

PUBLIC

# Risk Operating Plan 20xx/xx (template)



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Date effective from: [date]

# RISK OPERATING PLAN

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## EXECUTIVE SUMMARY

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Summary of the areas of focus and objectives for the year, the costs of technique deployment and the outcomes desired.

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## INTRODUCTION

The Balancing and Settlement Code (BSC), Section Z 5.6, requires the Performance Assurance Board (PAB) to determine what Performance Assurance Technique (PAT) it considers should be applied for each Settlement Risk on the Risk Evaluation Register<sup>1</sup> (RER) for each year. It will then prepare a plan (the Risk Operating Plan - ROP) setting out the technique deployment and the estimated cost of the techniques for the year (the Performance Assurance Operating Period – PAOP).

The PAB reviews the ROP annually, primarily based on the PAB's strategy (see below). A draft is published for Performance Assurance Parties (PAP) and other interested parties to comment on. Appropriate changes are made following consideration of any comments, after which the PAB (delegated from the Panel) is asked to approve and adopt the ROP.

This document describes for [PAOP/year]:

- the PAB's risk appetite through the Target Impact<sup>2</sup> set for each risk
- the planned technique deployment to achieve the target impact
- the planned technique deployment to strengthen controls or mitigate events<sup>3</sup>
- the estimated costs of such deployment

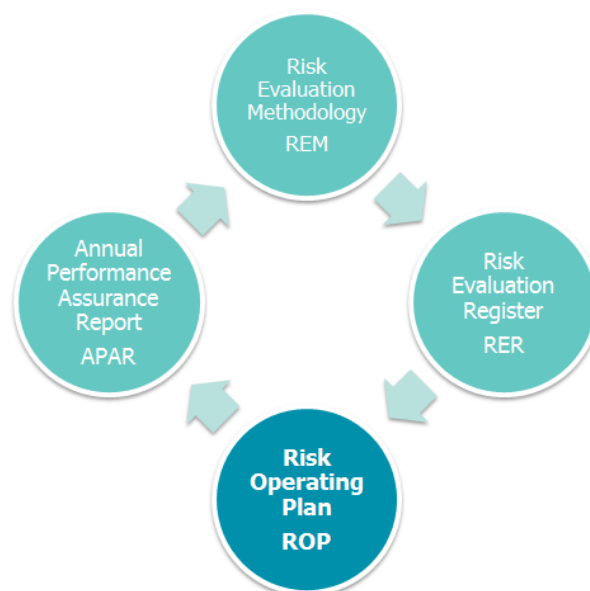
## ROP Ledger

This document is accompanied by the ROP Ledger, a spreadsheet setting providing the detail of the planned technique deployment, with rationale to risks, controls and events.

**This ROP is effective from [April 2019 to March 2020]**

## Where to find out more

- Visit <https://www.elexon.co.uk/reference/perform-ance-assurance/>
- Contact [paa@elexon.co.uk](mailto:paa@elexon.co.uk)



<sup>1</sup> The Risk Evaluation Register is available on the ELEXON website [\[link\]](#)

<sup>2</sup> The Impact is a £ error value forecast according to the Risk Evaluation Methodology – see the methodology for more information [\[link\]](#); the Target Impact is the £ error value that expresses the PAB's tolerance for the error

<sup>3</sup> Events are scenarios that may impact multiple risks; they are described within the RER

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## The PAB Strategy

The PAB Strategy for Performance Assurance Operating Period (PAOP) 20xx/xx can be found here [\[link\]](#); in summary, it focuses on:

- [e.g. Settlement Risks that are more than £/% away from their Target Impact; and/or
- Settlement Risks that have a low control strength rating; or
- A control which can prevent or limit multiple Settlement Risks; or
- An event which could cause or exacerbate multiple Settlement Risks]

## Risk appetite

The PAB Strategy informs the PAB’s consideration of risk appetite: the type and amount of Settlement Risk that can be tolerated in the coming year, when availability and cost of appropriate mitigation is factored in. The risks are evaluated using the Risk Evaluation Methodology<sup>4</sup>, and the results are captured in the Risk Evaluation Register.

