



## PAB Approved

## Risk Evaluation Register – 2012/13

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The Risk Evaluation Register (RER) sets out the Settlement Risks identified and evaluated by the Performance Assurance Board (PAB) in accordance with the Risk Evaluation Methodology (REM). Settlement Risks relating to Supplier Volume Allocation, Central Volume Allocation and Central Systems processes fall under the scope of the RER and are considered within this document.

The RER should be read in conjunction with the [REM 2012/2013](#) and [Section Z](#) of the BSC.

This document relates to the Performance Assurance Operating Period (PAOP) 5 starting 1 April 2012 and will be reviewed by the PAB in accordance with the [Annual Performance Assurance Timetable \(APAT\)](#).

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This document has been reviewed and approved by PAB on the 25 August 2011.

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### Target Audience

All BSC Parties, BSC Agents and Performance Assurance Parties as defined within the BSC.

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### Performance Assurance Board (PAB)

The Performance Assurance Board (PAB) conducts and administers activities to provide assurance that all participants in the BSC arrangements are suitably qualified and the relevant standards maintained.



### Annual Performance Assurance Timetable

The APAT gives the dates for the key milestones in the development and approval of the Risk Management Plans for all Performance Assurance Parties for 2012/13.



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Any questions?

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## 1 Introduction

### Summary of the Risk Evaluation Register (RER)

A Settlement Risk is the risk of any failure in a BSC process which affects Settlement or is otherwise required in connection with Settlement.

As set out in Section Z, 5.5.1 of the BSC, the Performance Assurance Board (PAB) shall:

- Identify and evaluate risks which are Settlement Risks, by applying the Risk Evaluation Methodology (REM); and
- Prepare and maintain a document (the "Risk Evaluation Register") setting out Settlement Risks, and the significance of each risk on Settlement in relation to a specific Performance Assurance Operating Period.

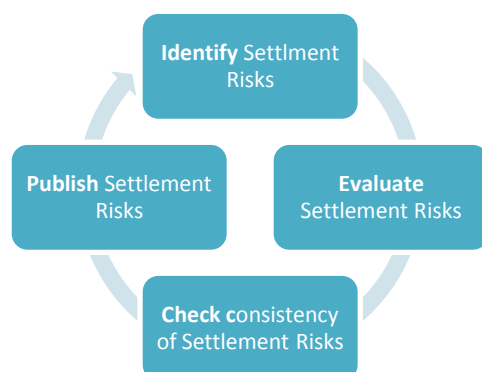
ELEXON issued the REM for industry consultation earlier in the year and it was approved by the PAB in March 2011, for use in Performance Assurance Operating Period<sup>1</sup> (PAOP) 5, effective from 01 April 2012.

The RER, reviewed in line with the approved REM, is [Appendix 2](#) of this document and lists the risks for PAOP 5. As a result of this review ELEXON proposed changes to the RER, following comments received from industry consultations that were approved by PAB.

**The changes and the rationale behind them are described in Section 2 of this document.**

### Purpose

The RER is an integral part of the Performance Assurance Framework and our approach to reviewing the register is described in the REM. The RER is derived from the activities detailed in sections 2 - 5 of the REM:



#### Risk Evaluation Methodology (REM)

The REM describes how the Performance Assurance Board (PAB) will :-

- Identify Settlement Risks;
- Evaluate Settlement Risks; and
- Assess the materiality of Settlement Risks.



#### Performance Assurance Administrator (PAA)

ELEXON, acting on the behalf of the PAB

<sup>1</sup> The Performance Assurance Operating Period is the twelve month period described by the Annual Performance Assurance Timetable in respect to which the Performance Assurance Board will deploy the Performance Assurance Framework. The Annual Performance Assurance Timetable is approved by the BSC Panel and published on the ELEXON website

## **SVA Settlement Risks**

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The identification and evaluation of Supplier Volume Allocation (SVA) Settlement Risks will be documented generically and by role, rather than by reference to specific Performance Assurance Parties (PAPs).

## **CVA Central Systems Settlement Risks**

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The RER supports the PAB and the Panel to identify all CVA Settlement Risks. All CVA risks are deemed to be significant in terms of both probability of failure and impact on Settlement. All CVA and Central Systems Settlement Risks<sup>2</sup> are captured in Appendix 2 of this document.

