
SCHEDULE XX

Performance Assurance Schedule

Version: 0.1

Effective Date:

[proposed to be April 2020]

Status: Neither Mandatory nor Optional – this Schedule sets out matters to be administered by Performance Assurance Board, supported by the Code Manager

Change History

Version Number	Implementation Date	Reason for Change
0.1	N/A	Initial Draft

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1 Introduction

- 1.1 The REC includes a robust Performance Assurance Framework (PAF) underpinned by a comprehensive Risk Register setting out all potential risks and their associated mitigation. This Schedule defines the governance in place to support the PAF and the associated processes.
- 1.2 This Schedule should be read in conjunction with the Entry Assessment Schedule which defines the process for new market entrants and those who have made a material change to their Systems or processes, to demonstrate that they can deliver services required under this Code. Following successful completion of the Entry Assessment requirements, REC Parties will fall within the scope of the PAF.
- 1.3 The key objectives for the PAF are to ensure that Consumers have a positive experience when engaging in the retail energy market; and that REC Parties act in a manner that is not detrimental to the effective competition between Energy Suppliers and their agents.
- 1.4 The RECCo Board shall establish a sub-committee with delegated authority to perform the functions of the Performance Assurance Board (PAB). The PAB shall oversee the PAF and is responsible for the Risk Register and associated Performance Assurance Methodology (which explains the process used for rating the risks, the proposed governance of the PAF and the key performance assurance techniques that will be used to monitor performance and incentivise compliance on an on-going basis).
- 1.5 The RECCo shall delegate relevant decision-making powers to the PAB and will not prescribe the manner in which the proceedings and business of the committee are to be conducted. Any costs incurred or paid by the PAB shall be covered by RECCo Ltd.
- 1.6 All members of the PAB (and any alternatives) shall be indemnified for any costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered in performing the functions of the PAB.
- 1.7 All members of the PAB, (and any alternates) shall be indemnified for any costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered in approving proposals by the PAB or hearing escalations /appeals.
- 1.8 Where the Code Manager provides advice to the PAB or undertakes work at the request of the PAB, it shall be indemnified for any costs (including legal costs), charges, expenses, damages or liabilities incurred or suffered in providing such advice or undertaking such work.

Definitions [to be developed prior to Autumn consultation and included in interpretations schedule]

Annual Performance Assurance Report

Breach

Electricity / Gas Arbitration Association

Legal Requirement

Performance Data – means the data utilised by the Code Manager to assess Market Participant performance under the Code. This may include Performance Assurance Reports

as defined in the Technical Specification or any other data that the Code Manager has access to for this purpose.

Performance Assurance Board

Performance Assurance Framework

Performance Assurance Framework Operating Plan

Performance Assurance Methodology

Performance Assurance Technique

Retail Risk – means a risk of any failure or error in a step or process required under the REC (including in each case a risk which has materialised as an actual failure or an error).

Risk Management Determinations means the decision point when the PAB decides to switch on a technique against a party.

Risk Register

2 Role of the PAB

- 2.1 The PAB is responsible for overseeing the PAF with responsibility for maintaining the Risk Register, through ongoing risk assessment; monitoring compliance using various techniques, including performance reporting; and managing the rectification of non-compliance as the escalation route where parties fail to deliver against their agreed corrective action plan.
- 2.2 The PAB shall have access to all parties' data for monitoring purposes. Where possible, this data shall be provided from centralised sources, rather than parties providing ad hoc reports.
- 2.3 The functions of the PAB are to:
 - (a) establish of a Risk Register and Performance Assurance Methodology;
 - (b) make determinations in relation to revisions to the Risk Register;
 - (c) make determinations in relation to the application of Performance Assurance Techniques;
 - (d) make determinations in relation to REC Breaches in accordance with the Breach and Default Schedule;
 - (e) consider escalations where a party is failing to comply with their corrective action plan;
 - (f) assess whether any change to the REC or any subsidiary document would better facilitate any activity of the PAB and/or further mitigate any of the risks identified on its Risk Register and instruct the Code Manager accordingly; and
 - (g) deliver other activities as may be set out in this Code or that the RECCo Board may delegate to it from time to time.
- 2.4 The PAB shall develop, implement and amend working practices and procedures as necessary for its proper performance of the PAB functions, provided that there is no conflict with the

provisions in the REC. Should any conflict arise, the REC shall take precedence over any working practices/procedures.

