

REVENUE PROTECTION

This document outlines the methodology used to assess the Settlement Risk related to Revenue Protection. We are not seeking to exhaustively outline all aspects considered during this assessment; our aim is to draw out the main data items considered and any key assumptions when estimating a future impact range.

The risk that... Revenue Protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement **resulting in...** erroneous or missing data in Settlement.

Category: Data Retrieval and Processing

Sub category: Revenue Protection

Covers: Investigatory processes and management of Agents including correct manual adjustments to Settlement data.
Does not cover: Electricity Theft Detection Incentive Scheme (ETDIS)

Estimated impact in 2019/20

Lower	Middle	Upper
£19.8m	£88m	£214.9m

Please note: The risk focuses solely on the risk to Settlement posed by energy theft and revenue protection processes.

At risk population

As part of this assessment, we seek to understand the population at risk in the upcoming period, i.e. how many times the underlying process occurs where the risk can manifest.

The at risk population for this risk are those Metering Systems which have been subject to energy theft including those going through revenue protection process.

Data point considered

To assess revenue protection volumes have been estimated from analysis produced by [Utility Week](#) and information gathered from discussions with Parties.

Please see below the at risk volumes ELEXON has identified from the analysis of data points.

Market Size (MWh)		
Revenue Protection	Utility Week analysis	8,492,569

- Additional evaluation of this risk would be possible with access to additional data.
- The large volatility expressed in the assessment of revenue protection is a result of the limited information available for analysis.

Forecast

Below are the key considerations and assumptions when forecasting the at risk population in the 2019/20 period:

- ELEXON has not identified any reason why the revenue protection volumes will be different in 2019/20 from those in the assessment by Utility Week.

Failure rate

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From the population at risk, we need to estimate the proportion where the risk will manifest, i.e. the failure rate. To do this, we assess historical performance in the area and consider any upcoming changes that have the potential to impact future performance.

Data points considered

When assessing historical performance in the area, we considered:

- Audit issues from the BSC Audit, Technical Assurance of Metering (TAM) and Technical Assurance (TAPAP)
- Technical Expert analysis and opinion from Utility Week and ELEXON

The following table provides a view of the proportion of revenue protection volumes which are not entered into settlement.

Failure Rate	Lower	Middle	Upper
Revenue Protection	6.60%	20.00%	33.30%

- ELEXON technical expert opinion, alongside discussions with parties and Utility Week analysis has been used to formulate the non-settled proportion
- ELEXON's reliance on self-declared Revenue Protection Settlement Performance contributes to the large impact volatility

Forecast

Below are the key consideration and assumptions when forecasting failure rates in the 2019/20 period:

- ELEXON has had to rely on [self-declared assessment](#) of Parties' performance when settling its total volume of revenue protection consumption, due to a lack of data available to ELEXON.

Other considerations for this risk

- The Electricity Theft Detection Incentive scheme introduced in June 2018 under the Distribution Connection and Use of System Agreement (DCUSA) should see the identification of energy theft increase although it is assumed the volume of energy stolen will remain consistent at least in the short term.