## **Review of the RER 2012/2013**

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ELEXON has analysed outputs from Performance Assurance Techniques (PATs) and other sources for 2010/2011, to determine which Settlement Risks may need updating in this 2012/13 RER (PAOP 5).

[Section 2](#) of this document highlights changes which have been applied from the RER Review and comments from Industry consultation. All other elements of the RER remain unchanged from PAOP 4.

Section 3-5 provides background information on the RER.



### **Glossary of Terms**

A full glossary of terms can be found in Appendix 1 of this document.



### **Performance Assurance Techniques**

The implementation of any provision or process that mitigate Settlement Risks either by detecting/ preventing the occurrence, or correcting the effects, as defined in BSC Section Z.

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<sup>2</sup> CVA risks include all risks relating to Metering Systems registered within the Central Meter Registration Service (CMRS) together with all risks relating to Central BSC Agents and BSCCo

## 2 Changes to the RER for 2012/13

### Review of the RER

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As prescribed in the REM 2012/2013, ELEXON has analysed the outputs of PATs which showed evidence of where recent/current issues indicated changes in probability/impact and also whether new processes are to be implemented that will provide new controls to Settlement Risks. The review included:

- Closed Trading Disputes during 2010/2011;
- Closed and new BSC Audit Issues;
- PARMS Serial data<sup>3</sup>;
- Technical Assurance checks findings;
- Change Proposals and Modifications (Approved/Implemented);
- Industry inputs on relevant Settlement Risks.

The outputs of the above were linked to the associated Settlement Risks and, as a result, we assessed which Settlement Risks required modification. The RER was approved by the PAB for Industry consultation on 30 June 2011 (PAB125/05) and as stated in Section Z5.5.3 of the BSC, was published on the BSC website inviting industry comments, during a three weeks consultation period. The comments were analysed and the changes for the RER (2012/2013) are shown below.

The proposed changes are described in the rest of this section; they fall into four categories:

- Changes to Net Significance;
- New Settlement Risks;
- Non Material Updates (Changes to description)
- Existing Controls associated to Settlement Risks

Some changes are proposed to be effective from the start of PAOP5 (1 April 2012); others from 26 August 2011 as a Within-period Revision, which would continue into PAOP5.

PAB has reviewed approved the changes for the RER in the table below.



#### Within-period revision

A revision by the PAB of the Risk Evaluation Register, Risk Operating Plan or Risk Management Plan as applicable in relation to a PAOP after such register or plan has been adopted for such PAOP

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<sup>3</sup> New PARMS Serial data may impact the ratings of some Settlement Risks before April 2012



## Updates to the RER 2012/13

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>Net Significance Changes</b>				
<b>SR0022</b>	The risk that HHDCs do not use the correct Meter Technical Details resulting in Meter readings being misinterpreted or not collected.	12 (5/3/Med)	<p><b>Pre consultation update</b></p> <p>The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving<sup>4</sup> &amp; commissioning processes. Therefore we feel Low (from Medium) will be a better reflection for the strength of control.</p> <p><b>MTD Workshop update</b></p> <p>The MTD workshop group felt that an impact of 4 was better reflection for this risk.<sup>5</sup></p>	20 (5/4/Low)  Effective from: 1/04/2012
<b>SR0112</b>	The risk that HHDCs use data from faulty Metering Systems resulting in incorrect data being entered into Settlement.	7 (3/4/High)	<p><b>Pre consultation update</b></p> <p>The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving<sup>4</sup> &amp; commissioning processes. Therefore we feel Medium (from High) will be a better reflection for the strength of control.</p>	10 (3/4/Med)  Effective from: 1/04/2012

<sup>4</sup> This issue continues to be part of the BSC Auditor's Statement of Significant Matters (SSM14) which refers to proving tests not being performed.

<sup>5</sup> The group reviewed where the processes break down and how this impacts on the exchange of MTDs and ultimately on the risk to Settlement. The group agreed that could be the result of many breakpoints in the process of getting MTDs from the Meter to the Data Collector. When the HM06 data is split MOA by MOA, it shows that it is consistent, that it is neither improving nor getting worse. It shows that there are some MOAs worse than others and it also shows that all MOAs (with two exceptions) always need to send the same MTDs more than once in the reporting period. The Technical Assurance of Metering Technique shows that DCs have incorrect data 60% of the time. These failures are classified as having an impact on the quality of data now. 54% of these MTDs held incorrect Meter Register Details. The BSC Auditor uses some of the TAM data to feed into its annual Settlement materiality calculation. Of 15 TAM failures selected (in line with criteria), 7 were considered to be materially impacting Settlement. With this detail in mind the group supports a change to the Gross Impact rating from a '3' to a '4', resulting in a net significance of 20.

