

Report Phase Consultation Responses



P427 'Publication of Performance Assurance Parties' impact on Settlement Risk'

This Report Phase Consultation was issued on 18 July 2022, with responses invited by 18 August 2022. We received six formal responses and four verbal responses.

Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

Consultation Respondents

Respondent	Role(s) Represented
British Gas	Supplier
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Generator, Supplier, ECVNA and MVRNA
OVO	Supplier, DC, DA and MOA
UK Power Networks	Distributor
Electricity North West Limited	Distributor
SSE Energy Supply Limited	Supplier

Question 1: Do you agree with the Panel's initial recommendation by majority that P427 should be approved?

Summary

Yes	No	Neutral/No Comment	Other
6 ¹	4	0	0

Responses

Respondent	Response	Rationale
British Gas	No	<p>We do not agree with the Panels initial recommendation that P427 will better facilitate BSC Objectives (c) and (d).</p> <p>We do not agree that the publication of league tables of performance will incentivise parties to improve performance. The Workgroup has provided no evidence that this will be the case. This demonstrates to us a fundamental failure to appreciate the issues currently being faced by the industry.</p> <p>The EFR process is an extremely resource intensive exercise to support and plans and actions are closely monitored by parties' OSMs. If parties fail to perform agreed actions OSMs have the ability to escalate parties to PAB and ultimately the Panel.</p>
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	<p>We mostly agree with the Panel's recommendation and believe that P427 may incrementally improve Applicable BSC Objective (c), as it will better promote effective competition, and Applicable BSC Objective (d), as it will promote efficiency in the implementation of balancing and settlement arrangements when used to highlight the most extreme cases of poor performance by suppliers where that performance is not being sufficiently addressed.</p> <p>While we agree and acknowledge the intent of P427, it does not address the root causes of Suppliers entering and remaining within EFR. Like most Suppliers, we have dedicated teams to help achieve required Settlement targets, but in line with analysis provided by Elexon during P427 Workgroup meetings, around 60% of Suppliers are currently failing to achieve the minimum 97% NHH Settlement target. Achieving that target will become increasingly harder for all suppliers as more of the</p>

¹ We received four verbal responses in support of the solution

Respondent	Response	Rationale
		<p>easier-to-read sites move to HH Settlement, leaving only the harder-to-read sites. That same outcome was seen following implementation of P272.</p> <p>With the majority of Suppliers already failing to meet the 97% target, we believe it's essential that only extreme cases are published so as not to weaken the effectiveness of P427 and unnecessarily tarnish the reputation of the sector which would only serve to be counterproductive. To support this, we recommend that a separate Issues Group be established to review current Settlement targets with the aim for them to be revised as appropriate. If targets were revised, such that they are more flexible and reflective of reality (e.g. recognising where suppliers have taken all reasonable steps to meet the target), then only the minority of suppliers that continue to fail to achieve the targets would be made public. That approach would make publication more meaningful for customers and would increase the deterrent effect on suppliers thereby increasing the effectiveness of this modification.</p>
OVO	No	<p>We do not agree with the panel's recommendation that it should be approved. We believe there are sufficient measures in place to monitor and manage settlement performance. We do not believe that published league tables will facilitate increased competition among parties to improve performance. We believe that league table data will not provide sufficient context to any underlying issues & would not result in a swifter resolution to any EFR plans.</p>
UK Power Networks	Yes	<p>We agree with the Working Group view that P427 would better facilitate the BSC objective C, as it will promote positive competition amongst BSC parties.</p> <p>This is likely to drive parties to complete resolution of EFRs which will better serve customers especially during the current climate.</p> <p>Recently there have been some high-profile cases regarding SVA settlement risks where some guidance in relation to the registrant needs further clarity. There has been a request submitted by WPD to Elexon regarding setting up a separate issue group to discuss this.</p> <p>If P427 is introduced while there are wider industry discussions underway to improve the clarity and definition of CVA Registrant obligations, this would</p>

Respondent	Response	Rationale
		need to be taken into consideration when publishing performance results while that work is ongoing.
Electricity North West Limited	No	As noted in our response to Question 2, the proposed solution has significantly extended the initial scope and therefore should not be approved.
SSE Energy Supply Limited	No	<p>In the Report Phase Consultation, under Recommendations, it states "Not differentiate between domestic and non-domestic Suppliers. It was noted that there would be no way for Elexon to do this systematically and reliably."</p> <p>We do not agree, as we believe any modification of this nature should be able to differentiate between domestic and non-domestic performance. We do not agree that this cannot be achieved even if it does require some work to do it.</p>

Question 2: Do you agree with the Panel that the redlined changes to the BSC deliver the intention of P427?

