PAF REVIEW UPDATE – PAF PROCEDURES WORKSTREAM

MEETING NAME	Performance Assurance Board
Date of meeting	30 August 2018
Paper number	211/08
Owner/author	Beth Brown
Purpose of paper	For Approval
Classification	Public
Summary	This paper provides an update on the PAF Procedures workstream of the PAF Review, in particular presenting a draft risk register for PAB endorsement

1.   Introduction

1.1   The PAF Review is being delivered via four workstreams.

- The Smart Metering Rollout - concluded

- Data Provision – in progress

- The Performance Assurance Technique (PAT) Review – in progress

- The PAF Procedures - due to conclude in September 2018 with a recommendations report for PAB approval

1.2   The PAF Procedures workstream has reviewed the suite of core documentation and other supporting activities that underpin delivery of the PAF. In advance of the recommendations coming to the PAB next month, this paper presents a draft risk register for PAB review and endorsement.

1.3   Alongside the risks, we have drafted a list of "events". We recognise that there are scenarios that may occur in any year, which would impact multiple risks to a greater or lesser extent. It is difficult to clearly quantify the impact of these scenarios when they would across multiple risks and/or otherwise not be considered Settlement Risks in their own right. Further information is provided below.

2.   Risk Evaluation Register

2.1   A key deliverable of the PAF Review project was a refreshed set of Settlement Risks. There are currently 203 risks which stakeholders report makes the register hard to understand and use.

2.2   We have drafted a new set of risks, presented in Attachment A. Note that they are displayed here without the full set of information which will be included in the final version, due to be published after the November PAB meeting for stakeholder comment.

2.3   There are 20 SVA and 18 CVA risks. Key points to note:

a)   The ID number is draft and will be updated for the final version

b)   There are four categories of Settlement Risk:

- Registration and Appointments

- Metering

- Data Retrieval and Processing

- Central Aggregation and Trading Charges

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c) There are sub-categories that describe the risk area in more detail

d) Most SVA risks apply to both the Half Hourly and Non-Half Hourly markets, rather than one or the other

e) Risk factors describe the main root causes of the risk

f) Assumptions & supporting information provides detail that will allow users to better understand the dimensions of the risk e.g. what it does/does not include

g) Controls are, as currently, mandatory or optional processes described in the BSC that provide an opportunity to avoid/minimise the risk or take remedial action if it occurs.

2.4 The final version of the Risk Evaluation Register (RER) is proposed to be an Excel workbook in the following format:

Cover sheet	Information about the version and how to use the RER	
Risk register summary	All risks with key fields	
Risk no.[1]…	Worksheet per risk containing all fields (see Appendix 1)	
Events log	List of scenarios that could impact multiple risks (see section 3 below and Appendix 2)	
Controls log	List of all BSC controls describing how they work, relevant BSC references and notes on strength We will consider if a matrix of controls / risks will be feasible	
RER Change log	Information about changes included in the previous and current RER versions	
Closed risks	Archive of risks removed from the register – summary only	

2.5 There are a number of new fields proposed for the RER, which will make it a longer and more detailed document. But we consider that in order to better manage the risks, all stakeholders need to have a good understanding of risk causes and dimensions. Having these fields, and a process whereby they are reviewed periodically will support more active risk mitigation.

2.6 We are recommending ELEXON, as the PAA, assigns individuals to each risk, to perform the reviews and routinely monitor for issues and improvements. A Risk Manager role is recommended to oversee this activity.

2.7 With regards to scoring the risks, to enable the PAB to prioritise them and decide the type and amount of mitigating actions to deploy, we are finalising an approach to deriving a risk rating. We are still proposing to select a current and target rating (see Appendix 1), and the final recommendation will be presented to the PAB in September.

3. Events log

PAF REVIEW UPDATE – PAF PROCEDURES WORKSTREAM

3.1 When we were reviewing stakeholder feedback on the risks, including from the RFI we issued in May 2018, we identified that there were a number of scenarios that were of concern to parties, but did not fit into just one or two risks and may also affect controls. We are proposing these "events" are captured alongside the risks and considered during the drafting of the Risk Operating Plan for PAT deployment and monitoring / reporting that would stop them negatively impacting the Settlement Risks.

