

CP Assessment Report

CP1544 'Category A BSC Signatory or Company Director sign-off required for any EFR plan following escalation'

ELEXON



Committee

Performance Assurance Board (PAB)
Imbalance Settlement Group (ISG)
Supplier Volume Allocation Group (SVG)

Recommendation

Re-consult

Implementation Date

4 November 2021
(November 2021 Release)

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About This Document

This document is the Change Proposal (CP) Assessment Report for CP1544 which Elexon will present to the PAB at its meeting on 29 July 2021 and the ISG and SVG at their respective meetings on 3 August 2021. The Committees will consider the proposed solution and the responses received to the CP Consultation before making a decision on whether to send CP1544 out for re-consultation.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the PAB, ISG and SVG's initial views on the proposed changes and the views of respondents to the CP Consultation.
- Attachment A contains the CP Proposal Form.
- Attachment B contains the proposed redlined changes to deliver the CP1544 solution.
- Attachment C contains the full responses received to the CP Consultation.

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Why change?

At the direction of the PAB, Elexon undertook a project to review the Performance Assurance Framework (PAF) established under the BSC. One of the recommendations of the PAF review project sought to increase senior level engagement with Error and Failure Resolution (EFR) plans in order that issues are resolved more quickly, thus limiting their material impact on Settlement. Specifically it was noted that many EFR plans are repeatedly escalated to the PAB where the Performance Assurance Party (PAP) has failed to meet one or more of the milestones within their EFR plan. Each time a PAP is escalated they are required to update their EFR plan and complete any actions requested by the PAB. In order to increase the likelihood that once an EFR plan is escalated it is resolved promptly, the PAF review project recommended that a CP be raised.

Solution

We have updated the solution in response to the CP Consultation. We have replaced the requirement for Party Agents to get a Company Director's signature, where their EFR plan has been escalated to the PAB, with requiring the Party Agent to get Elexon to approve an escalation representative.

To update [BSCP538 'Error and Failure Resolution'](#) to add that following escalation of an EFR plan, sign off by:

- A Category A BSC Signatory is required for BSC Parties; and
- An Elexon approved BSC Party Agent representative for BSC Party Agents

is required prior to the updated EFR plan being approved by the BSCCo.

The Elexon approved BSC Party Agent representative should be identified and agreed by Elexon at the point of escalation or as shortly thereafter as practicable. This approved BSC Party Agent representative should be selected on the basis that they have authority to release resource to address issues and are also directly accountable for the BSC Party Agent meeting its obligations under the BSC, via its contractual arrangements with Suppliers.

Impacts and costs

CP1544 will impact all BSC Parties and BSC Party Agents that may be subject to EFR escalations. This includes Suppliers, Non Half Hourly Data Aggregators (NHHDA), Half Hourly Data Aggregators (HHDA), Metering Operating Agents (MOAs) (Central Volume Allocation (CVA) Non Half Hourly (NHH) and Half Hourly (HH)), Licensed Distribution System Operators (LDSOs), Supplier Meter Registrant Agents (SMRAs), Non Half Hourly Data Collectors (NHHDCs), Half Hourly Data Collectors (HHDCs), and Meter Administrators (MAs). CP1544 will require changes to BSCP538.

Whilst Supplier Volume Allocation (SVA) MOAs are expected to transition to the Retail Energy Code (REC) as part of [P420 'Retail Code Consolidation Significant Code Review'](#) on September 1st 2021 this is their opportunity to respond to an Industry Consultation as the CP is still anticipated to affect them between CP1544 Implementation Date and summer to autumn 2022. This is because Elexon will continue to manage MOA EFR plans until

summer to autumn 2022. CP1544 is not expected to incur any costs to industry as it will not require changes to systems and only requires a minor process change. The cost of amending these documents is expected to be <£1k.

Implementation

CP1544 is recommended for implementation on 4 November 2021 as part of the Standard November 2021 BSC Release.

Recommendation

This CP is recommended for re-consultation in accordance with BSCP40 3.5.3 as we believe the updated solution and redlining has materially changed following the initial Industry consultation. Re-consulting will provide all interested parties the opportunity to assess the revised solution and provide further comment if necessary.

Elexon believes that the revised solution resolves all material challenges raised by respondents to the industry consultation.



What is the issue?

Error and Failure Resolution is not applied in the case of immaterial non-compliances. Therefore any error or failure which has justified the application of EFR is by its nature introducing material error into Settlement. Further, the majority of such issues present risk or on-going impact to other market participants and consumers.