Summary

Yes	No	Neutral/No Comment	Other
3	3	0	0

Responses

Respondent	Response	Rationale
British Gas	No	The intention of P427 is to resolve Settlement impacting issues faster than is currently the case. We do not believe the redlined changes to the BSC will deliver this.
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	No comment.
OVO	No	We believe that the redlined changes would not create an environment that parties would resolve EFR quicker
UK Power Networks	Yes	We agree with the red line text however our suggestion is that there is a wording to define how a BSC party would be removed if they are published as having poor performance against an EFR.
Electricity North West Limited	No	<p>The proposed changes and associated text represent a significant expansion from the identified issue (set out in section 2 of the consultation). Elexon stated that the issue they are seeking to address is that there are significant issues with the resolution of identified settlement impacting issues (particularly through the Error Failure Resolution process). This proposal and its solutions has significantly extended the initial scope.</p> <p>We are supportive of the initial proposal to publicly identify those parties who fail to meet one of the milestones within their EFR plan or meets the EFR escalation criteria (once Elexon is satisfied that any delay is the result of the PAP rather than the complexity of the issues to be resolved or third-party delays). This would address the issue to incentivise those who were creating additional risk.</p> <p>However, the proposal introduces additional processes which are outside of the initial problem</p>

Respondent	Response	Rationale
		<p>statement. These are identified and discussed below.</p> <ul style="list-style-type: none"> The proposal to introduce new reporting metrics across various categories will not resolve the identified issue (publicly identifying those parties who are creating additional risk by failing to address significant settlement issues or identify those parties who have repeatedly failed to meet the agreed EFR milestones). This metric is a wider preventive measure and should be consulted upon separately based on its merits. The criteria set out in the proposal would allow ELEXON to publish information on a company which is outside of the EFR process. This is inconsistent with the current risk-based performance framework where ELEXON works with the party to resolve any issue through various performance assurance techniques. If Elexon identifies an issue of the proposed magnitude, it should be expected that Elexon and the company would work together through the performance assurance framework to resolve the issue i.e. provide the opportunity to resolve the issue before any reputational sanctions.
SSE Energy Supply Limited	Yes	Whilst we do not agree that the modification should be implemented, if it is then we agree that the redlined changes deliver its intent.

Question 3: Do you agree with the Panel that the redlined changes to the Code Subsidiary Documents deliver the intention of P427?

Summary

Yes	No	Neutral/No Comment	Other
2	3	1	0

Responses

Respondent	Response	Rationale
British gas	No	The intention of P427 is to resolve Settlement impacting issues faster than is currently the case. We do not believe the redlined changes to the BSC will deliver this.
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	No comment.
OVO	No	We believe that the redlined changes would not create an environment that parties would resolve EFR quicker
UK Power Networks	Yes	It's clear and concise, however please refer to 1 and Q2. A clear definition needs to be included in here as to how a BSC party would be removed from the Performance report if they complete the EFR and it has been approved by Elexon.
Electricity North West Limited	No	Please see our response to question 2
SSE Energy Supply Limited	Neutral	We have not reviewed the Code Subsidiary Documents.

Question 4: Do you agree with the Panel's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
3	3	0	0

Responses

Respondent	Response	Rationale
British Gas	No	We disagree with the proposed implementation date
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	We agree with the proposed implementation date of 23 February 2023 for the document changes if an Authority decision is received by 2 February 2023, or an implementation date of 29 June 2023 if an Authority decision is received by 8 June 2023.
OVO	No	N/A
UK Power Networks	Yes	Agreed, as there are no system implications to us.
Electricity North West Limited	Yes	We agree that this timescale is appropriate.
SSE Energy Supply Limited	No	We do not believe that P427 should be implemented.