3.2 Some examples of these events are:

- Meter Exchanges: Due to technology changes (smart meters) and interoperability issues of metering equipment, the rate of meter exchanges is high. More events means more opportunity for failure in the meter exchange process, and resources taken away from other activities such as fault and exception resolution. Also, historic issues can be uncovered. Potential affected risks include: no.1 - registration; no.2 - attributes; no.5 - changes to equipment; no.8 - retrieval; no.11 - read history; no.16 – adjustments

- Lack of knowledge within BSC Parties and Party Agents: Loss of knowledge in existing participants, and a high level of new entrants without experience, in particular for large SVA and CVA site metering. Increasing level of non-compliances and systems / processes that don't follow best practice leading to more errors, more inconsistent / incomplete data exchanges, more manual work, more exceptions and less robust issue and exception management.

3.3 A list of the events identified to date is set out in Appendix 2.

4. Final recommendations report

4.1 The final report for this workstream, setting out all our recommendations for the PAF Procedures and supporting governance / processes will be presented to the September PAB meeting. The PAB has previously agreed that the new PAF design, as approved next month, should be implemented for the assurance year starting 1 April 2019. The relevant teams in ELEXON are working towards preparing the live versions of the PAF Procedures for this date.

5. Recommendations

5.1 We invite you to:

a) **COMMENT and ENDORSE** the draft risk register including proposed fields;

b) **COMMENT and ENDORSE** the draft events log; and

c) **NOTE** the update on the workstream recommendations report.

Appendices

Appendix 1 – Proposed risk register fields

Appendix 2 – Events log

Attachments

Attachment A – Draft Risk Register

For more information, please contact:

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PAF REVIEW UPDATE – PAF PROCEDURES WORKSTREAM

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APPENDIX 1 – PROPOSED RISK REGISTER FIELDS

Field	Description	On summary sheet?
Identification Number	Unique identifier	Y
Date added to the Register		
Effective From Date	Effective from Date of current status	
Workflow Status	Draft / Approved / Closed	Y
Risk Category		Y
Risk Sub-Category*		Y
HH/NHH/Both/NA		Y
CVA/SVA/Both	Note – these will appear on a single register	Y
Risk Title - The risk that…		Y
Risk Impact - resulting in…		Y
Risk Factors *	Main root causes	
Relevant BSC and BSCP processes*	Location of main relevant obligations, to support understanding of what compliance is	
Potential consequences for PAPs*	Additional information to support stakeholder understanding of potential impacts to their organisations from the risk occurring (outside BSC)	
Current risk rating		Y
Current risk rating rationale	Describes any key assumptions and reasons for the rating	
Movement (up/down/stable)*	Indicates whether the risk is getting better, worse or staying the same since the last review(s)	Y
Target risk rating*	Added when ROP approved	Y
Target risk rating rationale*	Added when ROP approved Describes the main drivers for the target rating, why we want to achieve / remain at that rating	
Variance*	Added when ROP approved	Y

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	Shows the difference between the current and target risks ratings, including an indicator of the scale of the variance	
Last review date*	When the risk was last reviewed, regardless of whether any changes made (NB – this may not sit within the RER to avoid frequent updates, but we are recommending the information is available in a convenient location)	Y
Review frequency / next review date*	When the risk is next due for review and/or the frequency (e.g. monthly, quarterly, annually)	Y
Noted Controls	BSC controls available	
Control Strength	Description of strength e.g. high/medium/low for that risk	
Control Strength rationale*		
Supplementary controls*	Additional information about any other controls outside of the BSC that PAPs could consider applying to better mitigate the risk	
Assumptions and additional information	Any other useful information to support understanding the risk, what activities and processes it covers (or does not)	
Key Risk Indicators*	A list of the key metrics that support measurement of the risk	
PAPs 1 - Responsible for a risk factor*	A list of the PAP roles who are or could be responsible for a cause of the risk occurring	
PAPs 2 - Responsible for a control*	A list of the PAP roles who are or could be responsible for a noted risk control	