One of the issues identified by the PAF review was that EFR plans are often not resolved in a timely manner, the PAF review project noted that the majority of EFR plans take over a year to be resolved. Industry and Committee feedback supported a view that this was at least in part due to operational teams not being able to secure the resource necessary to resolve non-compliances and implement enduring controls and mitigations. It was therefore proposed that part of the solution should be to facilitate additional focus on issues in EFR amongst the party's senior level management in the hope that they might decide to make the required resource available to resolve issues effectively.

Background

Error and Failure Resolution

EFR is a key remedial technique in Elexon's Performance Assurance Framework. It is used to assure Elexon, the PAB and the rest of the industry that parties understand identified performance issues and have robust plans in place to correct them in a timely manner. As part of the EFR process, parties agree with Elexon what steps they will take to resolve the identified performance issues. As part of the EFR process Elexon also works to provide parties with advice and guidance.

EFR can be applied against all BSC Settlement Risks where an associated issue has been identified. EFR is used to assist PAPs to understand and rectify performance issues and non-compliances. When applying EFR against a Settlement Risk, we take into account the net significance of the risk and the PAP's contribution to the issue identified. The PAB can define specific escalation criteria for specific Settlement Risks or net significance values.

Where a PAP fails to meet one or more of the milestones set out within their EFR plan or otherwise meet the escalation criteria set out within BSCP538, Elexon may escalate the EFR plan. EFR escalation is to the PAB in the first instance but may also be to the BSC Panel where further escalation is required.

PAF Review

The [PAF review](#) was a review of the Performance Assurance Framework. Key aims of the PAF review were:

- Better engagement with Parties about issues that do and don't matter to them (their risk appetite)
- Increase the quantity and quality of participation in consultations
- Meet the current and future assurance needs of the Panel, the PAB and the wider electricity industry e.g. smart metering, alternative business models, CVA risk

What is a BSC Settlement Risk?

A Settlement Risk is a risk of any failure or error in a process required under the BSC that may impact (or has impacted) Settlement. Settlement Risks are recorded on the [Risk Evaluation Register \(RER\)](#).

An example of a Settlement Risk description from the RER is:

"The risk that [the NHHDC does not enter valid Meter readings by the Final Reconciliation Settlement Run] resulting in [old/default data entering Settlement]".

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- Improve the measurability of Settlement Error and the mitigating effect of assurance activities
- Deliver a valued and trusted assurance service to BSC Parties under the strategic and tactical guidance of the BSC Panel and PAB

The PAF review concluded by outlining a set of recommendations. [The recommendations for EFR](#) were unanimously approved by the PAB following detailed discussion. This included the requirement for a Change Proposal to be raised to amend BSCP538 to add that following escalation to the PAB, sign off by a director or executive within the escalated PAP should be required prior to the updated EFR plan being approved.

Initial proposed solution

Following escalation to the PAB, sign off by a Category A BSC Signatory or Company Director within the escalated PAP should be required prior to the updated EFR plan being approved.

The PAB will consider the evidence provided by BSCCo (from any Performance Assurance Technique) in relation to the unresolved Error/Failure and any information from the PAP and will determine the best course of action for resolving the Error/Failure. The PAP will be required to adhere to the course of action agreed with the PAB. The PAB may choose to invite them to present, in person, their action plans.

Once this change is implemented we hope to observe a measurable reduction in the average time taken to close an EFR plan due to increased pressure on senior management to take action on issues that impact on other market participants. Elexon already actively monitors EFR plans and how long they remain open. This is routinely reported to the PAB.

Elexon will continue to track and monitor the frequency of EFR escalations to the PAB and the time taken to resolve EFR plans.

We have considered whether to amend Section 4 of BSCP38 to also explicitly state that Category A BSC Signatories can also sign off EFR plans following escalation. However, as Category A BSC Signatories are already able to sign off anything, explicitly highlighting that they can sign-off EFR plans is not required.

Revised solution

Following the first CP1544 Consultation, we (as the CP1544 Proposer) revised the solution as detailed below in response to the consultation responses.

The revised solution would amend the BSCP538 such that following escalation of an EFR plan, sign off is required by:

- A Category A BSC Signatory is required for BSC Parties; and
- An Elexon approved BSC Party Agent EFR representative for BSC Party Agents,

prior to the updated EFR plan being approved by the BSCCo.

The Elexon approved BSC Party Agent EFR representative should be identified and agreed by Elexon at the point of escalation or as shortly thereafter as practicable. This approved BSC Party Agent EFR representative should be selected on the basis that they have authority to release resource to address issues and are also directly accountable for the BSC Party Agent meeting its obligations under the BSC, via its contractual arrangements with Suppliers.

Guidance on how that person is selected will be included in BSCP538.

