

# PAB214/04 – RISK EVALUATION METHODOLOGY 2019/20

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<b>MEETING NAME</b>	Performance Assurance Board
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<b>Meeting number</b>	PAB214/04
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<b>Date of meeting</b>	29 Nov 2018
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<b>Purpose of paper</b>	Decision
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<b>Classification</b>	Public
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<b>Synopsis</b>	This paper reports on the responses to the Risk Evaluation Methodology 2019/20 consultation. Respondents did not propose any changes to the methodology. We ask the Performance Assurance Board to approve the Risk Evaluation Methodology for 2019/20.
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## 1. What is the Risk Evaluation Methodology?

- 1.1 The Balancing and Settlement Code (BSC) requires the Performance Assurance Board (PAB) to establish and maintain a methodology to use to assess Settlement Risks, determine their significance in relation to Settlement and evaluate the performance of Performance Assurance Parties (PAPs) against these risks. We call this methodology the Risk Evaluation Methodology (REM).
- 1.2 The evaluation methodology has been substantially revised under the PAF Review. Full details are available with [September 2018](#) PAB papers 212/06 and 212/10.
- 1.3 We revised the methodology and register to meet the objectives of the PAF Review, to make it more relevant and accessible to stakeholders.

## 2. Why consult?

- 2.1 The BSC obliges the PAB to review the REM and update where necessary. The PAB does this by consulting with and considering comments received from PAPs and other interested stakeholders. Following this process the PAB, under Section Z 5.4.3 (c), approves and adopts the REM.

## 3. The consultation and responses

- 3.1 The PAB endorsed the REM that will be effective from 1 April 2019 on 27 September 2018. ELEXON issued it for industry consultation on 1 October 2018 for 3 weeks. During the consultation period, ELEXON hosted two webinars providing parties with further insight into the proposed changes. There were 26 people attending the webinars representing 10 BSC Parties or Party Agents. We received consultation responses from two PAPs representing:

- Suppliers (Half Hourly (HH)/Non Half Hourly (NHH));
- Data Collectors (HH/NHH);
- Data Aggregators (HH/NHH); and
- Meter Operator Agents (HH/NHH).

The respondents agreed with our proposed changes. The respondents provided positive feedback to the changes as a whole, highlighting Risk Materiality as an element that would improve engagement and make managing risk easier for Parties. Specific comments included:

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- 'We would like to see details of the £ value calculation published as part of the RER for each settlement risk for transparency.'
- '...we would also highlight the importance of retaining enough process level detail in order to support validation of data used in the identification of performance against risks'

*All risks within the new risk register will have an accompanying summary of how we have calculated the Impact and Volatility.*

- 'it is important that new risks are fed into the process within sufficient time if it to be truly 'risk-based''

*The PAB Strategy will consider potential emerging risks. The design and management of risk evaluation allows for within-period revisions and additions to the register should a previously unknown risk be identified.*

### 4. Recommendations

4.1 On the basis that we have received positive responses to the consultation on the changes to the REM and no subsequent changes have been proposed by BSC Parties we invite the PAB to:

- a) **APPROVE** the Risk Evaluation Methodology; and
- b) **AGREE** to publish the Risk Evaluation Methodology on the BSC website.

### Attachments

Attachment A – REM 2019/20

Attachment B – Collated Consultation Responses

### For more information, please contact:

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