- 2.5 Where PAB meetings are held to discuss the Risk Register and no confidential information is to be considered, the meeting shall be held in open session and all REC Parties will be permitted to send a representative. Minutes of open PAB meetings shall be published on the REC website.
- 2.6 Where closed meetings are convened, meeting notices need only be given to members of the PAB and the Authority, although meeting dates and agendas should be visible on the REC website. Where a REC Party is expected to attend the meeting, then they shall also be provided with notice. Minutes of closed PAB meetings shall be confidential and only provided to those persons entitled to attend the relevant meeting, however highlight reports shall be published on the REC website. Where a REC Party attends part of a meeting they will be provided with an extract of the minutes for the part of the meeting attended.
- 2.7 The initial composition of the PAB will be determined by the Authority, and thereafter in accordance with a methodology to be established by the RECCo Board.
- 2.8 The quorum for PAB meetings will be [5] of its members present in person (including teleconference) or via alternates.
- 2.9 PAB meetings may be attended by the following non-voting parties:
 - (a) A representative from the Authority; and
 - (b) Third party service providers invited by the PAB e.g. auditors
- 2.10 A PAB member shall not participate in the consideration of any matter relating to his employer, or affiliate of his employer and should not be counted when determining whether a quorum is present.
- 2.11 A PAB member shall not disclose to his employer or any Affiliate of his employer confidential information which he has received in his capacity as a member of the PAB unless required to do so by any Legal Requirement; in order for his employer or any such Affiliate to comply with the conditions of any Licence with which his employer or any such Affiliate, as the case may be, is required to comply; by any stock exchange or regulatory authority or the Panel on take-overs and mergers; or pursuant to the arbitration rules of the Electricity / Gas Arbitration Association or pursuant to any judicial or other arbitral process or tribunal having jurisdiction in relation to him or his employer or any such Affiliate, as the case may be. In any of which events the PAB member shall first give written notice of the required disclosure to the PAB.
- 2.12 All decisions of the PAB are appealable to the RECCo Board. Reports relating to Market Participant performance shall be provided to the Authority on request, and non-compliances may be escalated to the Authority.

3 Role of the Code Manager

- 3.1 The Code Manager shall perform all functions associated with the day-to-day administration of the PAB and the PAF. In addition, the Code Manager shall:
 - (a) maintain the Risk Register and Performance Assurance Methodology on behalf of the PAB, assessing the ongoing applicability of the Risk Register and highlighting where new risks should be added, current risks amended or deleted;

- (b) assess Performance Data, service provider Key Performance Indicators (KPIs) and self-assessment declarations in order to provide a recommendation to the PAB in relation to party and service provider compliance;
- (c) monitor agreed corrective action plans to ensure activities focus on addressing the root cause of issues, are delivered in a timely manner, and issues are escalated to the PAB where necessary; and
- (d) make recommendations on changes to the Risk Register, Performance Assurance Methodology or the Code itself;
- (e) prepare and maintain a list of performance assurance techniques and how these are used to mitigate (by detecting or preventing the occurrence, or correcting the effects, of) Retail Risks;
- (f) prepare individual Risk Management Determinations for REC Parties where the PAB determines that a specific technique should be 'turned on' for a REC Party and deliver assurance activities in accordance with these determinations;
- (g) prepare an Annual Performance Assurance Report;
- (h) manage overall communication with parties involved in the PAF.

3.2 The Code Manager shall keep all information that it receives in its role within the PAF confidential.

4 Performance Assurance Procedures

Performance Assurance Methodology

4.1 The Code Manager shall prepare a methodology (the "Performance Assurance Methodology") for:

- (a) identifying risks which are Retail Risks;
- (b) assessing the materiality of Retail Risks in relation to REC Parties and Consumers; and
- (c) applying Performance Assurance Techniques to mitigate Retail Risks.

4.2 The draft Performance Assurance Methodology shall be issued to REC Parties for consultation before being presented to the PAB for approval.

4.3 The Performance Assurance Methodology shall be reviewed annually to ensure it remains applicable.

Risk Register

4.4 The Code Manager shall:

- (a) identify and evaluate Retail Risks, by applying the Performance Assurance Methodology;
- (b) prepare a document (the "Risk Register") setting out Retail Risks, and the significance of each such Retail Risk;
- (c) issue the draft Risk Register to REC Parties for consultation; and

(d) present the Risk Register to the PAB for approval.

4.5 The Risk Register shall be reviewed on an annual basis. Changes may also be proposed to the Risk Register on an ad-hoc basis in accordance with the process set out in the Performance Assurance Methodology.

