

SEPTEMBER 22 - GEMSERV

# PAC ENGAGEMENT SESSION

A SESSION TO ENGAGE INDUSTRY IN AN OVERVIEW OF THE REGIME, ANNUAL REVIEW, HOW TO IMPROVE AND MAINTAIN PERFORMANCE AND MORE...



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MAKING THINGS THAT MATTER WORK BETTER

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# WELCOME

BRIEF OUTLINE OF THE DAY AND INTRODUCTION TO THE  
PAFA TEAM



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# AGENDA

- 0 1 Overview of the Performance Assurance Regime**  
*Who is the PAC, what does the regime want to achieve and why is the regime important to you?*
- 0 2 PACs focus for the next 12 months**  
*A look at the five areas of focus over the next 12 months including UNC674V and how it will impact you.*
- 0 3 How can to improve and maintain performance**  
*Actions you need to take, things to look out for and how the PAFA work, GPAP, training etc.*
- 0 4 2021/22 Annual Review**  
*A round up of the last 12 months of the regime, including performance stats and achievements.*
- 0 5 Opportunity for feedback, Q&A and Panels (Slido)**  
*Your opportunity to ask questions/provide feedback to a panel of Committee members, PAFA and the CDSP*



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#3132217**

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# 01: OVERVIEW OF THE PERFORMANCE ASSURANCE REGIME

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WHO IS THE PAC, WHAT DOES THE  
REGIME WANT TO ACHIEVE AND WHY  
IS THE REGIME IMPORTANT TO YOU?

# PERFORMANCE ASSURANCE COMMITTEE

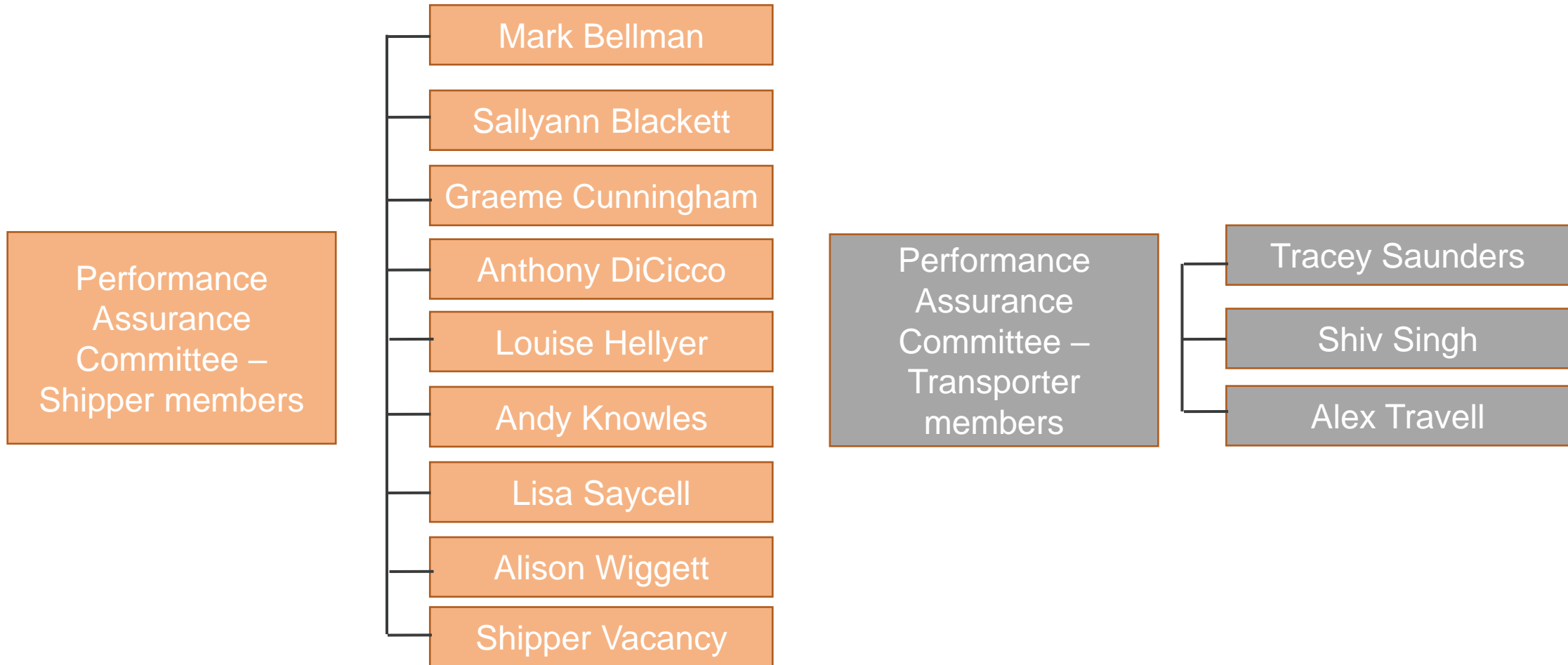


Figure 1.1: Performance Assurance Committee Member structure as at August 2021.