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0037</b>	The risk that LDSOs connect and energise supplies before HHMOAs have installed, commissioned and energised Metering Systems, resulting in energy not being accounted for in Settlement.	3 (1/3/Low)	<p><b>Pre consultation update</b></p> <p>We propose changing the probability of this risk from <b>1</b> to <b>3</b>. This risk has shown to be more prevalent: the Trading Disputes Committee (TDC) has processed 23 Trading Disputes in the last 24 months where Settlement errors were related to Meters being programmed incorrectly and errors in equipment installation<sup>6</sup>.</p>	9 ( <b>3</b> /3/Low)  Effective from: 1/04/2012
<b>SR0116</b>	The risk that Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement.	10 (4/3/Med)	<p><b>Pre consultation update</b></p> <p>The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving<sup>7</sup> &amp; commissioning processes. Therefore we feel Low (from Medium) will be a better reflection for the strength of control.</p> <p><b>Note: By applying this change, this risk will become a Top Settlement Risk</b></p>	12 (4/3/ <b>Low</b> )  Effective from: 1/04/2012

<sup>6</sup> This was coupled with missing commissioning records, suggesting that the commissioning of parts of the Metering System may not have taken place (if they had, and these records were passed on to the MOA who commissioned the Meter, it is without question that these issues would have been highlighted). It was calculated for the purpose of the Trading Disputes that the materiality amounted to over £643,000. The TDC upheld 11 of these disputes with a materiality of £609,000.

<sup>7</sup> This issue continues to be part of the BSC Auditor's Statement of Significant Matters (SSM14) which refers to proving tests not being performed

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0080</b>	The risk that Suppliers do not send Meter readings that they have obtained to NHHDCs resulting in old data being entered into Settlement.	8 (4/2/Low)	<p><b>Post consultation update</b></p> <p>A respondent suggested an increase of impact for this risk. An impact of 3 will be consistent with risks of default data entering Settlement.</p> <p><b>PAB revision</b></p> <p>The PAB reviewed this risk and concluded that a probability of 3 was a better reflection for this risk.</p>	9 ( <b>3/3</b> /Low) Effective from: 01/04/2012
<b>SR0040</b>	The risk that NHHMOAs do not provide correct Meter Technical Details to NHHDCs resulting in Meter readings being misinterpreted or not collected.	10 (4/3/Med)	<p><b>MTD Workshop update</b></p> <p>We proposed changing the control strength to high as the workshop group felt that for the NHH side of things the D0001<sup>8</sup> / D0004<sup>9</sup> processes and the Meter Validation process at NHHDC were robust enough.</p>	7 (4/3/ <b>High</b> ) Effective from: 01/04/2012
<b>SR0095</b>	The risk that <b>agreed</b> change of Supplier reads are not entered into Settlement following change of Supplier for a Non Half Hourly Metering System resulting in energy being misallocated between Suppliers.	7 (4/3/High)	<p><b>Post Consultation update</b></p> <p>We proposed a change in wording as the risk for Suppliers is having agreed CoS reads.</p> <p>Based on the consultation responses, we propose a change in control strength from 'Medium' to 'Low'.</p>	10 (4/3/ <b>Med</b> ) Effective from: 01/04/2012