Question 5: Do you agree with the Panel's initial view that P427 should not be treated as a Self-Governance Modification?

Summary

Yes	No	Neutral/No Comment	Other
6	0	0	0

Responses

Respondent	Response	Rationale
British Gas	Yes	We agree with the Panel's view that P427 should not be treated as a Self-Governance Modification
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	This is a material change and one that impacts the EBGL provisions within the BSC.
OVO	Yes	N/A
UK Power Networks	Yes	We agree that it should not be treated as a Self-Governance model as controls and clear boundaries need to be in place to ensure the modification is a success.
Electricity North West Limited	Yes	We agree that Ofgem should decide the merits of this change as the Authority has the responsibility to penalise any poor performance against the BSC (through Licence Conditions etc).
SSE Energy Supply Limited	Yes	Given its potentially serious implications on parties, we believe it should to Ofgem for a decision.

Question 6: Do you agree with the Panel's initial recommendation that P427 does impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC?

Summary

Yes	No	Neutral/No Comment	Other
6	0	0	0

Responses

Respondent	Response	Rationale
British Gas	Yes	We agree with the Panel's initial consideration that P427 does impact EBGL Article 18 Terms and Conditions, as described in BSC Section F, Annex F-2, as this Modification proposes to makes changes to BSC Section Z7.
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	No comment.
OVO	Yes	N/A
UK Power Networks	Yes	On further analysis carried out by Elexon it has been identified that it does impact the EBGL
Electricity North West Limited	Yes	N/A
SSE Energy Supply Limited	Yes	We agree that P427 does impact the EBGL for the same reason as agreed by the workgroup.

Question 7: Do you have any comments on the impact of P427 on the EBGL objectives?

Summary

Yes	No	Neutral/No Comment	Other
0	6	0	0

Responses

Respondent	Response	Rationale
British Gas	No	N/A
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	No	No comment.
OVO	No	N/A
UK Power Networks	No	N/A
Electricity North West Limited	No	N/A
SSE Energy Supply Limited	No	N/A

Question 8: Do you have any further comments on P427?

Summary

Yes	No
5	1

Responses

Respondent	Response	Rationale
British Gas	Yes	We would highlight the apparent difference in approaches and focus from the PAB when, for example, comparing the effort and rigour applied to the EFR process when compared to how metering errors are handled. Recent examples of metering errors highlight the lack of industry accountability which can have significant commercial value. The P427 proposals seek to place industry parties under ever increasing scrutiny and we do not believe that this scrutiny should be applied selectively.
Drax BSC Parties (including Opus Energy and Drax Energy Solutions)	Yes	Where a PAP is escalated to the PAB for failing to meet a milestone in its EFR plan, we are not opposed to a public notice being issued to inform other PAPs of the escalation. However, to increase its effectiveness, we believe this should only be applied in extreme cases and after the PAP has had an opportunity to dispute the findings leading to the proposed publication. Rather than publishing specific performance, our preference would be to publish Supplier Settlement performance by discrete bands rather than specific performance (as Elexon had initially proposed during workgroup discussions). While we acknowledge the intent of the proposal is to incentivise early identification and resolution of errors, like many other Suppliers, we already allocate dedicated resource to meet Settlement targets and once a Supplier is in EFR, significant efforts are required to exit. If performance was published in discrete bands, it would help to focus attention on the worst performers thereby increasing the deterrent effect on suppliers and increasing the effectiveness of this modification.
OVO	No	N/A
UK Power Networks	Yes	We will be raising a change request through REC to ask for MOA's to be included in the Performance Assurance Framework (PAF) for SVAs to allow SVA performance to be published.

Respondent	Response	Rationale
Electricity North West Limited	Yes	We think the modification should focus on and be redrafted around the original scope.
SSE Energy Supply Limited	Yes	We do not believe that P427, as currently drafted, provides a level playing field for all suppliers due to our response to question 1.