# INDUSTRY STRUCTURE

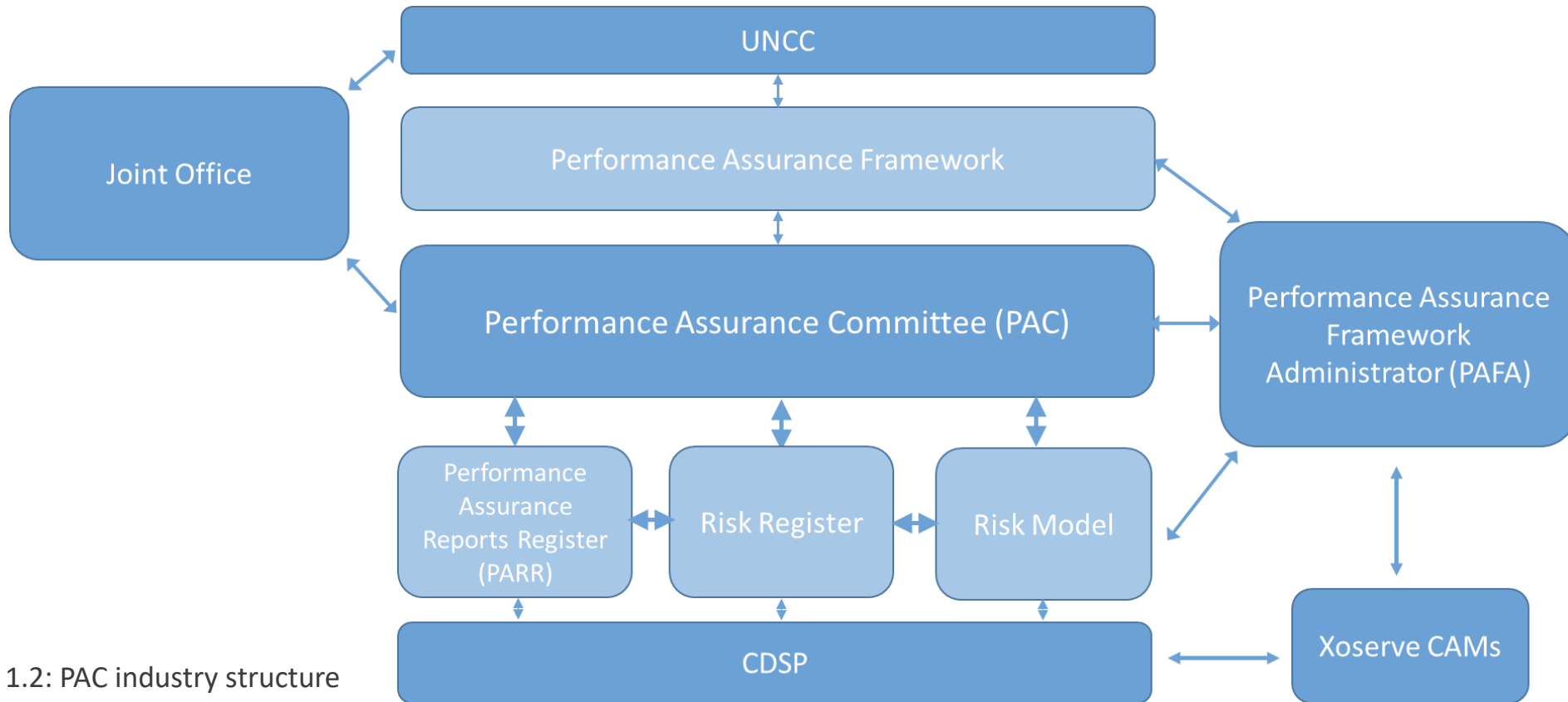


Figure 1.2: PAC industry structure

The PAC terms of reference and the Performance Assurance Framework document can be found on the PAC section of the Joint Office website: <https://www.gasgovernance.co.uk/PAC>



# MISSION STATEMENT



❖ **“To be instrumental in driving, supporting and encouraging industry’s continued improvement for gas settlement performance and risk management.”**

The current PAF contains the following objectives:

- ❖ To determine the appropriate reporting and analysis to measure energy settlement performance and risks to it;
- ❖ To create a risk register and supporting analysis to assess risks and determine mitigation activities for energy settlement performance;
- ❖ To report as necessary; and
- ❖ To create a regime incentivising the required performance, if necessary, by proposing modifications to the UNC.

❖ The primary goal of the monthly PAC meetings is to work towards the achievement of these objectives.

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**How effective do you think the  
Performance Assurance regime is under  
the UNC?**

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## Audience Q&A Session

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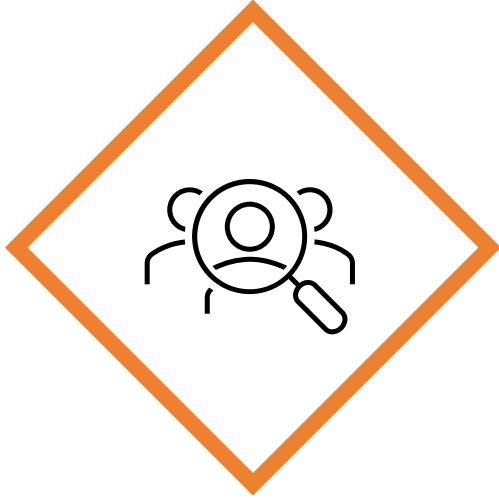
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## 02: PAC FOCUS FOR THE NEXT 12 MONTHS

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A LOOK AT THE FIVE AREAS OF  
FOCUS OVER THE NEXT 12 MONTHS  
INCLUDING UNC674V AND HOW IT  
WILL IMPACT YOU.

# FOCUS FOR 2023



## LINE IN THE SAND

- Carry out agreed strategy
- Targeted engagement
- Clear expectations
- PAC meeting invitations



## AUGE ISSUE REGISTER

- Consider important issues on register
- Identify biggest areas of concern
- Initiate mitigating actions



## HOLISTIC PERFORMANCE

- Development of the matrix
- Identify areas of biggest concern
- Target based on holistic view



## ENGAGEMENT

- Engagement session
- GPAP utilisation
- Industry Comms
- Transparency of processes

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# UNC0674V & IGT138V

## PERFORMANCE ASSURANCE TECHNIQUES & CONTROLS

HOW WILL THE REGIME CHANGE?  
WHAT CAN PARTIES EXPECT?  
HOW CAN PARTIES PREPARE?



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## IMPLEMENTATION

Approved by Ofgem for Implementation on 1<sup>st</sup> November 2022

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- Readying the regime for the fundamental change of UNC674V Inc.,
  - Project work to assess level of change;
  - Updating Performance Assurance Techniques to include those being introduced;
  - Workshops to decide on approach;
  - Project work to implement change;
  - Change to fundamental documents e.g. PAFD; and
  - Communication of changes with industry.

