directed to the PAP's Company Secretary (and cc'd to the PA Representative)
- b) The PAC will respond in writing to the appellant within [two weeks] of making their decision with the reasons for its decision.
- c) Where the appellant remains of the view that their appeal remains valid they will have a second appeal opportunity that will be heard by the UNCC.
- d) The UNCC will advise PAC of its observations and/or recommendations for PAC consideration.

- e) PAC will then either amend or uphold its original decision, justifying any departure from UNCC's view. UNCC cannot however overturn or amend PAC's decision.

**This 'administrative tension' incentivises PAC to ensure that its determinations are robust, proportionate and fair, in order to avoid UNCC casting an alternative view of the appeal.**

5)6) Section V16 will include amongst other things the following:

- i. The UNC Performance Assurance Objective and other terms pertaining to PAC
- ii. the composition of the Performance Assurance Committee membership (as per the present PAC Terms of Reference 2.2):
  - the basis on which Performance Assurance Committee members are to be appointed and from time to time removed and/or replaced. This to include that each User and its Affiliates holding more than one Gas Transporters Licence may submit up to one nominations for the purposes of the appointment process.

the basis on which a person (not being a committee member) will be appointed to chair each meeting of the Performance Assurance Committee; to include a PAC-appointed PAFA employee if necessary
- iii. the basis on which a person (not being a committee member) will be appointed as secretary to the Performance Assurance Committee; to include a PAC-appointed PAFA employee if necessary
  - ~~the voting arrangements and the basis on which decisions of the Performance Assurance Committee will be made; and~~

the basis on which decisions of the Performance Assurance Committee may be appealed to the Authority. (see section 5) f 4.5 under PAC COMMITTEE Appeals above)
- iv. Definition of the Performance Assurance Framework Document and its purpose and governance (removing it from TPD V12 of the UNC and moving it to a PAC-governed document)
- v. UNCC will have no power to overrule a decision of the PAC or its sub-committees, or to reduce or to qualify the scope of PAC's functions, powers and duties (as per GT D4~~GT D4~~ treatment for the DSC)
- vi. No decision of PAC shall be made if the decision would cause a party to breach UNC
- vii. Specify PAC controlled documents as being Performance Assurance Reports Register (PARR), The Risk Register, PAC letters of confirmation and company agreement, PAFA scope, PAFD
- viii. Definition of the Performance Assurance Party being a party who will be subject to Performance Assurance Objective (either a Party to UNC, CDSP or any other party whose performance or non-performance of activities governed directly or indirectly under UNC) and whose acts or omissions could impact another PAP's contribution to the Performance Assurance Objective

8) Give PAC authority in the UNC and IGT UNC, with relevant protections noted below, to include:

- a. To determine the performance and applicable assurance monitoring and incentive tools to be applied to a Party, consistent with **those defined in the PAFD**, as amended by PAC from time to time
- b. 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 and not a single UNC Party. Controls over this power will be that the proposal is
  - i. subject to agreement by a simple majority of all PAC members, (this might require ex-Committee voting if not all members have attended the meeting), and
  - ii. restricted to changes reasonably considered to impact on the achievement of the Performance Assurance Objective (for example where rules on process or performance are proven to be unnecessary / ineffective).
  - iii. Subject to the same process as for any other modification through UNC Mod Panel

[Just for context, such mods could be drafted by (but not limited to) CDSP (include this as a Direct Function) or PAFA (include as a Document 4 service). *(This will make industry change more agile ... for example UNC721 & 722 could have been raised by PAC and drafted by Xoserve or PAFA immediately following the 24th March PAC meeting when the prospect of overstated allocation was first raised)*]

- c. PAC will define those areas of a Party's or of Parties' performance which impact the PA Objective. PAC will set the tolerance threshold and determine those levels at which Performance Assurance Techniques will apply. PAC will require UNC Parties to improve in those areas and will have powers to impose sanctions where performance is below the required level, provided the thresholds, areas and sanctions/techniques are consistent with what is **defined from time to time in the PAFD**
- d. Require parties to respond to and meet PAC requests reasonably made in the context of performance matters and in pursuit of the Performance Assurance Objective. This requires a carve-out under GT Section B4.4.2
- e. Deploy Performance Assurance Techniques (PATs) **described in the PAFD** as they deem appropriate, including applying derogations where reasonable and appropriate (for example where performance is impacted by pandemic, events of force majeure or industry developments).
- f. Parties acknowledge that such techniques could include publishing on the Joint Office website the company names and performance (only) of Parties to allow peer comparison. Such information will be **limited to the performance measures outlined in PAFD** from time to time. In so doing, PAC will not divulge any information on the Parties' specific commercial or operational arrangements, the reasons for the level of performance or any details of the improvement plans.
- g. The Proposer of a modification will be required to seek a ROM from Xoserve for workgroup consideration of the impact of their modification proposal where such proposal
  - i. adds or changes UNC performance standards or
  - ii. impacts a Party's performance against such standards to specify an appropriate monitoring report.
- h. Definition of the Performance Assurance Framework Document and its purpose and governance (including PAC authority to change and the voting arrangements for such amendments to PAFD)
- i. Remove the UNC requirements for UNC approval of changes to PARR (remove PARR from UNC Related Documents and UNCC governance, delete TPD V12.1 (h) and TPD V16.5.2 of the UNC). PARR becomes an Annex to PAFD subject to PAC Governance. The principle

here is to remove unnecessary barriers to data access which reduce the effectiveness of performance assurance.

