Background
The Performance Assurance Workgroup has been established to debate and potentially develop a performance assurance framework.

ToR
To ensure that gas settlement has accurate allocation, control, self-monitoring and governance post Project Nexus so that no commercial advantage can be derived from settlement.

Two Key Areas are agreed and being developed
1. Top-down cost reflective risk based incentive model
2. Lower level industry reporting
Gas Performance Assurance Framework

PAF incentive model is a top-down, cost reflective risk based approach

1. Nexus Process
   - Settlement Performance
     The risk to all industry parties is unsettled energy.

2. Reconciliation
   - AQ Calculation
   - % of energy settled to actual reads. Penalty £x per MWh of unsettled energy.

3. Meter Reading Acceptance
   - Retrospective adjustments
   - % meters read in x months, by class.
   - % of Retrospective adjustments

Example Scenario

Shipper has low volume of energy settled to actual reads compared with unsettled energy. Shipper incurs penalty. Why?

Shipper has low number of reconciled MPRs. Why?

Shipper has had too few reads accepted in class3. Why?

Shipper is incentivised to resolve root cause.
The incentive model can be supported by other work outside of the PAW remit.

Root Causes
Preventing Accurate Settlement

Shipper-Responsible
- Meter attributes
- Asset updates
- Meter point status
- Meter Read Frequency
- EUC 9
- AQs of 1

Industry-Responsible
- CSEP Issues
- Shipperless

Other issues raised in PA workgroup
- Address Problems
- Emergency Contacts
- SOQ/SHQ Ratios
- MAM ID
- Smart meter indicator

Unclear what the cost to the industry is.

Problem first should be quantified, and then resolved through industry workgroups and Mod development e.g. shipperless sites, AUGE.

Shipper is incentivised by settlement target to resolve.
Gas Performance Assurance Framework

PA should be a fluid and evolving process

Design, targets and incentives agreed through PAF workgroup or committee.
Analysis to be completed by an independent academic body.
Regular reviews of performance and targets.
Changes made through Mod process.

Pre-Nexus
- Design of Reporting.
- Set Initial Targets
- Propose incentives.

While Nexus Beds-in
- Monitor Performance.
- Refine Targets
- Finalise incentives.

Monthly Automated Process
- Monitor Performance.
- Apply Targets
- Incentives are automatically applied.

Regular Review Process
- Review performance levels and targets.
Gas Performance Assurance Framework

Lower Level Reporting (to be finalised in Q1, 2014)
- Meter Reading Submission
- Read Validation
- AQ vol recalculated
- Reconciliation
- Scaling Adjustments
- Retrospective Updates
- Market Accuracy
- Metering Errors

Administrator Role
Reporting, incentive administration & invoicing
Gas Performance Assurance Framework

Policing Administrator Role questions

1. What are we trying to fix?
2. Do we require lower level reporting before can identify other industry issues?
3. Is it an audit, that reports to PAW or a body with arbitrary powers?
4. Is this an auditor, 3rd party or Operational Risk function?
5. If incentive model is working correctly is this required?
Policing Administrator Role continued

British Gas has concerns with the development of this functionality

• The incentive model should work correctly and not require policing
• The project is more complicated – risk of delaying main proposals
• It is not known what we are trying to fix
• Lower level reporting is required before additional changes identified
• The role will be arbitrary – and potentially conflict with the incentive model
• Adds additional cost to the industry - and requires business case