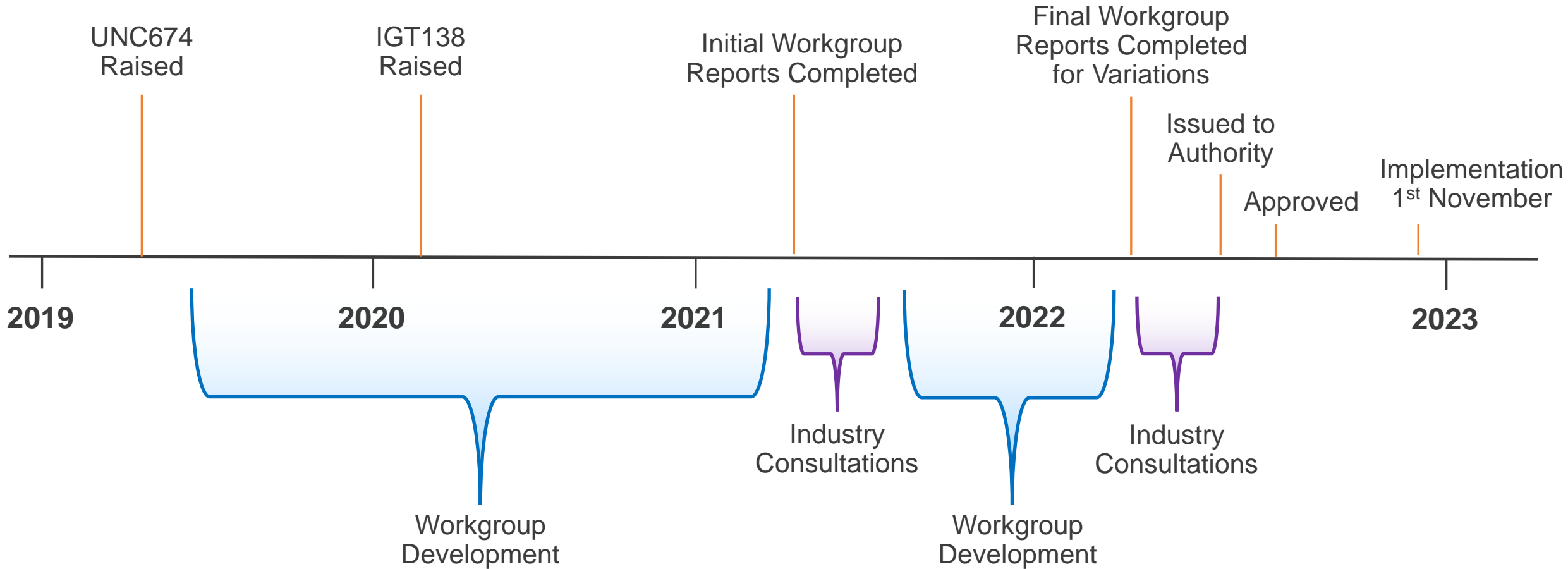
# BACKGROUND

- UNC0674 was raised in April 2019 in response to PAC identified weaknesses in the current regime.
- IGT138 was raised in February 2020 and replicates the UNC Performance Assurance Regime in the IGT UNC, giving the UNC PAC powers over the performance requirements of the IGT UNC.
- Both Modifications were varied during their development resulting in UNC0674V and IGT138V.
- The UNC Modification was in development for over three years and Ofgem directed that the two Modifications be made to their respective Codes on 29 July 2022.
- Implementation of both Modifications will be on Tuesday 1 November 2022.





# UNC674V/IGT138V DEVELOPMENT TIMELINE



## PERFORMANCE ASSURANCE OBJECTIVE

To be inserted into the UNC as part of the modification is:

***“To ensure in relation to a Day accurate and timely Settlement for the Day; such accuracy as would be expected if all UNC obligations were met.”***



# ■ PURPOSE OF THE CHANGE

UNC0674V will modify the UNC to define the following outcomes:

1. Require UNC Parties to adhere to a basic principle that poor performance must not distort settlement even when such behaviours leading to this are not described within the UNC.
2. Determine additional tools and processes available to the PAC in its work in the provision of performance assurance within the code.
3. Allow the PAF to be more agile and responsive to the information it receives by empowering the PAC to determine and action appropriate responses.
4. Allow the PAF Administrator (PAFA) access to such data as reasonably approved by PAC to allow PAFA and PAC to carry out performance assurance activities.



# **PURPOSE OF THE CHANGE**

## CONTINUED

UNC0674V will modify the UNC to define the following outcomes:

5. 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.
6. 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.
7. Ensure that the PAC budget does not act to constrain the duties and requirements of the PAC.
8. Provide clarity that UNC parties (Gas Transporters (GTs), Independent GTs (IGTs), Shippers etc.) and the CDSP fall under the remit of the PAC and performance assurance measures to be applied.



# PERFORMANCE ASSURANCE TECHNIQUES (PATS)



## Monitoring

- *To use data and analysis to assess and quantify risks and issues*

## Party Communication

## Third party engagement

## Training

- *To understand settlement and remedy issues*

## Request for a Resolution Plan

- *Including milestones and in agreement with PAC*

## Request Attendance at PAC

## Publication

- *Performance issues*
- *Contributing factors (including shipper names where contributing)*
- *Peer Comparison Metrics*

## Auditing

## Referral to the Authority

# ■ PERFORMANCE ASSURANCE REGIME TRANSITION



- New Performance Assurance Framework Document to be published (planned for 1<sup>st</sup> November)
  - Housekeeping changes only
- Minimum transition period in the modification is 6 weeks.
- PAC have agreed that the transition period be extended to 3 months.
- No **NEW** targeting will be deployed in the transition period.
- PAC will continue to monitor and action performance issues already identified and continue targeting the Shippers already identified for contributing performance factors e.g. the Line in the Sand Strategy.

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## Audience Q&A Session

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# UPDATE ON 'LINE IN THE SAND' 2022/23 STRATEGY

FOLLOWING DRAMATIC RISE IN PAC RISK 14 'NO METER READ LINE IN THE SAND', MITIGATIONS WERE PROPOSED TO TACKLE THIS RISK ACROSS THE YEAR. THIS ACTS AS A PROMPT FOR NEXT STEPS AND AN UPDATE.



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# BACKGROUND

- Line in Sand risk presented at the Dec 2021 and Jan 2022 PAC following dramatic rise in Value at Risk.
  - Risk rating – **5** (highest risk banding)
  - Indicative VaR – **464 GWh**
- Following risk review, PAC agreed to a strategy to tackle LiS and sent letter out to all parties as mitigation to the risk.
- AUGE indicate this was the second highest contributor to UIG.