- j. Request reports or data that it deems required to understand performance issues, causes and materiality of impact on the Performance Assurance Objective.

PAC will advise UNCC of any changes to data access rights. ~~PAC may establish a sub-committee for such purposes (within the scope of its functions, powers and duties) and comprising such members and on such terms as it decides~~

- k. ~~Remove reference to PARR Schedule 1 which is now obsolete~~
- l. ~~Clarify that both PAC and PAFA may see all data requested un-anonymised, so including shipper names: that this is not limited to PARR 'B' schedules as Xoserve interprets current TPD V16.5.3 of the UNC. PAC members have signed confidentiality provisions and acknowledged that they're acting on behalf of GB Gas industry. PAFA are bound by confidentiality terms in their agreement with CDSP. There should be no reason to bar PAC from access to information that it reasonably requires for performance assurance~~
- m. ~~Such un-anonymised data or information to include anything that PAC reasonably requests in pursuit of their duties under UNC and at least but not limited to~~
  - ~~i. all data identified in DPM~~
  - ~~ii. all data available in DDP~~
  - ~~iii. all such other data items or information held by CDSP~~
  - ~~iv. anything else that CDSP can reasonably obtain subject to DSC approval~~
- n. ~~PAC may establish a sub-committee for such purpose (within the scope of its functions, powers and duties) and comprising such members on such as it decides~~
- ~~k-o.~~ PAC may submit DSC Change Proposals which may include internal and/or external costs. ~~Such requests are:~~
  - i. limited to investigations and analysis of settlement, performance of PAPs and related matters reasonably considered to impact on the achievement of the Performance Assurance Objective (for example where rules on process or performance are proven to be unnecessary / ineffective), and
  - ii. subject to agreement by a simple majority of all PAC members, (this might require ex-Committee voting if not all members have attended the meeting), and
  - iii. Subject to the same process as for any other proposals through DSC Change Management
- ~~t-p.~~ Requesting the remedy of performance issues, even where there is no explicit prescriptive performance standard specified in the code, where that performance issue is limiting or preventing the achievement of the Performance Assurance Objective (PAO)

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#### PAC Protections

- All shippers shall be required to nominate a person (and appropriate delegate) in their organisation to act in capacity as First Point of Contact in relation to all PAC correspondence (the "PAP Authoriser"), such person to be of sufficiently seniority so as to understand and instruct action to be taken in regard to such communication, including attending PAC if required and providing suitably informed escalation contacts up to director level should PAC require it.
- PAC, PAFA, JO and CDSP personnel and any other party attending closed PAC meetings may not reveal the workings or the decision making process in reaching any decisions, save when required by law or due to an appeal from any affected party.

- PAC, PAFA and CDSP personnel attending closed PAC meeting are required to sign and adhere to undying non-disclosure agreements and any confidential material downloaded must be deleted when no longer required and when ceasing to attend the PAC (for whatever reason), whichever is sooner
  - Using an approach similar to [TPD Section X of the UNC](#) for [the Energy Balancing Credit Committee \(EBCC\)](#) (which **avoids the need for each and every Party to provide separate indemnities**), Members (being persons) of PAC, PAFA and CDSP connected with a performance assurance decision should be protected from any litigation connected with the operation of the performance assurance regime
- 9) PAC will be an elected and impartial committee with appropriate expertise to make assessments and judgements using the tools and evidence provided to inform actions in pursuit of the Performance Assurance Objective.
- Individuals with an interest in any matter being discussed will declare it; PAFA will advise PAC if it becomes aware of potential conflict of interest. PAC members will apply their expertise without discrimination [as representatives in their own right and vote at the PAC in the interests of the GB gas industry and not representing any commercial interest or commercial body or interest group by which they are employed.](#)
- 10) Where PAC requests an interview with a party, the party is required to attend and send an individual(s) with the required expertise and authority.
- 11) PAC is a UNC sub-committee, established under TPD V16 [of the UNC](#) and cannot be amended without Authority approval; and it cannot under [GT B4GTB4.3.1. of the UNC](#) 'cease to be established' by UNCC.

[Refer separate document](#)

## [12 Appendix 2 – Proposed PAF Document](#)

[Performance Assurance Framework document - 5.0 PAF D v4.3 \(22 September 2020\)](#)