
Issue 111 Workgroup Meeting 1 Summary

Summary

1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Consideration of the background to Issue 111; and
- Gather initial workgroup views on potential changes to timescales for Liquidated Damages under the BSC within the Target Operating Model (TOM).

2. Introduction to Issue 111 Terms of Reference

2.1 The Change Lead provided an overview of Issue process as per slides 6 and 7, noting that BSC Issue groups are raised when there is a known issue but not a clear solution. The role of the Issue group is to assist Elexon in developing the most appropriate solution.

2.2 The Terms of Reference (ToR) for Issue 111 were covered for initial workgroup feedback:

- a) What are the risks of SMRAs operating outside of the defined timescales in MHHS arrangements?
- b) What is the most appropriate design for SMRA SLAs and Service Credits for MHHS arrangements?
- c) What are the requirements to ensure a robust solution and ensure it is futureproofed including the consideration of indexation?
- d) From what date would a solution to the issue identified by Issue 111 need to be live from?
- e) What changes are needed to the BSC to facilitate the solution to the issue identified by Issue 111?

2.3 There was a query from one Workgroup member regarding the extent to which the solution can be futureproofed as per ToR c). Elexon clarified that the main aim would be to have a solution fit for purpose post MHHS transition under the new timeframes, they confirmed that the solution will not look beyond MHHS.

3. Background and Issue

3.1 Elexon provided an overview of the issue as per slides 9 and 10.

- Liquidated Damages and their associated SLAs in the BSC were inherited from REC 3.0
- Elexon do not govern or administer the Liquidated Damages in its current form. The current BSC arrangements allow for Suppliers to claim directly from SMRAs. I.e., Elexon do not monitor this type of performance under its assurance framework.
- Current SLAs monitor performance each quarter, however, in MHHS the Initial Settlement Run (SF) would be more critical as this done in a week. Initial view is that the current Liquidated Damages arrangements may not be the right way to manage the settlement risk, but this is up to the issue group.

4. Workgroup feedback to the Issue

4.1 One Workgroup member queried if the Issue group should be looking at enhancements to BSCP706 [New MHHS document] as much of BSCP501 was transposed into this new document. Elexon clarified that SLAs and Liquidated Damages were not included in BSCP706 [or any other newly drafted MHHS documents]. The aim of the issue group is to decide on whether there is a gap that needs to be filled to ensure SMRA performance via Liquidated Damages and how best to implement it, if it is to be implemented.

4.2 One Workgroup member noted that the instances where the SLAs are breached from the SLA side are very rare. However, they noted that registration for appointments could cause a new issue if suppliers can't appoint in time due to an SMRA failure that will have knock on impacts on settlement risks.

- 4.3 One Workgroup member felt that the SMRA is much more critical to MHHS arrangements as a 'broker' for agent appointments. Therefore, it would be useful to have SLAs and Service Credits that are proportionate and that the monitoring of SLAs and administering of the Service Credits should be automated to avoid complexity.
- 4.4 Elexon suggested taking a look at the assurance requirements for MHHS and the risks posed by appointments going wrong. Risks to settlement accuracy are also amplified by the shorter settlement timetable of the SF run in a week's time. Therefore, it could be a matter of a more robust performance assurance framework (PAF) around the operation of SMRS rather than Liquidated Damages and SLAs. They noted there are two aspects to ensuring performance of SMRAs, which are the monitoring of performance (potentially by BSCCo) and assurance via some type of preventative action, which currently is the threat of Liquidated Damages.
- 4.5 A Workgroup member reaffirmed that there would be a need for it to be monitored and assured to prevent any instances of late messages from SMRAs to Suppliers.
- 4.6 Elexon noted that there is the PAF along with the risk register with risks around other performances and a breadth of assurance techniques and reporting that exists outside of the process of Liquidated Damages. Elexon could focus on the PAF for the next workgroup meeting, to determine if there is a 'gap' in performance assurance for SMRAs if Liquidated Damages is not implemented in MHHS world.
- 4.7 One Workgroup member requested it would be useful to understand which of the current arrangements in mandatory half hourly have financial impacts on suppliers. In particular, the ones that need to be processed within the 60 minutes, there may be a differentiation where ones do have a financial impact and others don't which may give a steer on which ones then have a knock on impact. If it's possible to order them as high, medium and low in terms of impact. This approach may give the workgroup a starting position to understand the requirement for Liquidated Damages and the extent of it. The MHHS Programme could feed in what feedback they got from suppliers around the impact of the new flows to find out impacts of instigating 60 minute SLAs. Elexon stated it would need to check if they could create a view of this.
- 4.8 One Workgroup member felt that Issue 111 was more around the fundamental issue of failure for the whole SMRA system, rather than looking into the 60 minute SLAs for different processes, i.e., a major type impact caused by knock on affects to the Supplier which is not receiving the service it has paid for.
- 4.9 Elexon queried if the Liquidated Damages process that came from the MRA is meant to be an assurance process and centrally managed by BSCCo, or just the BSC to allow the facilitation of suppliers to recoup lost money as a result of an SMRA failure.
- 4.10 One Workgroup member, highlighted that the Liquidated Damages brought into the BSC under the MRA REC 3.0 was more about the compensation for issues such as failed switching. Suppliers would have ultimately needed to cover the cost of a failed switch through no fault of their own.
- 4.11 One Workgroup member, stated that their system doesn't manage switches anymore, as they now receive flows from the Centralised Switching Service (CSS) to inform them when a customer switches. The Liquidated Damages in the BSC therefore needs a reshape and needs to consider if there are different requirements for MHHS. One Workgroup member highlighted that there could be an impact for appointing data and metering services, if that does not work or is not delivered in time, it becomes difficult to obtain data for settlements.

5. Key summary and Actions

- 5.1 There are three main areas to consider:
1. There is a need to assure the performance of SMRAs under MHHS given the additional settlement risks
 2. Liquidated Damages arrangements relate to major system failures rather than SLA breaches
 3. Liquidated Damages arrangements were intended to compensate Suppliers for failed switches – also to protect reputational damage of Suppliers rather than extra costs incurred.
- 5.2 Elexon need to do analysis of the impacts of the failings as quoted in BSCP501 in the new world. As per the above, against settlement and how far outside of the time allotted for it to become a financial impact.
- 5.3 For the next Workgroup meeting there needs to be a consideration of the PAF for SMRAs to see what gaps could be filled by Issue 111.

Actions

No.	Raised	Action	Owner	Due by
1.	WG1	Elexon to discuss and summarise Performance Assurance for SMRAs in MHHS and to note where there are potential gaps which Issue 111 could resolve.	Elexon	WG2
2.	WG1	Elexon to do analysis of the impacts of the failings as quoted in BSCP501 in the new world. Against settlement and how far outside of the time allotted for it to become a financial impact for Suppliers.	Elexon	WG2