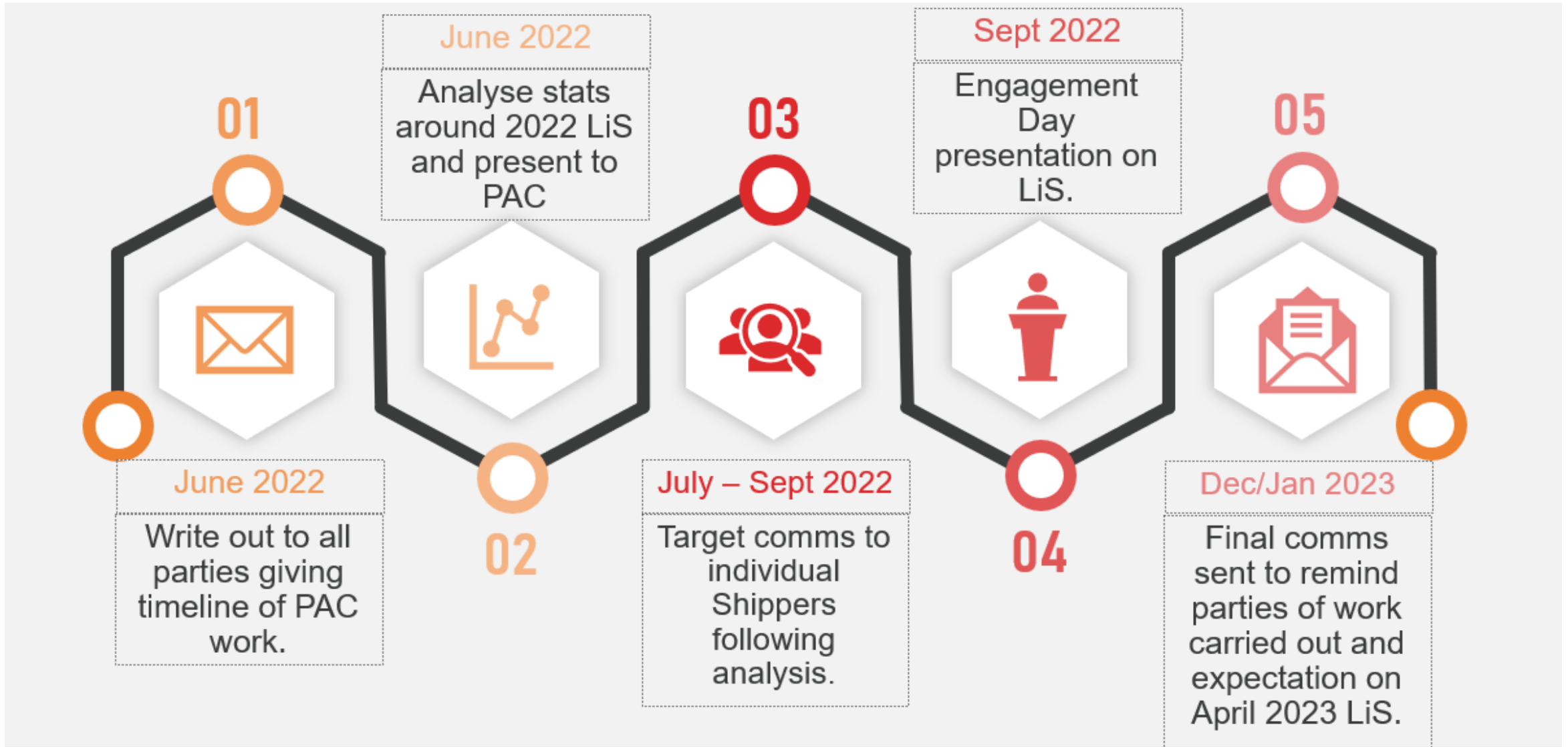
# PROPOSAL

*PAC agreed the approach outlined:*

- PAC reinforced importance of gaining reads for these sites in initial letter.
- Use of targeted comms for those with the highest proportion of No Reads.
- If by December 2022 no significant improvement evident in data, Shipper will be called in to PAC meeting to explain position and actions carried out to tackle No Reads. Shippers to be informed in advance of this outcome for transparency.
- Method of monitoring by PAFA - No read report on Data Discovery Platform (DDP).
- Proposed timetable for events as detailed.



# TACKLING 'LINE IN THE SAND'



# ■ TARGETED COMMUNICATIONS – SHIPPER BASIS



PAC have agreed to target using two approaches to improve 'Line in the Sand' rollover levels;

- A) Approach Shippers based on proportion of meters that look likely to roll over in 2023.
  - i. The worst performing 11 Shippers form 92% of the overall meters of concern.
  
- B) Approach Shippers based on who contribute the largest 'AQ at risk' in their portfolio that looks likely to roll in 2023.

Both have their merits to mitigating the risk level of PAC Risk 14 and make the approach equitable over the shipper community.

***The purpose of targeting this risk is to impact the Un-Identified Gas (UIG) levels by ensuring sites are reconciled before the 'Line in the Sand' rollover date, thereby bringing down the risk level.***

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**What areas do you think need to be addressed to see the greatest improvement to settlement accuracy?**

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## Audience Q&A Session

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## 03: HOW TO IMPROVE AND MAINTAIN PERFORMANCE?

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ACTIONS YOU NEED TO TAKE, THINGS TO LOOK OUT FOR AND HOW THE PAFA WORK, GPAP, TRAINING ETC.

# HOW THE PAFA WORK



The PAFA analyse data provided in PARR reports and highlight poor performers to the Committee

PAFA liaise with the CDSP to highlight poor performing Shippers who notify them of poor performance

After three months of poor performance, PAFA recommend further action to the PAC, in the form of a Performance Improvement Plan (PIP)

Shippers are sent an improvement plan request and are required to submit a milestone plan

In the case where no improvement is seen or no plan is submitted, Shippers will receive an invitation to the PAC meeting, following a meeting with the PAFA

In the case where a Shipper achieves the plan and is able to maintain performance levels for 3 months, the plan will be closed



# ■ HOLISTIC PERFORMANCE MATRIX



In 2022 the PAC attended two Strategic Workshops which covered various areas of discussion. One of which was adopting a new approach to applying Performance Assurance Techniques, and determining who should be considered by the PAC.

The Holistic Performance Matrix was created and is currently under development by the PAFA, in consultation with the PAC. This new approach will look at ranking Shippers across a broad range of areas including meter read performance, transfer reads, check reads, AQ at Risk and more. The new approach will look to address Shippers on all obligations across the UNC rather than Product Class meter read performance requirements only.

It is hoped that the Holistic Performance Matrix will be rolled out in the autumn and will add a new dimension to the PAC strategy.

# ■ ACTIONS TO TAKE



- The closer a Shipper operates at UNC requirements, the less chance a Shipper will be targeted by the Performance Assurance Committee.
- The areas included in the Holistic Performance Matrix include:
  - **Read performance**
    - *Shipper action:* submit and successfully load meter reads in line with UNC obligations i.e. Product Class 1 & 2 should achieve a meter reading of 97.5% whilst PC3 & PC4 are to achieve a meter reading of 90%
  - **Percentage of Check Reads not completed**
    - *Shipper action:* Complete all check reads in accordance with the meter type. Non-annual meters should have a check read arranged every 24 months whilst annually read meters are to be arranged every 12 months

# ACTIONS TO TAKE



- **Transfer Read Performance**

- *Shipper action:* Ensure all meters which have had a transfer have an opening read submitted and accepted.

- **Aged last reads (no read for more than one year)**

- *Shipper action:* Shippers should ensure there are no meters which have not been read for a period greater than one year. In a case where there are, Shippers should look to clear the age of the last read by submitting a read for the meter in question.

- **AQ at Risk**

- *Shipper action:* Shippers must submit a valid actual meter reading to avoid accumulating AQ at Risk on their portfolio. AQ at Risk accumulates when a valid meter reading has not been loaded into settlement in 15 months (Product Class 4 Annual). For all other categories, a valid meter reading requires loading within 3 months.

- **AQ based read performance**

- *Shipper action:* To read the meters associated with 90% of the Shipper's overall portfolio AQ.

# GAS PERFORMANCE ASSURANCE PORTAL



In 2022 the PAFA launched the GPAP, which is a dedicated website and portal for gas performance assurance information.