<sup>8</sup> Request Metering System Investigation

<sup>9</sup> Notification of Failure to Obtain Reading

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0086</b>	The risk that for UMS NHHDCs do not process new or updated EACs and associated Settlement details (D0052) resulting in inaccurate energy volume allocation (UMS).	12 (3/4/Low)	<p><b>Post Consultation update</b></p> <p>Based on the overall consultation responses, we propose reducing the probability from '3' to '2'</p> <p><b>Note: By applying this change, this risk will drop out of the Top Settlement Risk</b></p>	8 (2/4/Low) Effective from: 01/04/2012
<b>SR0093</b>	The risk that on concurrent change of NHHDC/NHHDA for UMS, new NHHDCs do not receive the latest UMS EAC from the old NHHDCs resulting in Metering Systems being settled on default EAC values which are likely to be inappropriate for Unmetered Supplies.	12 (3/4/Low)	<b>As Above</b>	8 (2/4/Low) Effective from: 01/04/2012
<b>SR0175</b>	The risk that HHMOAs do not provide correct Meter Technical Details to the LDSOs resulting in the LDSOs not receiving data of sufficient accuracy to enable the calculation of LLFs correctly.	10 (5/2/Low)	<p><b>MTD Workshop update</b></p> <p>Added D0001 as a control, same rationale as above.</p> <p>We proposed that SR0175 should be updated so that the probability be a '4' rather than a '5', making the net significance decrease to '8'. This reflects other associated risks in sending MTDs to DCs.</p>	8 (4/2/Low) Effective from: 01/04/2012
<b>New Risks</b>				

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR2839</b>	The Risk that Suppliers do not notify change of HHDA to other associated agents resulting in the HHDCs not sending consumption data to the correct HHDA resulting in default data being entered into Settlement.	9 (3/3/Low)	<b>Post Consultation update</b>  RER workshop group felt that the occurrence of this risk should be lower than equivalent risk for other agents; hence dropping the probability by 1.	6 <b>2/3/Low</b>  Effective from: 26/08/2011
<b>SR2840</b>	The Risk that Suppliers do not notify change of NHHDA to other associated agents resulting in the NHHDCs not sending consumption data to the correct NHHDA and resulting in default data being entered into Settlement.	6 (2/3/Low)	As above	3 <b>1/3/Low</b>  Effective from: 26/08/2011
<b>Non Material Updates</b>				
<b>SR0047</b>	The risk that on change of NHHDC, new NHHDCs do not receive <b>required amount 14 months</b> of historic NHH Metered Data/final Meter Reading resulting in new NHHDCs being unable to validate and process subsequent readings and hence the use of default or old data in Settlement.	10 (4/3/Med)	<b>Post Consultation update</b>  The BSC requirement is to provide Meter Reading History for up to the last event and it will not necessarily be 14 months; therefore we have changed the description to reflect this.  D0170 have been added as a control for this risk.	N/A  Effective from: 26/08/2011

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0084</b>	The risk of inaccuracies in UMS inventories (whether on establishment of a new inventory or following amendment to an inventory) resulting in the derivation of unrepresentative EACs which are entered into Settlement.	9 3/3/Low	<p><b>Pre consultation update</b></p> <p><b>New Description from consolidating SR0084/100<sup>10</sup>/106<sup>11</sup></b></p> <p>The Risk that UMSOs use inaccurate inventory data, standing data (Charge Codes/Switch Regimes) or apply the wrong calculations to create EACs resulting in EACs being inaccurately derived and entered into Settlement.</p>	N/A  Effective from: 01/04/2012
<b>SR0038</b>	The risk that LDSOs fail to notify SMRAs of NHH disconnections resulting in consumption data for disconnected MSIDs being entered into Settlement.	6 3/2/Low	<p><b>Post Consultation update</b></p> <p>Added the following to the assumptions:  'We anticipate the DTC CP3325 for Distributors to notify Suppliers of large scale disconnections via new flow &amp; the Working practice on how to use the flow (WPPS CP 0107), will help reduce occurrence of this risk after its implementation in February 2012'</p> <p><b>Note: We will review the probability prior to April 2012</b></p>	N/A  Effective from: 01/04/2012
<b>SR0017</b>	The risk that registrations for consuming NHH Metering Systems are not completed in SMRS resulting in no data being entered into Settlement for the energised Metering Systems.	6 2/3/Low	<p><b>Post Consultation update</b></p> <p>Added the following to the assumptions:  The Risk is primarily focused on new connections.</p>	N/A  Effective from: 26/08/2011

<sup>10</sup> The risk that UMSOs do not use approved switching regimes or charge codes or that charge code data is of poor quality resulting in EACs being inaccurately derived and entered into Settlement.

<sup>11</sup> The risk that UMSOs apply the wrong methodology to create EACs resulting in energy being under- or over-accounted in Settlement.