PAF Operating Plan

4.6 On an annual basis, the Code Manager shall prepare a plan (the “Performance Assurance Framework Operating Plan”) setting out the Performance Assurance Technique(s) it considers should be applied in relation to each Retail Risk, together with the cost of implementing each relevant technique.

4.7 The draft PAF Operating Plan shall be presented to the PAB for approval.

4.8 Once approved, the PAF Operating Plan shall be reviewed on an annual basis. Changes may also be proposed to the PAF Operating Plan on an ad-hoc basis, for example to reflect changes to the Code that may require additional assurance provisions to be in place, in accordance with the process set out in the Performance Assurance Methodology.

4.9 Where the PAB approves a within-period revision of the Risk Register, the Code Manager shall consider whether corresponding revisions are required to the PAF Operating Plan. If it determines that changes are required, then a revised PAF Operating Plan will be presented to the PAB for approval.

Risk Management

4.10 The Code Manager shall, in relation to each REC Party, determine (in accordance with the PAF Methodology) which Retail Risks are material (based on class materiality and individual materiality), and the Performance Assurance Techniques to be applied (and the manner in which they are to be applied).

4.11 The Code Manager shall:

(a) make an initial Risk Management Determination for each REC Party, setting out the applicable Performance Assurance Techniques (as determined by the PAB); and

(b) thereafter on an ad-hoc basis amend the Risk Management Determination for each REC Party where the PAB amends the applicable Performance Assurance Techniques.

4.12 Where the PAB approves a within-period revision of the PAF Operating Plan, the Code Manager shall consider whether to make a revised Risk Management Determination for each REC Party.

4.13 Where there is a change in the circumstances of a REC Party or it becomes aware of circumstances of which it was not previously aware in relation to its Risk Management Determination, the REC Party may request that the Code Manager make a revised Risk Management Determination. The Code Manager shall consider the request and determine (in its discretion) whether or not the requested revised Risk Management Determination is justified and should be made.

4.14 Where the Code Manager becomes aware of a change in the circumstances of a REC Party, or of circumstances which the Code Manager was not previously aware in relation to the Risk Management Determination of a REC Party, the Code Manager shall be entitled to make a revised Risk Management Determination as it considers appropriate.

- 4.15 Where a REC Party disagrees with the contents of the Risk Management Determination, it may raise an appeal to the PAB in accordance with the PAF Methodology
- 4.16 The Performance Assurance Technique(s) to be applied (in accordance with a Risk Management Determination) shall be techniques specified as applicable to such risk in the PAF Operating Plan; but the techniques to be applied (and the manner and extent to which they are to be applied) to individual REC Parties of the same class may vary to reflect individual materiality of Retail Risks.

Administering and Implementation of Performance Assurance Techniques

- 4.17 The Code Manager shall apply and implement Performance Assurance Techniques in accordance with the PAF Operating Plan and each Risk Management Determination.

Annual Performance Assurance Report

- 4.18 The Code Manager shall prepare an annual report on performance assurance (the "Annual Performance Assurance Report") which shall set out the following information in respect of the previous financial year:
- (a) the results of the risk evaluation and risk assurance procedures, in particular, the extent to which the application of Performance Assurance Techniques mitigated the Retail Risks in the Risk Register;
 - (b) The impact of the REC performance assurance provisions on REC Parties and Consumers;
 - (c) the actual costs of implementing the Performance Assurance Techniques and a comparison against the estimated costs set out in the PAF Operating Plan for the previous year and an explanation of any differences;
 - (d) any recommendations to modify existing Performance Assurance Techniques or establish new Performance Assurance Techniques; and
 - (e) the benefits of any modifications to Performance Assurance Techniques including cost-saving benefits.
- 4.19 The Annual Performance Assurance Report shall be published on the REC website.

Change Proposal Recommendations

- 4.20 The PAB may, at any time, request that the Code Manager raise a Change Proposal to the Code or any subsidiary documents in order to:
- (a) remedy any error, ambiguity, inconsistency or deficiency which emerges as a result of the exercise of the PAB's functions;
 - (b) Remove obligations that are overly onerous or prescriptive and do not impact the Consumer experience;
 - (c) Introduce or enhance controls for key risk; or
 - (d) establish a new Performance Assurance Technique or modify an existing Performance Assurance Technique.

- 4.21 Where the Code Manager receives such a request from the PAB, the Code Manager shall decide whether to propose a modification to the Code or its subsidiary documents and inform both the PAB and Change Panel accordingly.

Annex A: Retail Risk Register

[to be populated by the interim PAB early 2020]