[Meetings](#) [Resources](#) [News](#) [FAQs](#) [Contact Us](#)

[Secure Access](#)



## UNC674V Performance Assurance Techniques

Ofgem approved UNC674V to be implemented on 1st November 2022. This will come with a period of transition and hiatus in Performance Assurance activities until the new framework can be fully implemented and will allow the industry to prepare for the change in regime.

We will keep the industry updated on how implementation progresses via our news section.

[UNC674V News](#)

# ■ GAS PERFORMANCE ASSURANCE PORTAL



The aim of the portal is to be a transparent education tool to ensure that industry has a dedicated space to tap into performance assurance information.

The PAC are working towards greater industry engagement and are aware that taking industry on the journey is a valuable tool to improving settlement accuracy.

Should you require information that is not available on the GPAP, please reach out to PAFA ([PAFA@Gemserv.com](mailto:PAFA@Gemserv.com)) and we can point you in the right direction (e.g. towards useful Xoserve resources).

# ■ GAS PERFORMANCE ASSURANCE PORTAL



The GPAP includes;

- FAQs;
- Submission of risks for Risk Register;
- Performance Assurance Techniques;
- Information pages, training and guidance materials;
- Information for parties on Performance Improvement plans;
- Signposts to Xoserve training;
- Contact facilities;
- Performance Assurance calendar;
- More to be added in time.
- Meeting information/key messages;

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## Audience Q&A Session

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# 04: 2021/22 ANNUAL REVIEW

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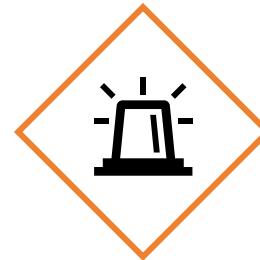
A ROUND UP OF THE LAST 12  
MONTHS OF THE REGIME, INCLUDING  
PERFORMANCE STATS AND  
ACHIEVEMENTS



# NOTABLE PAC ACHIEVEMENTS IN 2021/22



Initiated 'Line in the sand' strategy to address rising risk on no meter reads >4 years.



Risk Register updated and risks brought to PAC on monthly basis. Mitigating action were necessary.



Over 100 performance Assurance Techniques employed (Letter writing).



PAC escalation process evoked for two Shippers in 2021/22. Both met with good levels of cooperation.



Overall Increase in Read Performance stats (PC1, 2 and 3)



Two Strategic Workshops held in 2022 and a new Holistic Performance matrix in development.

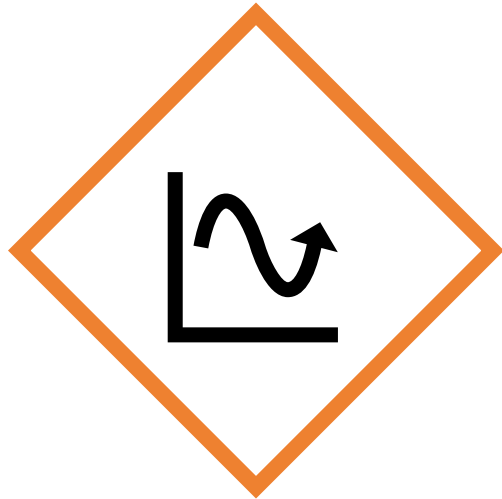


Delivery of 4 further Data discovery Platform user stories with 7 in the Backlog awaiting designation.



Launch of Gas Performance Assurance Portal in 2022, with GPAP becoming the focus of PA information.

# CURRENT RISK AREAS



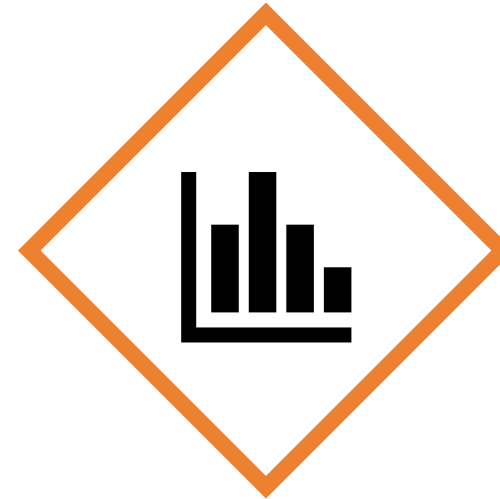
## METER READS

Risks that directly affect meter reading activities or areas that are directly affected by data going into central systems. These include WAR bands, no read 'line in the sand' and meter read classes.



## METER ASSETS

This includes those risks that are concerned with physical meter assets and includes missing or incorrect asset data.



## DATA/VOLUME

This included both Data Corrections and Volume Corrections and includes areas such as Correction factors and use of the AQ correction process.



## UNATTRIBUTED

Risk areas that have a level of unquantifiable gas attributed to them. This includes Theft of Gas, LDZ offtake and Shipperless sites. These areas can have high fluctuations and therefore do not sit in another category.

# RISK MITIGATION WORK 2021/22



## LINE IN THE SAND

12 month strategy Inc.;

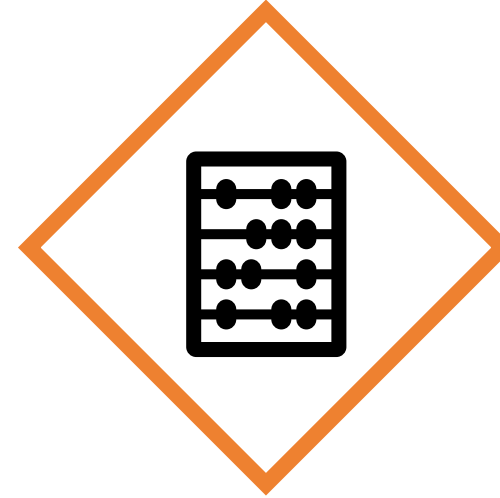
- Targeted comms
- Industry engagement
- PAC meeting invitations for poor performance



## METER BYPASS

Addressing open bypasses in the system Inc.;

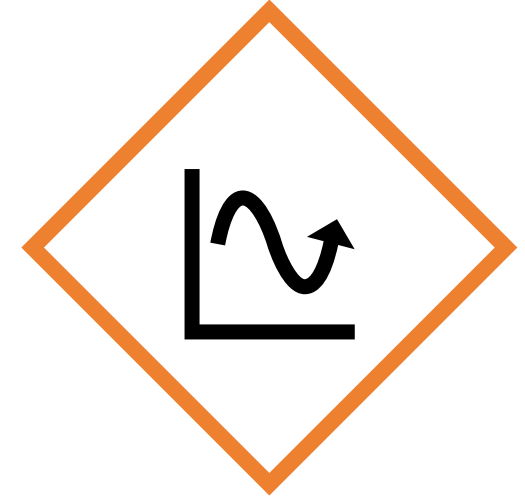
- Targeted comms
- CDSP assistance
- Monthly reporting to PAC



## HOLISTIC PERFORMANCE

Redesign of PAC approach Inc.;

- Development of a new matrix
- Pivot in PAC attention to cross area examination



## READ PERFORMANCE

Continuation of PAT application Inc.;

- PAFA management of plans
- Continued support
- PAC meeting for poor performance

# OVERALL SHIPPER READ PERFORMANCE 2021/22



- Many successes over the past twelve months
- Still a long way to go to ensure industry are moving towards and maintaining UNC requirements for meter reading
- Table 1.3 below shows the current levels of parties meeting UNC requirements for meter reading across the industry by product class<sup>1</sup>.