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0018</b>	The risk that registrations for consuming HH Metering Systems are not completed in SMRS resulting in no data being entered into Settlement for the energised Metering Systems.	6 2/3/Low	<b>As above</b>	N/A Effective from: 26/08/2011
<b>SR0058</b>	The risk that on change of HHDC for UMS, new HHDCs do not receive UMS <del>equivalent Meter Technical Details Meter Output File</del> from Meter Administrators resulting in estimated data being entered into Settlement.	2 (1/2/Low)	<b>Pre Consultation update</b>  The Unmetered Supplies User Group (UMSUG) reviewed this risk and concluded that equivalent Meter Technical Details (MTD) does not accurately reflect the data that is passed on MA; hence the description of the risk has been changed to reflect this.	N/A Effective from: 26/08/2011
<b>SR0059</b>	The risk that on change of Meter Administrator, new Meter Administrators do not receive <del>equivalent Meter Technical Details from Suppliers</del> supporting information from <del>UMSO and/or old MA</del> resulting in estimated data being entered into Settlement.	2 (1/2/Low)	<b>Pre Consultation updates</b>  The UMSUG reviewed this risk and concluded that equivalent MTDs does not accurately reflect the information that is passed on, moreover according to BSCP 520, supporting information includes: <ul style="list-style-type: none"> <li>• Summary of inventory from UMSO and</li> <li>• Transfer information as defined BSCP520 - 3.4.4 from old MA; assuming new MA has requested information</li> </ul>	N/A Effective from: 26/08/2011

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0103</b>	The risk that Meter Administrators incorrectly calculate HH consumption values or fails to provide HH advances <del>or UMS equivalent Meter Technical Details</del> to HHDC resulting in incorrect energy volume allocation.	5 (2/3/Med)	<b>Pre Consultation Updates</b>  For consistency with SR0058, UMS equivalent MTD has been removed from the risk description.	N/A  Effective from: 26/08/2011
<b>Controls updated on Settlement Risks (No changes in control strengths)</b>				
<b>SR0024</b>	The risk that NHHMOAs do not provide Meter Technical Details to the correct NHHDCs resulting in Meter readings not being collected.	12 (4/3/Low)	<b>MTD Workshop &amp; Post consultation update</b>  Adding D0170 as a control based on outcome of MTD workshops – the D0170 can be used by the DC and suppliers as a request for MTDs from MOAs.  Underpin also added as a control as the DCs can request data from Suppliers.	N/A  Effective from: 26/08/2011
<b>SR0028</b>	The risk that HHMOAs make changes to the Metering System and do not inform the HHDCs resulting in Meter readings being misinterpreted or not collected.	12 (4/3/Low)	<b>MTD Workshop update</b>  Adding 'DC Validation' as a control which essentially checks that the HHDC can use the MTDs they have to contact an Outstation and obtain Meter Readings;	N/A  Effective from: 26/08/2011
<b>SR0025</b>	The risk that HHMOAs do not provide Meter Technical Details to the correct HHDCs resulting in Meter readings not being collected.	12 (4/3/Low)	<b>MTD Workshop &amp; Post consultation update</b>  Added D0170 (CoS & CoDC processes only) as a control based on outcome of MTD workshops – the D0170 can be used by the DC and suppliers as a request for MTDs from MOAs.	N/A  Effective from: 26/08/2011

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Changes & Rationale	New Net Sig
<b>SR0033</b>	The risk that old NHHMOAs do not send Meter Technical Details to new NHHMOAs resulting in new NHHMOAs not having the Meter Technical Details for the Metering Systems to send on or use as required.	6 (3/2/Low)	<b>As above</b>	N/A  Effective from: 26/08/2011
<b>SR0034</b>	The risk that old HHMOAs do not send Meter Technical Details to the new HHMOAs resulting in new HHMOAs not having the Meter Technical Details for the Metering Systems to send on or use as required.	6 (3/2/Low)	<b>As above</b>	N/A  Effective from: 26/08/2011
<b>SR0174</b>	The risk that NHHMOAs do not provide correct Meter Technical Details to the LDSO resulting in the LDSO not receiving data of sufficient accuracy to enable the calculation of LLFs correctly.	8 4/2/Low	<b>MTD Workshop update</b>  Added D0001 (Requests Metering System Investigation) as the Metering System Investigation process would be used by the DC when it was unable to collect data because it had the incorrect/inaccurate MTDs. The LDSO would benefit from this process as post investigation a new updated and correct set of MTDs would then be sent by the MOA to all parties – including LDSO.	N/A  Effective from: 26/08/2011

## 3 Risk Evaluation Register Structure

Settlement Risks are evaluated using the approach set out in the REM (sections 2 - 3)

All SVA Settlement Risks are logged using the data fields specified below.