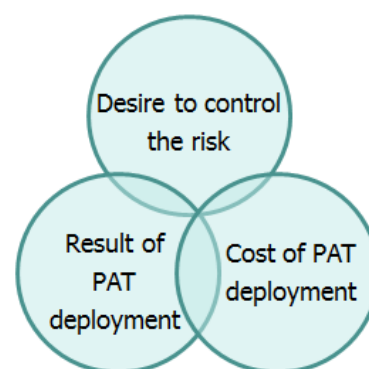
The PAB should consider the extent to which each Settlement Risk should be controlled, what is feasible with the PATs available, and what is a reasonable amount to invest in those PATs.

The PAB will determine for each risk

- a **target impact**, expressed in financial terms
- a **variance** from the current impact
- any **reduction in the volatility** that the PAB wishes to achieve

These are included within the RER e.g.:

RER								ROP				
ID	The risk that...	Impact	Impact Rationale	Impact band	Lower Impact	Upper Impact	Volatility	Volatility rationale	Target Impact	Variance	Target rationale	Target volatility
#	Title	£		1-5	£	£	H/M/L		£	£		Tolerate / reduce



<sup>4</sup> The Risk Evaluation Methodology describes how risks are assessed and rated [\[link\]](#)

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## Within-period revisions

The ROP is reviewed on an annual basis in line with the Annual Performance Assurance Timetable<sup>5</sup> to be ready for the next PAOP on 1 April. A 'within-period revision' of the ROP may be applied to vary risk appetite or PAT deployment at any time in the year, to refocus risk management if required.

Within-period revisions of the ROP are approved by the PAB and may be published for comment by PAPs and other interested parties if the PAB considers it a material change.

## Next steps

The PAB deploys the techniques as planned in this ROP against individual PAPs via Risk Management Determinations (RMD), in order to meet the Target Impacts. A log of RMDs is maintained by the PAB Secretary, except for techniques such as Supplier Charges or PARMs Serials, which are mandated to all PAPs in the relevant party type on a continuous basis.

ELEXON will produce the Annual Performance Assurance Report (APAR) for each PAOP, which will provide commentary on what was actioned and achieved in the year, and a comparison of costs against those forecast in the relevant ROP.

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<sup>5</sup> <https://www.elexon.co.uk/reference/market-compliance/performance-assurance/performance-assurance-processes/>

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## PERFORMANCE ASSURANCE TECHNIQUES

There are 16 Performance Assurance Techniques (PAT) available to the PAB to manage Settlement Risks. A summary of the PATs and cost to serve information is below; full details are available on the ELEXON website [\[link\]](#).

[Include mention of any new PAT or a change to a PAT and refer to the PAT list for more information.]

Performance Assurance Technique	Technique Category	Technique Type	Estimated Annual cost of PAT (£k)	Estimated Cost per instance (£)
<b>Qualification</b>	Preventative	<b>Non-standard</b> Triggered by applicant; no flexibility in deployment		
<b>Re-Qualification</b>	Preventative	<b>Non-standard</b> Triggered by PAB or PAP		
<b>Bulk Change of Agent (BCoA)</b>	Preventative	<b>Non-standard</b> Triggered by Supplier		
<b>Education</b>	Preventative	<b>Non-standard</b> Fully flexible – triggered by PAB		
<b>Performance Monitoring &amp; Reporting</b>	Detective	<b>Mandatory</b> Applicable to all relevant parties as per the BSC		
<b>Material Error Monitoring (MEM)</b>	Detective	<b>Standard</b> Fully flexible – triggered by PAB		
<b>Technical Assurance of Metering Systems (TAM)</b>	Detective	<b>Standard</b> Partly flexible – PAB manages scope		
<b>BSC Audit (BSCA)</b>	Detective	<b>Standard</b> Partly flexible – PAB manages scope		
<b>Technical Assurance of PAPs (TAPAP)</b>	Detective	<b>Non-standard</b> Fully flexible – triggered by PAB		
<b>Peer Comparison</b>	Incentive	<b>Standard</b> Partly flexible – PAB decides Serials		
<b>Removal of Qualification</b>	Incentive	<b>Non-standard</b> Fully flexible – triggered by PAB		
<b>Breach and Default</b>	Incentive	<b>Non-standard</b>		

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		Fully flexible – triggered by PAB		
<b>Supplier Charges</b>	Remedial	<b>Mandatory</b> Applicable to all relevant parties as per the BSC		
<b>Error and Failure Resolution (EFR)</b>	Remedial	<b>Non-standard</b> Fully flexible – triggered by PAB		
<b>Trading Disputes</b>	Remedial	<b>Non-standard</b> Partly flexible – deployed for errors meeting BSC criteria		
<b>Change Mechanisms</b>	Remedial	<b>Non-standard</b> Fully flexible, triggered by PAB		

**Mandatory PATs** - techniques which the PAB is required to deploy to a PAP because they are mandated by the BSC (e.g. Supplier Charges).