	PC1 (97.5%)	PC2 (97.5%)	PC3 (90%)	PC4 Monthly (90%)	PC4 Annual (90%)
<b>2021</b>	50%	33%	34%	7.5%	40%
<b>2022</b>	60%	25%	36%	12%	28%
<b>Variation</b>	<b>+10%</b>	<b>-8%</b>	<b>+2%</b>	<b>+4.5%</b>	<b>-12%</b>

Table 1.3: The percentage (%) of Parties meeting UNC requirements for each meter reading class

- Some evidence to show that meter reading performance is still being hampered by residual Covid measures.
- PAC still needs to maintain the levels of pressure on the industry to ensure performance reaches a stage at which maintenance of performance is achieved.
- There is work to be done:
  - Using the PAF to improve gas settlement.
  - Educating the industry on Settlement, meter read performance and UNC obligations.
- This engagement session and the launch of phase 2 of the GPAP will aid in this education and transparency of the regime.

<sup>1</sup> Percentage calculated year on year (across July 2020 – June 2022 for PC1, PC2 and PC3) (across May 2020 – June 2022 for PC4 Monthly and PC4 Annual)

# PC1 READ PERFORMANCE



2A.5 - Read performance 12-month comparison (PC1)

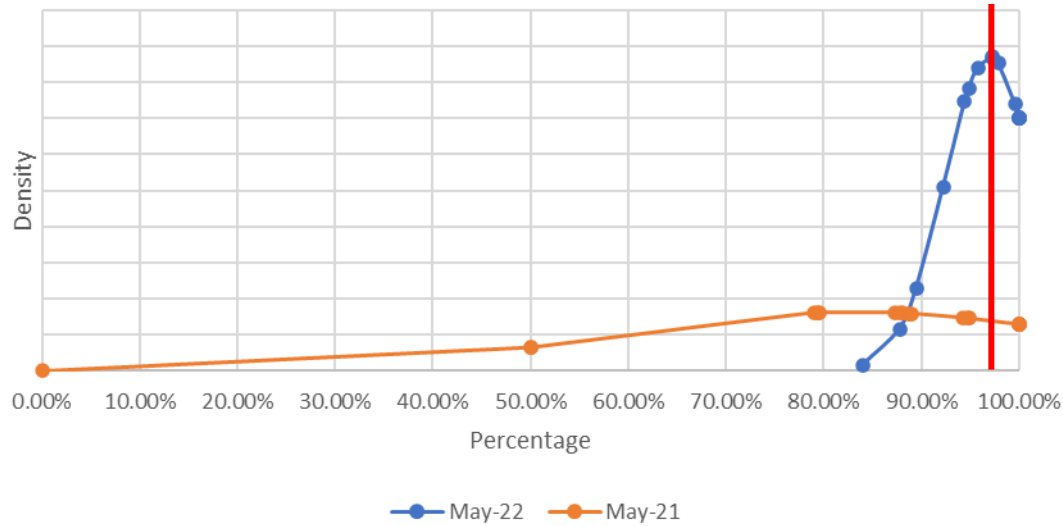


Figure 5.1: Read Performance for PC1 Market – May 2021 vs May 2022

	May 2021	May 2022	Variance
Industry Average	83.15%	96.98%	+13.83%
Average performance for Shippers on improvement plans	94.74%	n/a	+2.07%

- Industry average performance has increased over the year and is just below UNC requirements of 97.5%.
- There are no remaining shippers on active PIPs for PC1 performance
- PAC are aware of the challenges from Shippers in the PC1 market with regards to small portfolio sizes and how performance statistics can be impacted.
- PAFA will continue to monitor this Product Class to establish whether the remaining percentage points can be achieved to ensure this area is performing to UNC requirements.

# PC2 READ PERFORMANCE



2A.5 - Read performance 12-month comparison (PC2)

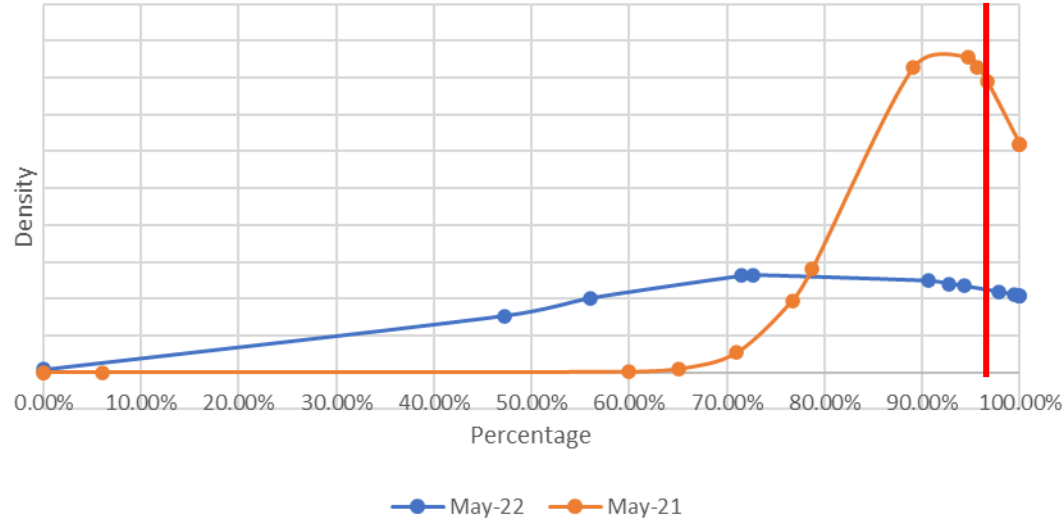


Figure 5.2: Read Performance for PC2 Market – May 2021 vs May 2022

	May 2021	May 2022	Variance
Industry Average	68.90%	78.63%	+9.73%
Average performance for Shippers on improvement plans	60.56%	92.51%	+31.95%

- In the last year the Industry average performance has increased by approx. 10%. In PC2.
- This is below the UNC requirement of 97.5%
- PAFA are maintaining continuous monitoring for this product class.
- For Shippers on performance improvement plans, read performance has improved by approx. 32% on average.
- PAFA will continue to work with the low performing Shippers.