Column	Description	Applicable to
<b>Settlement Risk Identification Number</b>	Unique number extracted from the RER	SVA Risks CVA Risks
<b>Effective from Date/Effective to Date</b>	Operational period of the risk	SVA Risks CVA Risks
<b>Workflow Status</b>	Indicates whether the risk has been approved by PAB	SVA Risks CVA Risks
<b>Originator</b>	the source of the initial identification of the risk	SVA Risks CVA Risks
<b>Risk Category</b>	classification of risks into subgroup categories	SVA Risks CVA Risks
<b>HH/NHH</b>	Indicates whether it is applicable in the half hourly or non half hourly market	SVA Risks
<b>Risk Description</b>	Detailed description of the risk	SVA Risks CVA Risks
<b>Gross Settlement Risk Probability<sup>12</sup></b>	How likely a Settlement Risk is to occur if there are no controls in place	SVA Risks CVA Risks (Set to 5)
<b>Gross Settlement Risk Impact<sup>12</sup></b>	How severe the impact of a Settlement Risk would be (should it happen) if there are no controls in place	SVA Risks CVA Risks (Set to 5)
<b>Gross Settlement Risk Significance</b>	The Gross probability multiplied by the Gross impact	SVA Risks CVA Risks (Set to 25)
<b>Noted Controls</b>	The key mechanisms that should be applied routinely to the processes for deriving Trading Charges from recorded energy production or consumption	SVA Risks
<b>Controls Strength<sup>12</sup></b>	The effectiveness of the identified controls when taken in aggregate	SVA Risks CVA Risks (Currently Low)
<b>Net Significance</b>	Gross significance multiplied by a factor based on the Strength Controls as defined in the REM	SVA Risks CVA Risks (Currently 25)
<b>Assumptions</b>	Any specific assumptions made in relation to the risk	SVA Risks

<sup>12</sup> Definitions of probabilities, impact and control strength used are provided in Appendix 1

Column	Description	Applicable to
<b>Relevant Performance Assurance Parties<sup>13</sup></b>	Specific classes of Performance Assurance Parties who may be required to support the application of one or more Performance Assurance Techniques in the event that the PAB chooses to deploy techniques to manage the risk.	SVA Risks

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<sup>13</sup> Settlement Risks are relevant to any Performance Assurance Party which might send, receive or take action in respect of processes, controls or data which relate to the risk in question. The Supplier is a relevant Performance Assurance Party in respect of Settlement Risks relating to the activities of the Party Agent. This is consistent with the provisions of Section J of the BSC which note that Parties shall be responsible for every act, breach, omission, neglect and failure of appointed Party Agents. It should also be noted that, in the context of the Risk Evaluation Register, relevant Performance Assurance Parties may not directly contribute to or be directly impacted by Settlement Risks. They are identified on the Risk Evaluation Register as they could be required to support the application of one or more Performance Assurance Techniques in the event that the PAB chooses to deploy techniques to manage this Settlement Risk

## 4 General Assumptions

### Independent Assessment of Risks

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It has been assumed that predecessors<sup>14</sup> to Settlement Risks have been completed successfully, i.e. the cumulative impact of errors has been excluded from the risk evaluation process. This ensures that Settlement Risks which arise later in the Settlement process do not automatically qualify as highly significant and consequently divert attention from an earlier key control point.

For example, when considering the risk that the Non Half Hourly Data Aggregator (NHHDA) does not pass data to the Supplier Volume Allocation Agent (SVAA), the evaluation is based on the assumption that the aggregated data has been derived in accordance with the BSC – i.e. it is assumed that the Meter Technical Details that were used to interpret energy consumption for Metering Systems are correct and that Non Half Hourly Data Collectors have calculated energy consumption correctly etc.

This approach does not prevent Settlement Risks from covering a range of root causes (reasons for failures of the processes falling under the scope of each Settlement risk). For example, there are many reasons why the NHHDA might not pass data to the SVAA including but not limited to: NHHDA system failure (and failure of associated disaster recovery processes), failure to follow the published timetable due to manual error, mishandling of incoming data, failure to submit the data in the correct format resulting in rejection by SVAA etc.