**Standard PATs** - default techniques, assigned to the relevant Settlement Risk, that the PAB will usually deploy uniformly across PAPs (e.g. Material Error Monitoring); any exceptions will be described in the ROP.

**Non-Standard PATs** - techniques that the PAB may consider deploying to mitigate the Settlement Risks to meet the Target Impact (see section x). Where the PAB deploys a Non-Standard PAT it will make a Risk Management Determination (RMD) in line with BSC Section Z 5.7.

## Escalation

Where the PAB observes significant failures by a PAP over one or more Settlement Risks, and has exhausted all escalation steps within the Error and Failure Resolution (EFR) process (BSCP 538<sup>6</sup>) without sufficient improvement, it may consider initiating Breach and Default (for BSC Parties) or Removal of Qualification (for Party Agents).

<sup>6</sup> <https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/>



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## PLANNED PERFORMANCE ASSURANCE TECHNIQUE DEPLOYMENT

A few PATs can only be delivered as per the BSC provisions such as Performance Monitoring and Reporting (PARMS) and Supplier Charges, however most can be deployed flexibly by the PAB on a case-by-case basis.

For instance, the PAB can propose new questions to the Self Assessment Document<sup>7</sup> for Qualification applicants as a preventative action for Settlement Risks. Audits such as Technical Assurance of Metering (TAM) inspections, Technical Assurance of Performance Assurance Parties (TAPAP) checks or the BSC Audit can be deployed against individual PAPs or risk areas (e.g. types of Metering System or specific processes).

This section describes planned deployment of the PATs in [year] to meet the Target Impacts for the top risks (those with the highest Impact score or otherwise determined to be in focus). For full details of planned PAT deployment, refer to the accompanying ledger ([link](#)).

### Risk Operating Plan for top risks, controls and events

Risk ID	Risk Title	
Impact	Target Impact & rationale	
Volatility	Target Volatility & rationale	
Control strength and rationale		
PAPs that could cause the risk		PAPs that could control the risk
Key risk indicators		
Mandatory PATs - deployment rationale and objectives		
Standard PATs – deployment rationale and objectives		
Non-Standard PATs – deployment rationale and objectives		
		<b>Estimated cost of PAT deployment - £</b>

<sup>7</sup> <https://www.elexon.co.uk/reference/market-entry/sva-qualification/>

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<b>Control</b>
Related Settlement Risks
Control strength and rationale
PAPs that deliver the control
Key risk indicators
Mandatory PATs - deployment rationale and objectives
Standard PATs – deployment rationale and objectives
Non-Standard PATs – deployment rationale and objectives
<b>Estimated cost of PAT deployment - £</b>

<b>Event</b>
Related Settlement Risks
PAPs affected
Key risk indicators
Mandatory PATs - deployment rationale and objectives
Standard PATs – deployment rationale and objectives
Non-Standard PATs – deployment rationale and objectives
<b>Estimated cost of PAT deployment - £</b>



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## Performance Assurance Technique deployment

The ROP ledger (attached) sets out how the PATs are planned to be deployed.

This section captures any additional notes about the PATs.

## Future changes

This section sets out the risks around the ROP budget, where it is known the PAB may decide to vary the ROP in period. For instance reviews that have not yet concluded, Modifications or Change Proposals expected to be implemented, new PATs not yet implemented.

## SUMMARY OF COSTS FOR DELIVERING PERFORMANCE ASSURANCE TECHNIQUES

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The estimated cost of delivering the Performance Assurance Framework (PAF) in 20xx/xx is £.

A breakdown of these costs is shown below. Costs per PAT and per Settlement Risk are captured in the attached ROP ledger.

Cost Type	20xx/xx Forecast
Operational	£
Contractual	£
Total	£

## Operational Cost Commentary

[commentary on costs/assumptions in forecast – key messages]

## Contractual Cost Commentary

[commentary on costs/assumptions in forecast – key messages]