# PC3 READ PERFORMANCE



2A.5 - Read performance 12-month comparison (PC3)

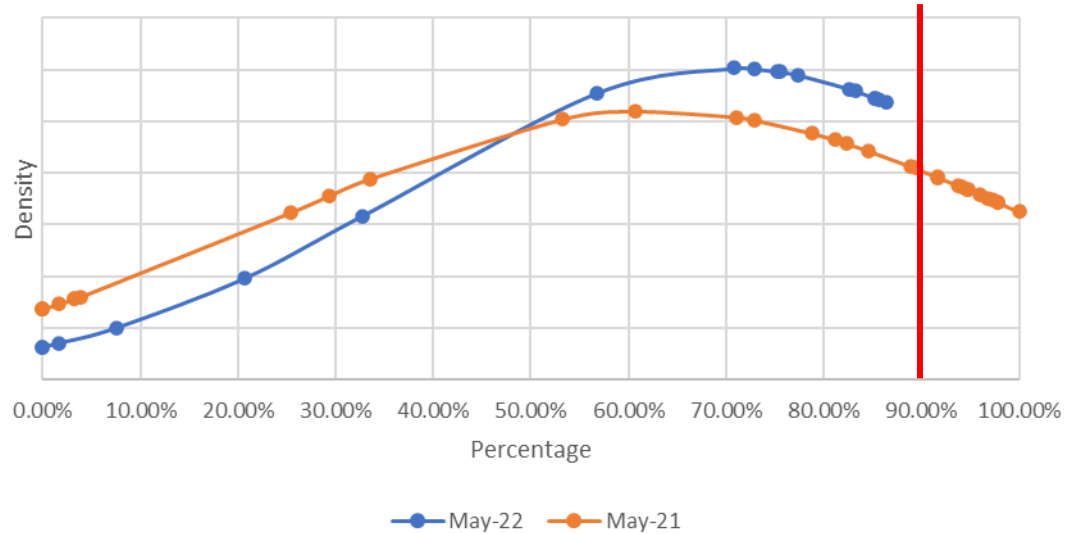


Figure 5.3: Read Performance for PC3 Market – May 2021 vs May 2022

	May 2021	May 2022	Variance
Industry Average	62.80%	70.32%	+7.52%
Average performance for Shippers on improvement plans	66.02%	67.58%	+1.56%

- The Industry average has increased in PC3 over the last year by 7.5%.
- There have been gains in this product class despite the implementation of a large scale code change (UNC692S - Automatic updates to Meter Read Frequency in early 2022), which saw large movements between PC3 and PC4.
- Shippers, on Performance Improvement Plans (PIPs), have made slight improvements to performance by circa 2%.
- Renewed plans, including projected milestones to UNC requirements, have been received from those Shippers on plans.
- In the last year 3 Shippers on Performance improvements Plans (PIPs) were closed due to exiting the market.

# PC4 MONTHLY READ PERFORMANCE



2A.5 - Read performance 12-month comparison (PC4 Monthly)

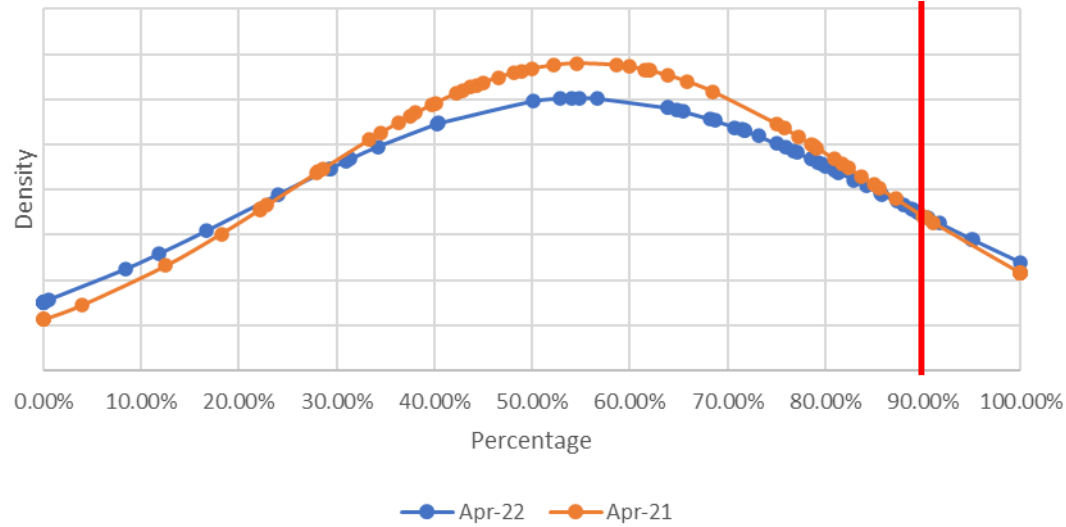


Figure 5.4: Read Performance for PC4M Market – Apr 2021 vs Apr 2022

	Apr 2021	Apr 2022	Variance
Industry Average	55.56%	54.96%	-0.6%
Average performance for Shippers on improvement plans	54.76%	55.37%	+0.16%

- Industry average has declined over the last year.
- There has been major movement in the first quarter of 2022 with the introduction of UNC692S - Automatic updates to Meter Read Frequency.
- There are a large number of Shippers on Performance Improvement Plans for PC4 Monthly
- PAC have called for refreshed plans and milestones to get to UNC requirements.
- Shippers on PIPs have made a slight improvement of 0.16% across the year in their performance.
- The average performance, both for those on plans and the industry average, is well below the 90% UNC requirement.
- PAFA will continue to work with the low performing Shippers.



