

PAB213B/05 – WITHIN-PERIOD REVISION TO THE RISK EVALUATION REGISTER 2018/19

MEETING NAME Performance Assurance Board

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Owner/author Michael Taylor

Purpose of paper For Approval or Endorsement

Classification Public

Summary ELEXON invites the Performance Assurance Board (PAB) to endorse a within-period revision to the Net Significance scores for SR0024, SR0025, SR0033 and SR0034 as recorded within the Risk Evaluation Register (RER) 2018/19.

1. Introduction

- 1.1 Following delivery of [PAB208/05](#) Missing Meter Technical Details (MTDs) Technical Assurance of Performance Assurance Parties (TAPAP) report, the PAB recommended that ELEXON should consider the net significance of the associated Settlement Risks and reassess as appropriate in light of the TAPAP audits and subsequent analysis. It was agreed that any changes should follow the standard procedure for within-period revisions and feed through to ELEXON's monitoring. The Settlement Risks under review are SR0024¹, SR0025², SR0033³ and SR0034⁴.

2. Background

- 2.1 **February 2017 ([PAB193/24](#))** ELEXON presented analysis indicating the prevalence of missing MTDs throughout the market.
- 2.2 **June 2017 ([PAB197/14](#))** Analysis highlighted that MTD transfer failures are more prevalent in Meter Operator Agent (MOA) to MOA MTD transfer than previously anticipated. Analysis did not appear to indicate industry-wide issues, yet highlighted a subset of Performance Assurance Parties (PAPs) with widespread non-compliances.
- 2.3 **May 2018 ([PAB208/05](#))** The TAPAP report was delivered summarising findings for PAPs identified for audit within [PAB197/14](#). The report concluded that non-compliances identified were in line with ELEXON's expectations. ELEXON also noted that despite widespread non-compliance PAPs still had a high percentage of Metering System IDs (MSIDs) settling on actual reads. This indicated that Settlement impact might not be as serious as previously anticipated. The findings did however raise concerns regarding the difficulty to quantify risk presented by the potential for poor quality actual reads being processed for Settlement as a result of old or invalid MTDs being employed where MTDs have not been transferred in compliance with the applicable BSCPs.
- 2.4 **July 2018 Meeting ([PAB210/06](#))** Findings from the TAPAP audit presented within [PAB208/05](#) were successfully reconciled with the BSC Audit findings. The PAB approved the recommendations that Error Failure Resolution (EFR) should be turned on for a subset of Parties and Party Agents found to be non-compliant through the TAPAP audit.

¹ SR0024 'The risk that NHMOAs do not provide MTDs to the correct HHDCs resulting in meter reads not being collected'

² SR0025 'The risk that HHMOAs do not provide MTDs to the correct HHDCs resulting in the meter reads not being collected'

³ SR0033 'The risk that old NHMOAs do not send MTDs to the new MOAs resulting in new MOAs not having the MTDs for the Metering Systems to send on or use as required'

⁴ SR0034 'The risk that old HHMOAs do not send MTDs to the new MOAs resulting in new MOAs not having the MTDs for the Metering Systems to send on or use as required'

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3. Proposed Within-Period Revision and Rationale

- 3.1 One of the main challenges highlighted during the TAPAP audit was that under the existing Risk Evaluation Register (RER) there are a large number of very granular risks and each risk is considered individually. This is problematic when the risk(s) under consideration relate to process failures which in practice span a number of the existing risks.
- 3.2 Analysis was undertaken by ELEXON of failure rates in respect of MTD transfers covered by the four risks being assessed. This was completed using a combination of Performance Assurance Reporting and Monitoring System (PARMS) and Data Transfer Network (DTN) data. Please see Table 1 below.

Risk ID	Percentage Failure		
	MOA to DC ⁵ SR0024/SR0025	MOA to MOA ⁶ SR0033/SR0034	Total ⁷
HH (SR0025/SR0034)	1.01%	7.77%	8.78%
NHH (SR0024/SR0033)	0.18%	2.20%	2.38%
Combined	1.19%	1.26%	2.45%

Table 1: Transfer of MTDs Failure Percentages by Market

⁵ Figures acquired from PARMS serial data for 2017/18.

⁶ Assumed from difference between MOA to DC and Total.

⁷ Values from DTN analysis undertaken as part of the PAF Review.

- 3.3 In respect of both Half Hourly (HH) and Non-Half Hourly (NHH) MTD failures ELEXON's analysis supports the TAPAP findings that the primary process failures are occurring at the transfer of MTDs from MOA to MOA. Furthermore, the majority of MTD transfer failures from MOA to DC have likely resulted from earlier failures in the transfer of MTDs from MOA to MOA. This is illustrated by the diagram below (Figure 1) where failures at point '2' have the potential to result in a failure at point '3'. If an MOA hasn't received MTDs from the previous MOA they will be unable to pass these MTDs on the relevant DC.

