

Risk Evaluation Register – 2011/12

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 2011/2012](#) and [Section Z](#) of the BSC.

This document relates to the Performance Assurance Operating Period 4 (PAOP) starting 1 April 2011 and has been reviewed and approved by PAB in accordance with the Annual Performance Assurance Timetable (APAT).

Target Audience

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



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 2011/12.

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Any questions?

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Risk Evaluation Register

29 July 2010

Version 1.0

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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 effects 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.

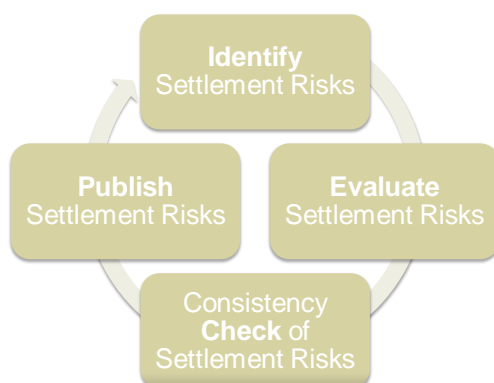
ELEXON issued the Risk Evaluation Methodology for industry consultation earlier in the year and it was approved by the PAB in April 2010, for use in Performance Assurance Operating Period¹ (PAOP) 4, effective from 01 April 2011.

The Risk Evaluation Register (RER), reviewed in line with the approved REM, is Appendix B of this document and lists the risks for PAOP 4. As a result of this review ELEXON has proposed changes to some Settlement Risks in the PAOP 4 RER after receiving comments from Industry consultation. This was subsequently reviewed and approved by PAB.

The changes for RER 2011/2012 are summarised in [section 4](#) 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 captures ELEXON's findings in performing the activities detailed in sections 2 - 5 of the REM, those activities are shown below.



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

¹ 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

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). All SVA Settlement Risks are captured in Appendix B of this document.



Glossary of Terms

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

CVA Central Systems Settlement Risks

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 (CMRS)² are captured in Appendix B of this document.

Review of the RER 2011/2012

ELEXON has analysed outputs from Performance Assurance Techniques (PATs) and other sources for 2009/2010, to determine which Settlement Risks needed updating in this 2011/12 RER review. We would like to draw your attention to Section 4 of this document which highlights those changes. All other elements of the RER remain unchanged since PAOP 3.

² 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 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:

- Settlement Risk Identification Number (unique number extracted from the RER);
- Effective from Date/Effective to Date (Operational period of the risk)
- Workflow Status (Indicates whether the risk has been approved by PAB)
- Originator (the source of the initial identification of the risk);
- Risk Category (classification of risks into subgroup categories);
- HH/NHH (Indicates whether it is applicable in the half hourly or non half hourly market)
- Risk Description (detailed description of the risk);
- Gross Settlement Risk Probability³ (how likely a Settlement Risk is to occur if there are no controls in place);
- Gross Settlement Risk Impact³ (how severe the impact of a Settlement Risk would be (should it happen) if there are no controls in place);
- Gross Settlement Risk Significance (the Gross probability multiplied by the Gross impact);
- Noted Controls (the key mechanisms that should be applied routinely to the processes for deriving Trading Charges from recorded energy production or consumption);
- Controls Strength³ (the effectiveness of the identified controls when taken in aggregate);
- Net Significance (Gross significance multiplied by a factor based on the Strength Controls as defined in the REM);
- Assumptions (any specific assumptions made in relation to the risk); and
- Relevant Performance Assurance Parties (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)⁴.

Only the following data fields are used to log CVA and Central Systems Risks:

- Settlement Risk Identification Number (unique number extracted from the RER);
- Originator (the source of the initial identification of the risk);
- Risk Category (classification of risks into subgroup categories); and
- Risk Description (detailed description of the risk).

³ Definitions of probabilities, impact and control strength used are provided in Appendix A

⁴ 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

3 General Assumptions

Independent Assessment of Risks

It has been assumed that predecessors⁵ 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

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 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

⁵ 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.

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

A number of generic controls have been identified which apply to all risks and have therefore not been logged in Appendix B 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.