The approved BSC Party Agent EFR representative should only be identified at the point of escalation in the interest of efficiency.

The option for a Company Director to sign off plans has been removed in the solution because as respondents have pointed out, there are instances where a Company Director may be too far removed to have context for EFR plans.

Proposer's rationale

Following the work undertaken through the PAF review project it was agreed that one of the most direct and effective solutions would be to encourage additional focus being placed on issues in EFR amongst senior level management, in the hopes that they might decide to make the required resource available to resolve issues effectively. This was due to industry and Committee feedback supporting a view that this was at least in part due to operational teams not being able to secure the resource necessary to resolve non-compliances and implement enduring controls and mitigations.

Potential risks associated with this approach were considered as part of the PAF review, which included that obtaining sign off could delay the approval of revised EFR plans. Formally implementing this step within the BSCP is intended to mitigate this risk as it mandates senior level sign off as part of the existing escalation process. Therefore, if sign off by a Category A BSC Signatory or by the approved BSC Party Agent EFR representative is not forthcoming, the PAB would be able to consider further escalation to the BSC Panel.

Proposed redlining

The initial proposed redlining to BSCP538 for CP1544 can be found in Attachment B of this paper. The updated redlining will be presented at the Committee meetings and included in the second Consultation, subject to the Committees agreeing to do so.

4 Impacts and Costs

BSC Party & Party Agent impacts and costs

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
Suppliers	Following escalation to the PAB, sign off by a Category A BSC Signatory or approved BSC Party Agent EFR representative within the escalated PAP will be required prior to the updated EFR plan being approved
NHHDA	
HHDA	
MOAs (CVA, NHH, HH)	
LDSO	
SMRAs	
NHHDCs	
HHDCs	
Mas	

Following the Industry Consultation, respondents suggested that they would incur no costs following implementation of this CP. Respondents also suggested that this CP would have low impacts on their organisations.

Central impacts and costs

Central impacts

CP1544 requires changes to BSCP538. There are no system impacts.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP538 'Error and Failure Resolution'	<ul style="list-style-type: none">None

Operationally Elexon will need to update EFR guidance documents and training. It will also be important that EFR analysts ensure that they make all of our customers which are either already in EFR or newly entering EFR aware of this change and when it goes into effect, and what it means for them in terms of their individual plan. Ensuring that the positive benefits of this change are realised will require effective communication between Elexon and our customers.

Impact on BSC Settlement Risks

Impact on BSC Settlement Risks
We would expect a generic positive impact on BSC Settlement Risks from this CP, as this change should increase focus on issues in EFR at a corporate level. This should result in more resource within PAPs being devoted to EFR issues which would therefore be resolved more quickly. This will have a positive impact on the integrity of data entering settlement.
As EFR can be applied to all Settlement Risks this change is anticipated to positively impact on all Settlement Risks (where EFR is or continues to be applied).

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Central costs

The central implementation costs for CP1544 will be approximately <£1k.

Recommended Implementation Date

CP1544 is recommended for implementation on 4 November 2021 as part of the standard November 2021 BSC Release. This is the earliest available release so that we can realise the anticipated benefits to our customers as soon as possible.

Should the Committees decide to re-issue CP1544 for consultation, we still believe implementation on 4 November 2021 is the most appropriate Release.

Two respondents did not agree with the implementation approach, however this was due to disagreement with the solution rather than the implementation date.

PAB's initial views

The PAB had no material comments on the CP or the timetable for progression.

ISG's initial views

An ISG member questioned whether the term 'Category A BSC Signatory' was appropriate as companies could technically have appointed anyone as Category A such as someone working in middle management. Another ISG member agreed with Elexon's assumption that the expectation should reasonably be that a Category A BSC Signatory should always be a senior level employee and if that is not the case, then that would be a separate issue which ought to be addressed.

Elexon invites industry to provide their view under Question 6 of the Consultation Questions document as to the appropriateness of the Change specifically referencing a Category A BSC Signatory which is the highest formal level of authorisation under the BSC framework in an organisation, as opposed to referring only to a Company Director. Elexon notes that it may not be reasonable in large organisations to get a formal company director, as this might only be the CEO or company secretary.

SVG's initial views

An SVG member questioned whether MOAs should be mentioned in the impacted parties as they will be transitioning to the REC once it is implemented in September 2021. Elexon responded that there is an assurance transition period post September 2021 of one more audit year that will end in April 2022, before the EFR plans are created and handed over to the REC in June 2022. Any EFR plans from this year's audit will still be managed by the BSC until June 2022, therefore this is an opportunity for MOAs to respond to an Industry Consultation as the CP is still anticipated to affect them.