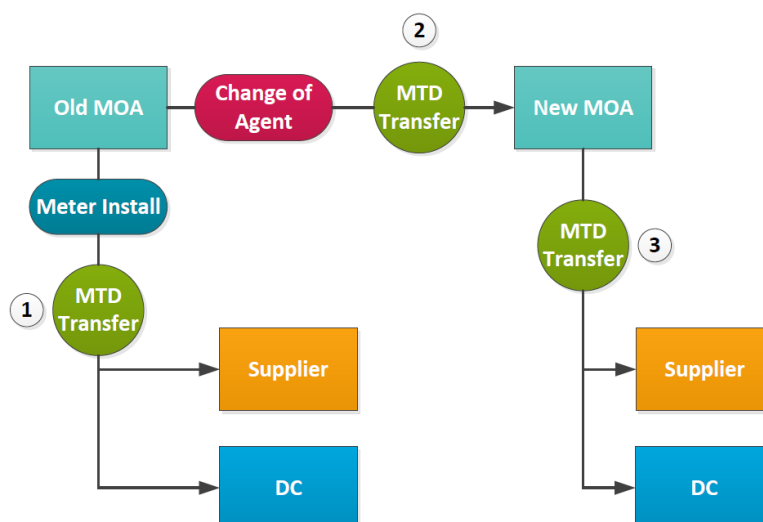


Figure 1: Transfer of MTD Process Flows

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- 3.4 For the purpose of this Within-Period Revision risks will continue to be considered individually, as currently mandated by the Risk Evaluation Methodology (REM). However, the new approach to Settlement Risks, (which has consolidated risks to better reflect risk connectivity), currently being developed by the Performance Assurance Framework (PAF) review project team has been taken into consideration. As the revised RER deals with consolidated risks and takes a markedly different approach to determining probability and impact/materiality; much of the analysis being completed in service of this revised RER is not directly compatible with the existing REM.
- 3.5 Control strengths have remained at 'low' as there is no evidence of any additional market-wide controls having been put in place to mitigate these risks.
- 3.6 Revised Settlement Risks are presented in Table 2 below:

Risk ID	Original					Update Using Risk Scoring Proforma				
	Control Strength	Gross Prob.	Gross Imp.	Gross Sig.	Net Sig.	Control Strength	Gross Prob.	Gross Imp.	Gross Sig.	Net Sig.
SR0024	Low	4	3	12	12	Low	2	3	6	6
SR0025	Low	4	3	12	12	Low	2	3	6	6
SR0033	Low	3	2	6	6	Low	4	3	12	12
SR0034	Low	3	2	6	6	Low	4	3	12	12

Table 2: Current and proposed Risk Register

- 3.7 **SR0024 and SR0025**
- 3.8 It is ELEXON's recommendation that SR0024 and SR0025 are reduced to a net significance of '6'. (See 'Table 1').
- 3.9 The key findings of the missing MTDs TAPAP report suggest that process failures resulting in missing or late MTDs most frequently occur in respect of MOA to MOA transfers following Change of Agent (CoA) and Meter Exchange events. Consequently the majority of instances where MTDs are not transferred from the MOA to the DC have resulted from failures in MOA to MOA transfers earlier in the associated Metering Systems' appointments' history. Therefore as the primary process failure does not occur at the MOA to DC transfer it is ELEXON's recommendation that the gross probability of SR0024 and SR0025 should be reduced to '2'.
- 3.10 Despite the likelihood of SR0024 and SR0025 reducing it is ELEXON's recommendation that the gross impact score should remain the same. The key reason for keeping the impact score at the same value is because the impact of the risk that MTDs are not transferred correctly from MOA to MOA is still most likely to be realised at the MOA to DC transfer as it is the DC which is then either unable to process readings or forced to use a previously held set of MTDs which might not be complete, valid and up to date.
- 3.11 **SR0033 and SR0034**
- 3.12 It is ELEXON's recommendation that the net significance of SR0033 and SR0034 are each increased to a value of '12' (see 'Table 1').
- 3.13 As noted above, the missing MTDs TAPAP report highlighted that the primary process failure that leads to missing or late MTDs, impacting Settlement, occurs at the transfer of MTDs from MOA to MOA. It is therefore ELEXON's recommendation that the gross probability of SR0033 and SR0034 are each increased to a value of '4'.
- 3.14 ELEXON also recommends that the gross impact should also be increased to better reflect the TAPAP findings. Furthermore, there is an element of uncertainty surrounding erroneous data entering Settlement as a result of invalid MTDs being used to process readings. In particular it is concerning that DCs are often

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forced to use MTDs from previous appointments when there has been a transfer failure. This presents the risk that incorrect MTDs may be used when processing metered data for Settlement. It would unfortunately be impractical to quantify the materiality of erroneous data entering Settlement as a result of invalid MTDs being employed. ELEXON therefore recommends that the gross impact scores of SR0033 and SR0034 should be increased to a value of '3', as this best reflects this uncertainty.

4. Recommendations

4.1 We invite the PAB to:

- a) **DETERMINE** whether or not this Within-Period Revision represents a significant change; and EITHER
- b) **APPROVE** the proposed Within-Period Revision to the 2018/2019 RER (if determined NOT to be a significant change); OR
- c) **ENDORSE** that the proposed Within-Period Revision to the 2018/2019 RER is issued for industry consultation prior to returning to PAB for approval (if determined to be a significant change).

For more information, please contact:

Michael Taylor, Technical Assurance Analyst

Michael.Taylor@elexon.co.uk

020 7380 4170