4 Changes to the RER for 2011/12

Review of the RER

As prescribed in the REM 2011/2012, ELEXON has analysed the outputs of PATs and other information which include:

- Closed Trading Disputes during 2009/2010;
- Closed and new BSC Audit Issues;
- PARMS Serial data;
- 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 27 May 2010 (PAB112/05) 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 (2011/2012) is shown below, this is detailed in PAB 114/07.

The complete RER spreadsheet is Appendix B of this document and is available on the [website](#).

Updates to the RER for 2011/12 post Industry consultation

Net Significance Changes

After reviewing the RER post Industry consultation, the following changes were performed on the following Settlement Risks which were subsequently reviewed approved by PAB.

Settlement Risk	Description	Proposed changes
SR0049	The risk that LDSOs do not provide valid LLFs for HH Metering Systems resulting in inaccurate data being entered into Settlement.	ELEXON LLF Audit provides assurance on compliance of the process, therefore the control strength of this risk has been changed from Medium to High
SR0050	The risk that LDSO do not provide valid LLFs for NHH Metering Systems resulting in inaccurate data entering Settlement.	ELEXON LLF Audit provides assurance on compliance of the process, therefore the control strength of this risk has been changed from Medium to High This was noted during the consultation
SR0052	The risk that LDSOs fail to provide new/updated Line Loss Factors (for one or more Line Loss Factor classes) for NHH Metering Systems within the required timescales resulting in data being calculated using old/default LLFs.	ELEXON LLF Audit provides assurance on compliance of the process, therefore the control strength of this risk has been changed from Medium to High

SR0053	The risk that LDSOs fail to provide new/updated Line Loss Factors (for one or more Line Loss Factor classes) for HH Metering Systems within the required timescales resulting in data being calculated using old/default LLFs.	ELEXON LLF Audit provides assurance on compliance of the process, therefore the control strength of this risk has been changed from Medium to High
SR0119	The risk that a NHH metered site that meets the criteria for mandatory HH metering does not have a HH meter installed within required timescales resulting in energy potentially being allocated to the wrong Settlement Period or collected outside required timescales.	We have received industry feedback and anecdotal evidence indicating the net significance of this risk should be reduced. We have reviewed this risk and propose to reduce the impact rating from 3 to 2 (see definition ⁶). The impact of SR0119 is addressed via corrective measure, Supplier Charges, using SP04 Serial from Performance Assurance Reporting and Monitoring System (PARMS). <u>By applying this adjustment this risk will drop out of the Top Settlement Risks reviewed monthly by the PAB.</u>

New Settlement Risks

ELEXON proposed two new Settlement Risks are added to the register to address the gap of suppliers failing to notify MOAs of a change of DCs; i.e. SR2834 (HH) & 2835 (NHH). PAB suggested removing controls on SR2834 and SR2835 and approved their inclusion in the RER 2011/2012.

SRIN	Risk Description	Gross Prob.	Gross Imp.	Control Strength	Net Sig.
SR2834	The Risk that Suppliers do not notify change of DC to other associated agents resulting in the HHMOAs not sending MTDs to the right DCs and meter readings.	3	3	Low	9
SR2835	The Risk that suppliers do not notify change of DC to other associated agents resulting in the NHHMOAs not sending MTDs to the right DCs and meter readings.	2	3	Low	6

Correction to the RER

Throughout the RER review, both ELEXON and Industry have noted corrections be applied to the RER. This is summarised below and ELEXON proposed the changes to be in effect from 29 July 2010 (within period revision); which was approved by PAB.

⁶ An Impact rating of **2** - 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.