* denotes a field that is not on the current RER

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PAF REVIEW UPDATE – PAF PROCEDURES WORKSTREAM

APPENDIX 2 – EVENTS LOG

	Area	Event	Consequence / impact	Notes
1	Agents	Lack of (strong) commercial contract between Supplier and SMRS-registered Agent, e.g. Customer Preferred Agents	Harder to resolve issues. Harder for the Supplier to influence Settlement performance. Some HHCs may not undertake manual reads where the meter is unable to remotely dial. Some HHMOAs do not install alternative comms on sites where the cost of doing so is prohibitive. Some HHDCs are not completing HHDC Annual Site visits.	PAF can only respond to non-compliances and give guidance on best practice. Supplier Hub model being considered under Ofgem Significant Code Review.
2	Non-standardised processes	Variation in system requirements, data and flow formats, work arounds, manual entering of data. PSL100 - Good industry practice	Will make some risks more prevalent with certain PAP interaction combinations, and create additional work for managing different formats etc. Not necessarily a non-compliance.	Will make some risks more prevalent, PAF can only respond to non-compliances and give guidance on best practice [13/6/18] Issue 69 W/G - It was noted that GDPR could encourage a move away from email comms due to GDPR, towards more automation (dataflows).
3	Volume and type of industry change	Parties feel the rate and source of change is unprecedented - BSC and wider. Different solutions used for similar fixes or improvements -	Parties struggle for resource and to support change. Harder to design implementation of change in systems / processes. Complex and difficult commercial funding agreements between parties.	Includes smart meter rollout

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		duplicating effort. There is concern that Party Agent requirements are poorly considered, late in their specification and lacking the required detail.	Harder to invest in changes if there's uncertainty about benefits and further future change. Will make some risks more prevalent, where they are impacted by change directly, or resources are taken away from BAU or working exceptions and issues. Cumulative impacts may not be obvious during the change development process.	
4	Lack of knowledge within BSC Parties and Party Agents	Loss of knowledge in existing participants, and a high level of new entrants without experience, in particular for large SVA and CVA site metering. PSL100 - Good industry practice	Increasing level of non-compliances and systems / processes that don't follow best practice leading to more errors, more inconsistent / incomplete data exchanges, more manual work, more exceptions and less robust issue and exception management.	
5	Third parties more involved in BSC processes, and non-traditional business models	Increase in number of third party agents or outsourced providers used by customers or BSC Parties / Party Agents to perform actions that directly or indirectly touch on Settlement data and activities	Actions may not be completed to time or quality or at all, information may not be provided at all or completely / correctly and issues can be harder to resolve. And there is no control within the BSC to give third parties responsibilities for compliance around Settlement actions / data.	
6	Meter Exchanges	Due to technology changes (smart meter rollout) and interoperability issues of metering equipment, the rate of meter exchanges is high.	More events means more opportunity for failure in the meter exchange process, and resources taken away from other activities such as fault and exception resolution. Also, meter changes uncovering historic issues which should be rectified.	Could manifest in multiple ways in the risks e.g. SVA risks: 1 - registration; 2 - attributes; 5 - changes to equipment; 8 - retrieval; 11 - read history; 16 - adjustments
7	Priority of	Performance Assurance Parties do not prioritise risks to	Less resource available for maintaining compliance with BSC processes and fixing non-compliances and issues in a timely and	An example will be the efforts being put into the Smart

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		Settlement Risk	Settlement due to lack of awareness and/or resource constraints.	best practice way.	Meter rollout
8	Capability to manage HH settlement processes	Due to growth in population of Half Hourly settled sites and new smaller Suppliers taking on HH meters without the detailed knowledge of the underlying processes and management techniques.	Reduced performance of Half Hourly Settlement and increase in non-compliant processes, issues and errors.		
9	Party failure	Supplier of Last Resort events, and other instances where Parties or Party Agents cease operating	Can result in historical issues being harder to fix if the previous Party or Party Agent is not available to aid resolution		
10	Export/Generation/Complex Metering	Limited experience across the industry in set up and management of non-standard metering.	Metering risks more prevalent and harder to resolve issues		
11	Change of Supplier	Increasing rates of churn as customers change supplier more frequently.	More "change of…" events leading to more opportunities for non-compliance with processes, which need to be addressed by several Supplier Hubs. Likely to affect multiple risks.		
12	System and internal process changes or lack there of	From Mods / CPs, or by individual parties - parties making changes that introduce delays or non-compliances, or not making required changes so they become non-compliant. PSL100 - Good industry practice		could cover significant increase in portfolio size that means existing systems and processes can't support the BSC obligations

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| 13 | Comms failures | systemic failure of one of more communications systems or networks resulting in a large proportion of remote read meters being uncontactable for a period of time. | reads can't be retrieved and other aspects of the meter set up changed remotely | |