# PC4 ANNUAL READ PERFORMANCE



2A.5 - Read performance 12-month comparison (PC4 Annual)

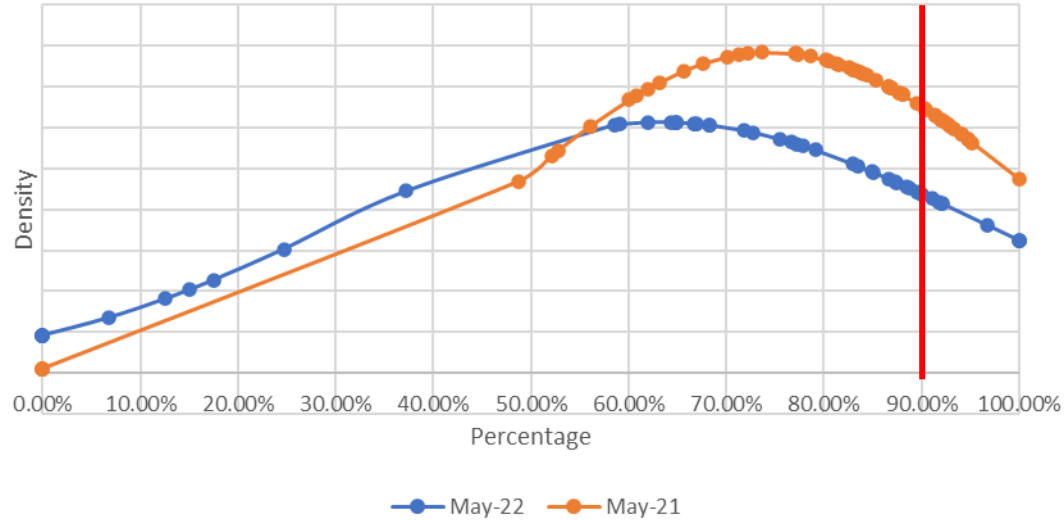


Figure 5.5: Read Performance for PC4A Market – May 2021 vs May 2022

	May 2021	May 2022	Variance
Industry Average	74.53%	63.31%	-11.22%

- Performance has been declining over the year.
- The average percentage of meter readings obtained within the market is declining.
- PAFA will continue to work with the low performing Shippers.
- The overall market share in PC4 Annual has decreased substantially due to the implementation of UNC692S - Automatic updates to Meter Read Frequency.
- This is not an area that PAC have actively targeted but have been monitoring closely.

# PERFORMANCE ASSURANCE TECHNIQUES OVERVIEW



20/21 – 48 PC4 Monthly plans were established – ongoing monitoring of these plans with Shippers.



9 letters sent to shippers behind SoLRs to advise on PAC position.



55 letters sent to parties who had meters rolling over 'Line in the Sand'



More targeted comms to come on Line in the Sand in the coming months.



Individual communications sent out to all 48 PIP holders to update the PAFA with plan milestones.



84 Shipper meetings across the year with Shippers on active plans.



Bi-Monthly meetings held with Xoserve 'Life Cycle' team to share intelligence.



Targeted communications with 4 Shippers on NDM sampling initiatives.

# PERFORMANCE IMPROVEMENT PLAN STATISTICS



- This year many smaller Shippers/Suppliers went into the SoLR process
- This led to a drop in active PIPs.
- Only 1 Shipper has made significant improvements, achieving UNC requirements for 3 months or more, resulting in the completion of their plan (reflected in Table 1.3 )

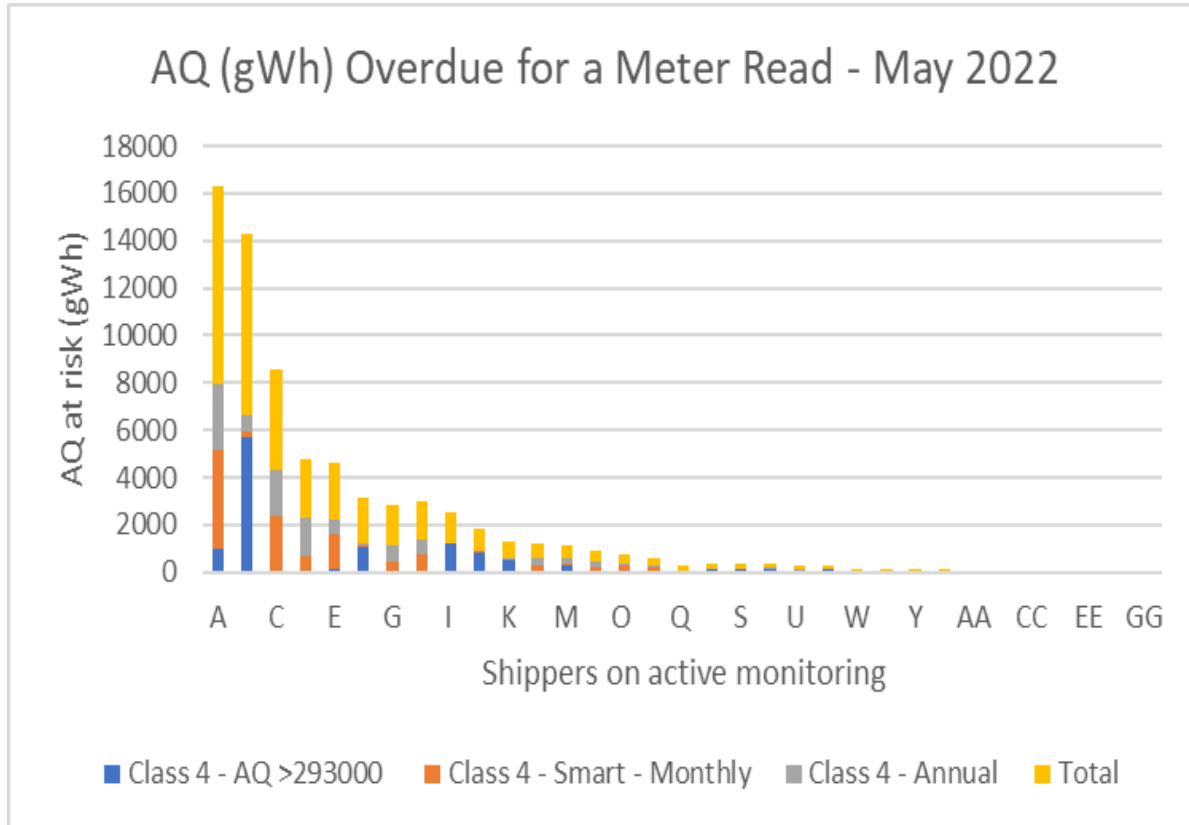


Figure 4: Graph showing AQ at risk across all open PIPs

	2021	2022
Open Plans at start of year	48	42
Closure due to UNC requirement	1	1
Closure due to exit market	4	0
Closure due to other factors	1	3
Open Plans at end of year	42	38

Table 1.3: Difference in overall plan movement e.g. plan completion vs exiting market

	PC1	PC2	PC3	PC4 Monthly
May 2021	94%	60%	66%	54%
May 2022	96%	92%	67%	55%
Variation	2%	31%	1%	1%

Table 1.4: Average read performance (%) of Parties under active monitoring

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**How important is it that industry performance levels improve?**

ⓘ Start presenting to display the poll results on this slide.



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# 05: OPPORTUNITY FOR FEEDBACK, Q&A AND PANELS

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YOUR OPPORTUNITY TO ASK  
QUESTIONS/PROVIDE FEEDBACK TO  
A PANEL OF COMMITTEE MEMBERS,  
PAFA AND THE CDSP

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## Audience Q&A Session

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**INVESTORS IN PEOPLE®**  
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**Feedback**

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