SRIN	Settlement Risk Description	Changes	Effective from Date
SR0021	The risk that Additional BMUs are registered at CRA and SVAA and subject to contract notifications, but are not set up correctly at HHDA before Gate Closure resulting in HH data for Metering System's associated with those Additional BMU being allocated to the Base BMU and the potential for erroneous imbalance charges and/or non-delivery charges.	This Settlement Risk description was incomplete, the text in bold shows the completed description.	29 July 2010
SR0024	The risk that NHHMOAs do not provide Meter Technical Details to the correct NHHDCs resulting in Meter readings not being collected.	Typographical error corrected.	29 July 2010
SR0025	The risk that HHMOAs do not provide Meter Technical Details to the correct HHDCs resulting in Meter readings not being collected.	As above.	29 July 2010
SR0045	The risk that Suppliers incorrectly classify sites as Long Term Vacant resulting in incorrect energy being entered into Settlement.	As Above.	29 July 2010
SR0074	The risk that NHHDCs do not collect and / or enter valid Meter readings resulting in old/default data entering Settlement.	As Above.	29 July 2010
SR0172	The risk that the HHDA, HHDC or SMRS incorrectly applies the instruction processing rules for HHDA updates, resulting in incorrect data being entered into Settlement.	This risk was wrongly assigned to NHH.	29 July 2010
SR0174	The risk that the 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.	Typographical error corrected.	29 July 2010
SR0175	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.	This risk was wrongly assigned to NHH.	29 July 2010

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 3 RER based on submissions from industry to support the need to revise any part a specific Settlement Risk sooner than April 2011.

6 Further Information

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

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7 References

Document
Risk Evaluation Methodology 2011/2012
Product Description for Risk Evaluation Register v.3.0

Appendix A: Glossary of Terms

Term	Definition
Annualised Advance (AA)	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.
Annual Performance Assurance Timetable	Annual timetable as described in Section Z, 5.2
BSC	The Balancing and Settlement Code
BSCCo	The Balancing and Settlement Code Company
BSCP	Balancing and Settlement Code Procedure
COMC	Change of Measurement Class
CVA Risk	The Risk associated with Central Volume Allocation.
Estimated Annual Consumption (EAC)	An estimated rate of consumption, nominally expressed in kWh/Year, that is used in Settlement until an AA is calculated.
Gross Settlement Risk	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.
HHDC	Half Hourly Data Collector
HHMOA	Half Hourly Meter Operator Agent
MTD	Meter Technical Details
Net Settlement Risk	Net Risk is the significance that a Settlement Risk would have when existing controls are taken into account.
NHHDC	Non Half Hourly Data Collector
NHHMOA	Non Half Hourly Meter Operator Agent
Performance Assurance Operating Period (PAOP)	As defined in section Z 5.1.1 of the BSC.
Performance Assurance Administrator (PAA)	As defined in section Z 5.1.1 of the BSC.
PAB	As defined in section Z 1.2 of the BSC.
Performance Assurance Framework (PAF)	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

Term	Definition
Performance Assurance Party (PAP)	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).
Performance Assurance Technique (PAT)	As defined in section Z 5.3.2 of the BSC.
RPU	Revenue Protection Unit
Risk Evaluation Methodology (REM)	As defined in section Z 5.4 of the BSC.
RER	As defined in section Z 5.5 of the BSC.
Risk Management Plan (RMP)	As defined in section Z 5.7 of the BSC.
ROP	As defined in section Z 5.6 of the BSC.
Risk Probability	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).
Risk Impact	Risk impact is the impact of 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).
Risk Significance	Risk Significance is the Risk Probability multiplied by the Risk impact
Settlement Risk	The definition of a Settlement Risk can be found under the Balancing and Settlement Code, section Z, paragraph 5.1.1 (a) and (b).
SVA Risk	The Risk associated with Supplier Volume Allocation.
UMS	Unmetered Supply

Probability, Impact and Controls Ratings

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

Impact Rating	Description
5	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.
4	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
3	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
2	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.
1	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
Low	Where the control strength is Low, or no controls exist, Net Settlement Risk significance will be Gross Settlement Risk significance multiplied by 1.0 (i.e. will equal Gross Settlement Risk significance).
Medium	Where the control strength is Medium, Net Settlement Risk will be Gross Settlement Risk significance multiplied by 0.8 .
High	Where the control strength is High, Net Settlement Risk will be Gross Settlement Risk significance multiplied by 0.6 .

Appendix B: Risk Evaluation Register for SVA, CVA and Central Systems Settlement Risks

The complete RER is set out in a companion spreadsheet, which forms Appendix B to this document. The RER spreadsheet is provided with this document as an attachment and is available on the [website](#).