### Consideration of Half Hourly and Non Half Hourly Settlement Risks

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Many of the identified Settlement Risks arise at each Settlement Run. The Gross Probability and Gross Significance of a Settlement Risk may be different when assessed at each Settlement Run.

In the context of Settlement, the impact of an error arising in respect of a small number of Half Hourly Metering Systems is likely to have greater cash flow implications for Trading Parties than an error arising in respect of a small number of Non Half Hourly Metering Systems.

Furthermore, since almost all Half Hourly Metering Systems settle on actual metered data in all Settlement Runs, the Settlement processes that apply to Half Hourly Metering Systems tend to apply equally to each Settlement Run. Therefore the significance of Settlement Risks associated with Half Hourly Metering Systems is likely to be the same across Settlement Runs. Conversely, the proportion of Non Half Hourly Metering systems which settle on actual metered data increases over the course of each Settlement Run. Therefore it is only by the Final Reconciliation Run (RF) that the

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<sup>14</sup> Procedures which occur earlier in the Settlement process and which might contribute to process steps directly relating to the Settlement Risk under consideration. Failures in these earlier procedures should be covered by other Settlement Risks.

significance of Settlement Risks associated with Non Half Hourly Metering Systems is likely to be greatest.

Consequently, in order to avoid recording a multitude of duplicate Settlement Risks (a version of each Settlement Risk in respect of each Settlement Run) and still ensure that the evaluated significance is sufficient to cover all Settlement Runs, the following principles have been applied:

- Settlement Risks which relate to Half Hourly Metering Systems have been primarily assessed at the Initial Settlement (SF) Run; and
- Settlement Risks which relate to Non Half Hourly Metering Systems have been primarily assessed at the Final Reconciliation (RF) Run.

These principles do not limit application of Performance Assurance Techniques to these Settlement Runs only. Assurance will be delivered across all Settlement Runs as appropriate.

## Generic Controls

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A number of generic controls have been identified which apply to all risks and have therefore not been logged in Appendix 2 against individual risks. These include:

- Disaster Recovery processes;
- Change Management processes;
- System Security Controls;
- Appropriate System Design and Testing; and
- Processes for maintaining audit trails in relation to Settlement transactions.

## 5 Within Period Revisions

The PAB may decide to revise the RER outside of this normal annual review process. For example, the PAB could revise the current PAOP 4 RER based on submissions from industry to support the need to revise any part a specific Settlement Risk sooner than April 2012.

## 6 Further Information

If you have any questions or require further information on the Risk Evaluation Register please contact:

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## 7 Distribution

Recipient	Version	Date	Reason
<b>Performance Assurance Parties</b>	1.0	26 August 2011	<b>For Use</b>
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## 8 References

### Document

[Risk Evaluation Methodology 2012/2013](#)

## Appendix 1: Glossary of Terms

Term	Definition
<b>Annualised Advance (AA)</b>	The rate of consumption for a Settlement Register over the period between two Meter readings. The value is nominally expressed as kWh/Year, but this is only for ease of understanding and cannot be relied upon as a true value.
<b>Annual Performance Assurance Timetable (APAT)</b>	As defined in section Z 5.2 of the BSC.
<b>BSC</b>	The Balancing and Settlement Code
<b>BSCCo</b>	The Balancing and Settlement Code Company
<b>BSCP</b>	Balancing and Settlement Code Procedure
<b>BUSRR</b>	Business Unit Settlement Risk Rating
<b>CoMC</b>	Change of Measurement Class
<b>CVA Risk</b>	A Settlement Risk associated with Central Volume Allocation.
<b>Estimated Annual Consumption (EAC)</b>	An estimated rate of consumption, nominally expressed in kWh/Year, that is used in Settlement until an AA is calculated.
<b>Gross Settlement Risk</b>	Gross risk is the probability, impact and significance that a Settlement Risk would have if no controls were applied. Gross risk, therefore, represents the 'worst case' scenario for each Settlement Risk.
<b>HHDC</b>	Half Hourly Data Collector
<b>HHMOA</b>	Half Hourly Meter Operator Agent
<b>MA</b>	Meter Administrator
<b>MTD</b>	Meter Technical Details
<b>Net Settlement Risk</b>	Net risk is the significance that a Settlement Risk would have when existing controls are taken into account.
<b>NHHDC</b>	Non Half Hourly Data Collector
<b>NHHMOA</b>	Non Half Hourly Meter Operator Agent
<b>Performance Assurance Operating Period (PAOP)</b>	As defined in section Z 5.1.1 of the BSC.
<b>Performance Assurance</b>	As defined in section Z 5.1.1 of the BSC.

