

ECVAA PROCESSING

This document outlines the methodology used to assess the Settlement Risk related to ECVAA processes. 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... the ECVAA does not carry out processes correctly, such that output files are inaccurate **resulting in...** erroneous Trading Charges.

Category: Central aggregation and Trading Charges

Sub category: ECVAA processes

Does not cover: Credit Cover calculations as these are outside of Settlement

Estimated impact in 2019/20

Lower	Middle	Upper
£631,500	£2,105,000	£4,210,000

Please note:

At risk population

ECVAA processes an average of 7360 Energy Contract Volume Notifications (ECVN) daily based on data from 2018. In addition, there was 1986 Metered Volume Reallocation Notifications (MVRN) submitted in 2017/18 which is an 89% increase from the previous year.

The at risk population for this risk can range from two Parties that the contract notification is between to all Parties if the system isn't processing any notifications at all. The materiality and impact on the different Parties depends on the scale of the error and the Settlement Periods that are affected.

Data point considered

	Lower	Medium	Upper
Average Contract Volume (MWh)	12,630	42,100	84,200
Materiality (£)	631,500	2,105,000	4,210,000

- Using a sample Settlement Date we have used the average contract volume and extrapolated for a number of Parties to represent the scale of an issue
- Further, we have used a sample system price of £50/MWh to estimate materiality

Failure rate

There are controls in place to cover the BSC Central systems, and the data that is being created, that almost always capture any issues prior to Settlement.

As data can be seen by ELEXON and Parties at the II Settlement Run, issues are generally identified and corrected before there is financial impact at the SF Settlement Run. For this reason, the failure rate is low and there aren't many instances of historical issues to consider.

If an ECVAA issue does occur, Parties are provided with a re-submission deadline, as required by the BSC, however there has only been 2 re-submissions since 2015).

Considerations

Below are the key consideration and assumptions when forecasting for the 2019/20 period:

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- If ECVAA were unable to process notifications correctly, imbalance volumes for Parties would be incorrect which would in turn affect the imbalance volume for the whole market.
- The Credit Default Authorisation Flag (CDAF) is set manually by the ECVAA following authorisation from ELEXON. Over the last three years, the number of CDAFs set has increased from 3 a year, to 20 between Jan-Oct 2018. It is likely that this will continue to increase based on behavioural traits of Parties.
- In addition, the number of Defaulting Parties has increased from 2 in 2016 to 12 in 2018 so far. When a Party Defaults, the BSC Panel can apply resolutions to manually remove rights to ECVN/MVRN submissions. Based on current market conditions, this is likely to continue.
- Application Performance Monitoring software is scheduled to be implemented on the ECVAA system from February 2019. This should allow us to pro-actively monitor the system and aim to reduce the number of ECVAA failures.
- Credit Cover calculations, which are performed by ECVAA, are not included in this risk given that it does not impact Settlement. However, the risk will be managed elsewhere.