7 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment C.

Summary of CP1544 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1544 proposed solution?	0	2	0	1
Do you agree that the draft redlining delivers the intent of CP1544?	0	3	0	0
Will CP1544 impact your organisation?	3	0	0	0
Will your organisation incur any costs in implementing CP1544?	0	3	0	0
Do you agree with the proposed implementation approach for CP1544?	1	2	0	0
Do you have any further comments on CP1544?	1	2	0	0

Comments on the proposed solution

Two out of three respondents disagreed with the proposed solution and one respondent neither agreed nor disagreed. Some respondents agreed with the intent of the CP, however they did not believe Category A BSC Signatories and Company Directors were the appropriate person to sign off EFR plans. They believed that Company Directors are often not in charge of allocating resources and are too far removed from the EFR process so they have little context of a plan at this level. This means plans could in fact take longer to remedy and thus the solution does not deliver the intent of the CP.

Elxon believes whilst Company Directors of larger companies may be too removed from the BSC process, to be appointed as a Category A BSC Signatory the individual should have knowledge of/be involved in the BSC process and hence they should have some context of current EFR plans. They would therefore be an appropriate person to sign off EFR plans.

A respondent also highlighted that the PAB already holds powers to request Company Directors to attend the PAB where they believe a submitted EFR plan, as part of PAB escalation, is unacceptable.

Elxon acknowledges these PAB powers, however there is currently no power to force EFR plans to be signed off by and be held accountable by a senior member of a PAP which would be a stronger incentive.

Comments following Industry Consultation

Elxon engaged verbally and informally with two respondents following the consultation. One of the respondents suggested that this CP does not introduce fair and equal treatment for all PAPs. When milestones are missed and EFR plans need to be resubmitted for PAB

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approval Category A BSC Signatories are only required under the BSC framework for BSC Parties, BSC Party Agents do not currently have requirements to have Category A BSC Signatories in place as they are not signatories to the BSC.

Elxon agreed that this is a potentially unrealistic expectation and has hence revised the solution to ensure that it delivers the intent without creating previously unforeseen challenges for customers which the existing solution has been found to.

Progression timetable

The table below outlines the proposed updated progression plan for CP1544:

Progression Timetable	
Event	Date
CP Assessment Paper v1.0 presented to PAB for decision on re-consulting	29 July 2021
CP Assessment Paper v1.0 presented to ISG and SVG for decision on re-consulting	3 August 2021
Second CP Consultation	9 August 2021 – 6 September 2021
CP Assessment Report v2.0 presented to PAB for decision	30 September 2021
CP Assessment Report v2.0 presented to ISG and SVG for decision	5 October 2021
Proposed Implementation Date	4 November 2021 (November 2021 BSC Release)

8 Recommendations

We invite you to:

- **AGREE** the amendments to the proposed redlining for BSCP538 for CP1544 made following the CP Consultation;
- **APPROVE** that CP1544 be sent for a second Industry Consultation; and
- **NOTE** that CP1544 will also be presented for decision to the
 - PAB on 29 July 2021;
 - ISG on 3 August 2021; and
 - SVG on 3 August 2021.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
BSCP	Balancing and Settlement Code Procedure
CP	Change Proposal
CPC	Change Proposal Circular
CVA	Central Volume Allocation
EFR	Error and Failure Resolution
HH	Half Hourly
HHDA	Half Hourly Data Aggregation
HHDC	Half Hourly Data Collector
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
LDSO	Licensed Distribution System Operator
MA	Meter Administrator
MOA	Meter Operator Agent
NHH	Non Half Hourly
NHHDA	Non Half Hourly Data Aggregation
NHHDC	Non Half Hourly Data Collector
PAB	Performance Assurance Board (<i>Panel Committee</i>)
PAP	Performance Assurance Party
REC	Retail Energy Code
RER	Risk Evaluation Register
SMRA	Supplier Meter Registration Agent
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation Group (<i>Panel Committee</i>)

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

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External Links		
Page(s)	Description	URL
2	BSCP538 'Error and Failure Resolution'	https://www.elexon.co.uk/csd/bscp538-error-and-failure-resolution/
2	P420 'Retail Code Consolidation Significant Code Review'	https://www.elexon.co.uk/mod-proposal/p420/
3	Risk Evaluation Register	https://www.elexon.co.uk/reference/performance-assurance/performance-assurance-processes/performance-assurance-risk-evaluation-register/
3	PAF Review	https://www.elexon.co.uk/documents/groups/pab/2020-meetings-pab/234-july/pab234-08a-breach-default-and-efr-paf-review-recommendations/

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