Term	Definition
<b>Administrator (PAA)</b>	
<b>PAB</b>	As defined in section Z 1.2 of the BSC.
<b>Performance Assurance Framework (PAF)</b>	Performance Assurance Framework (PAF) consists of a complementary set of preventative, detective and corrective techniques designed to mitigate against risks to the BSC arrangements. The aim of the PAF is to provide independent, equitable, positive and consistent assurance regarding the integrity of Settlement, and to promote corrective actions to address any issues that are identified
<b>Performance Assurance Party (PAP)</b>	A Performance Assurance Party is a participant (or organisation) with Performance Assurance Risks (see the BSC section Z 5.1.1 (c) for more information).
<b>Performance Assurance Technique (PAT)</b>	As defined in section Z 5.3.2 of the BSC.
<b>Risk Evaluation Methodology (REM)</b>	As defined in section Z 5.4 of the BSC.
<b>Risk Evaluation Register (RER)</b>	As defined in section Z 5.5 of the BSC.
<b>Risk Management Plan (RMP)</b>	As defined in section Z 5.7 of the BSC.
<b>Risk Operating Plan (ROP)</b>	As defined in section Z 5.6 of the BSC.
<b>Risk Probability</b>	Risk Probability is represented by a score between 1 and 5 and is the likelihood of a Settlement Risk occurring, (1 being the least probably and 5 being the most probable).
<b>Risk Impact</b>	Risk impact is the impact that a Settlement Risk would have if it occurred. The Risk impact is represented by a number between 1 and 5 (1 being the least severe and 5 being the most severe).
<b>Risk Significance</b>	Risk Significance is the Risk Probability multiplied by the Risk impact
<b>Settlement Risk</b>	As defined in section Z 5.1.1 (a) and (b) of the BSC.
<b>SVA Risk</b>	A Settlement Risk associated with Supplier Volume Allocation.
<b>UMS</b>	Unmetered Supply



## Probability, Impact and Controls Ratings

Probability Rating	Description
<b>5</b>	It is highly likely that the Settlement Risk will occur during a single PAOP
<b>4</b>	It likely that the Settlement Risk is will occur during a single PAOP.
<b>3</b>	Approximately, the Settlement Risk is as likely to occur as not occur during a single PAOP.
<b>2</b>	It is unlikely that the Settlement Risk would occur during a single PAOP.
<b>1</b>	It is highly unlikely that the Settlement Risk would occur in a single PAOP.

Impact Rating	Description
<b>5</b>	The Settlement Risk has the potential to threaten the Balancing Mechanism and Industry Settlement procedures as a whole, causing severe problems for customers, Industry, the System Operator or ELEXON. Extreme Settlement Risks would have significant financial or political consequences on Performance Assurance Parties.
<b>4</b>	The Settlement Risk has the potential to impact one or more GSP Groups and would have a significant impact on the Business Plans of multiple Performance Assurance Parties
<b>3</b>	The Settlement Risk could have an impact on a particular area of Settlement and/or the Business Plans of one or more Performance Assurance Parties
<b>2</b>	The impact of the Settlement Risk is not severe enough to pose a threat to Performance Assurance Parties' businesses, but is significant enough for the Industry to consider addressing via corrective measures.
<b>1</b>	The Settlement Risk is not severe enough to pose a threat to Performance Assurance Parties' businesses and could be dealt with using normal business procedures or the cost and effort required to address the Settlement Risk outweighs the benefit.

Control Strength	Description
<b>Low</b>	Where the control strength is Low, or no controls exist, Net Settlement Risk significance will be Gross Settlement Risk significance multiplied by <b>1.0</b> (i.e. will equal Gross Settlement Risk significance).
<b>Medium</b>	Where the control strength is Medium, Net Settlement Risk will be Gross Settlement Risk significance multiplied by <b>0.8</b> .
<b>High</b>	Where the control strength is High, Net Settlement Risk will be Gross Settlement Risk significance multiplied by <b>0.6</b> .

## **Appendix 2: Risk Evaluation Register for SVA, CVA and Central Systems Settlement Risks**

The complete RER is set out in a [companion spreadsheet](#), which forms Appendix 2 to this document.