

# NEW SETTLEMENT RISKS: TRANSITION APPROACH

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<b>MEETING NAME</b>	Performance Assurance Board
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<b>Purpose of paper</b>	For information
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<b>Classification</b>	Public
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<b>Summary</b>	From 1 April 2019, a new set of Settlement Risks, introduced as part of the Performance Assurance Framework (PAF) review, will go live. This paper sets out the high level approach that ELEXON will adopt for the transition from management of the current Settlement Risks to the new Settlement Risks.
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## 1. Background

- 1.1 The Risk Evaluation Methodology, Register and Risk Operating Plan for 2019/20 have been substantially revised under the PAF review, resulting in a new set of Settlement Risks at the heart of the PAF from 1 April 2019. There will be 34 risks (down from 208), and the draft Risk Operating Plan (ROP) has proposed that eight of these risks are treated as focussed risks, due to their forecast materiality and/or other perceived benefits of prioritising them for mitigation.
- 1.2 Actions will need to be taken to enable a transition from the old to the new set of risks. This paper sets out the actions/activities required in order to successfully transition to the new risk environment from 1 April 2019.

## 2. Transition activities

### Risk mapping

- 2.1 An initial exercise has been undertaken to map the 34 new risks onto the old set of risks. This piece of work will be refined, placing particular focus on mapping the focused risks onto the current (i.e. pre-PAF review) top Settlement Risks.
- 2.2 Once this exercise is complete, it will provide information to feed into subsequent tasks.
- 2.3 The conclusions of the risk mapping exercise should be shared with Performance Assurance Parties (PAPs) so that they fully understand the new risks that their performance is being assessed against, and how they relate to the risks that they are familiar with.

### Policy development

- 2.4 For each new Settlement Risk, ELEXON will need to develop a policy. The policies will set acceptable levels of performance against each risk, and the threshold for triggering one or more of the available Performance Assurance Techniques (PATs) to be deployed against individual parties, as per the mitigation plan set out in the Risk Operating Plan for the year to achieve the target Impact value.

### Report mapping

- 2.5 An exercise will need to be undertaken to map current reporting onto the 34 new risks. This will be a development of work used to apply existing reporting to score each of the new risks.
- 2.6 A decision will need to be made on whether current reporting (internal, for PAB use and also reporting that we issue to PAPs) is continued, and with what frequency. An assessment will also need to be made on any new reporting requirements that there may be.

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## Risk data source assessment

- 2.7 An assessment will need to be made of the data sources available and how these correspond to the new risks. This activity, which is in progress, will include an impact assessment of how much the current reporting will need to change along with associated costs and timescales.
- 2.8 Specifically, impacts on the PARMS and BUSRR report will need to be considered.

## Data and reporting development

- 2.9 Once we have assessed the data available, we will be in a position to develop a new suite of data and reporting to support the new risks. The reporting should be developed so that it is flexible and responsive to risks which may change mid-year or from one Performance Assurance Operating Period (PAOP) to another.
- 2.10 Data sources will change throughout the year, with some available once a year, quarterly or on an ad hoc basis (e.g. TAPAP results).

## Deployment of Performance Assurance Techniques (PATs) during transition

- 2.11 A decision will need to be made on how PATs are deployed against the current risks up to 31 March 2019 and the new, post-PAF review risks after go-live. For example, an agreed approach will need to be developed on the treatment of EFR plans that relate to current top risks once the new ROP (and associated risks) goes live. The policies will give a clearer view on the specifics of how, when and under which circumstances PATs will be applied.

## Communications

- 2.12 A communications plan will need to be developed to ensure that all relevant stakeholders (including Risk Owners, PAB, and PAPs) are aware of the approach and timing of the transition to the new risk environment.

## 3. Phased transition approach

- 3.1 Due to time available, our intention is to adopt a phased approach to implementing the reporting and monitoring infrastructure that will support the new set of risks post 1 April 2019. Until policies, at least for the focussed risks, are agreed and developed, we will keep reporting consistent and aim for a 'no surprises' approach.
- 3.2 We will prepare the first tranche of policies for the focussed risks between now and May 2019, basing the policies on existing reporting. As data sources are identified and reporting developed, the policies will be refined.
- 3.3 The Data Provision workstream of the PAF review will report recommendations in the summer, after which the reviews of PARMS, Supplier Charges, Material Error Monitoring and Peer Comparison will begin. The overall reporting suite will need to flex and adapt to accommodate any developments that arise as a result of these reviews.
- 3.4 Going forwards, we will establish a more detailed schedule of transition activities detailed in this paper. We will provide the PAB with periodic updates on progress.

## 4. Recommendations

- 4.1 We invite you to:
  - a) **NOTE** the transition activities outlined in the paper; and
  - b) **NOTE** that ELEXON intends to adopt a phased approach to the post-PAF review suite of risks, with transitional activity being undertaken up to and beyond April 2019.

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