

# NEW SETTLEMENT RISKS: TRANSITION UPDATE

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<b>MEETING NAME</b>	Performance Assurance Board
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<b>Date of meeting</b>	30 May 2019
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<b>Paper number</b>	220/14
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<b>Owner/author</b>	Victoria Moxham
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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>	This paper provides the PAB with an update on activities being undertaken by ELEXON to amend operations to reflect the new, revised Risk Register.
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## 1. Background

- 1.1 The Risk Evaluation Methodology, Register and Operating Plan for 2019/20 have been substantially revised under the PAF review. This review resulted in a new set of Settlement Risks at the heart of the PAF from 1 April 2019. There are now 34 risks, with eight of these risks being treated as focussed risks being prioritised for mitigation, due to their forecast materiality and/or other perceived benefits.
- 1.2 In February 2019, ELEXON presented a paper (PAB217/14) to the PAB setting out a set of actions needed to be taken to enable a transition from the old to the new set of risks. This paper provides an update on those actions.

## 2. Transition activities

### Risk mapping

- 2.1 New risks have been mapped to old risks and a [guidance note](#) has been issued mapping the Top Settlement Risks from the 2018/19 PAOP, and the Focus Risks in the 2019/20 PAOP.

### Policy development

- 2.2 Further to discussions with the PAB, ELEXON has drafted a Central Risk Policy and supplementary sheets for each Settlement Risk. These policies set out acceptable levels of performance against each risk, and the threshold for triggering one or more of the available Performance Assurance Techniques (PATs). The PATs will 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.
- 2.3 The full suite of policies for the focus risks will be presented to the PAB in June.

### Report mapping

- 2.4 ELEXON has completed an exercise to map the current reporting onto the 34 new risks. A [guidance note](#) has been published highlighting the range of Performance Assurance reporting that ELEXON produces. The paper gives a description of the reporting, maps the 2018/19 Settlement Risks, and notes the relevant 2019/20 Settlement Risk areas.

### Risk data source assessment

- 2.5 Under the Data Provision work stream of the PAF review ELEXON has conducted an assessment of existing data provisions. Conclusions and next steps were presented to the PAB (PAB217/12) in February 2019. Next steps were detailed, including:
  - Further analysis of identified new data sources will be conducted. The purpose will be to assess the practicalities of the data and how ELEXON could incorporate the data into its systems and reports.

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- Findings have identified key areas of improvement for the workstream and will be explored further as part of the next phase. A paper of these developments will be presented to PAB once this phase is concluded in Q2 2019.
- Proposed improvements and solution development will be assessed with further stakeholder engagement. Further Issue 69 workgroups and PAB sub-group meetings will be utilised.

2.6 The Data Provision work stream is scheduled to conclude in October 2019, at which point proposed solutions to the key findings will be recommended.

### Reporting development

2.7 While the PAF Procedures workstream introduced a revised Risk Register, it did not make any provisions for revised reporting. It proposed the framework of a reporting suite to support the revised PAF procedures, as follows:

Risk reporting	PAP reporting	Insight
<p>Each Settlement Risk would be reviewed at the agreed frequency, primarily using the <b>key risk indicators</b> used to rate it for the RER, to identify any increase / decrease in significance.</p> <p>The PAA would present a high level <b>risk dashboard</b> to the PAB and stakeholders showing any movement in risk ratings and noting key messages.</p> <p>As necessary, more detailed <b>risk reports</b> would be provided to the PAB on individual risks, in particular where further action may be required to meet the target impact.</p>	<p>For each Settlement Risk in focus, based on the target ratings set by the ROP, the PAA would identify the <b>potential contribution</b> of each PAP either from the potential to cause the risk to occur or delivering a control.</p> <p>The PAA would build up and maintain a <b>risk profile</b> on each PAP, to give insight into likely resilience to emerging risks or other changes.</p> <p><b>Peer comparison</b> would allow PAPs to see their risk contribution against other PAPs</p> <p>Usually, PAP contribution reporting would accompany risk reports, but if a PAP was observed to be excessively contributing to any risk at any time, the PAA would propose action to the PAB against the relevant risk(s) as <b>Risk Management Determinations</b> for PAT deployment, or <b>escalations</b> for failure to manage compliance.</p>	<p>General health of the market commentary.</p> <p>Routine review of data items such as Annual Demand Ratios, Group Correction Factors, Transmission Losses, System Prices, Generation Capacity/Demand Capacity checks, and Energy volume changes across Settlement Runs.</p> <p>Information and metrics relating to emerging risks, new technologies e.g. use of behind the Meter devices.</p>

2.8 Until the Data Provision work stream of the PAF Review is concluded, we will not be in a position to start developing an enduring set of new reporting. In addition, it is also anticipated that the reviews of the Performance Monitoring, Peer Comparison, Supplier Charges and Material Error Monitoring Performance Assurance Techniques (PATs) will have an impact on the enduring reporting solution. These PATs are due to complete by the end of Q4 2019.

2.9 In the meantime, we are working on an interim reporting solution to form the basis of our Performance Assurance reporting going forward. The interim solution will be based on the methodologies used in rating

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the revised set of Settlement Risks. Initially, we are working towards developing an interim reporting solution for the eight focussed risks only.

## Transition schedule

- 2.10 A timeline of transition activities and a selection of related PAF Review activities that the transition is dependent on is included in Appendix 1.

## 3. Recommendations

- 3.1 We invite you to:

a) **NOTE** the update provided and the transition activities detailed in Appendix 1.

## Appendices

Appendix 1 – Timeline of activities

### For more information, please contact:

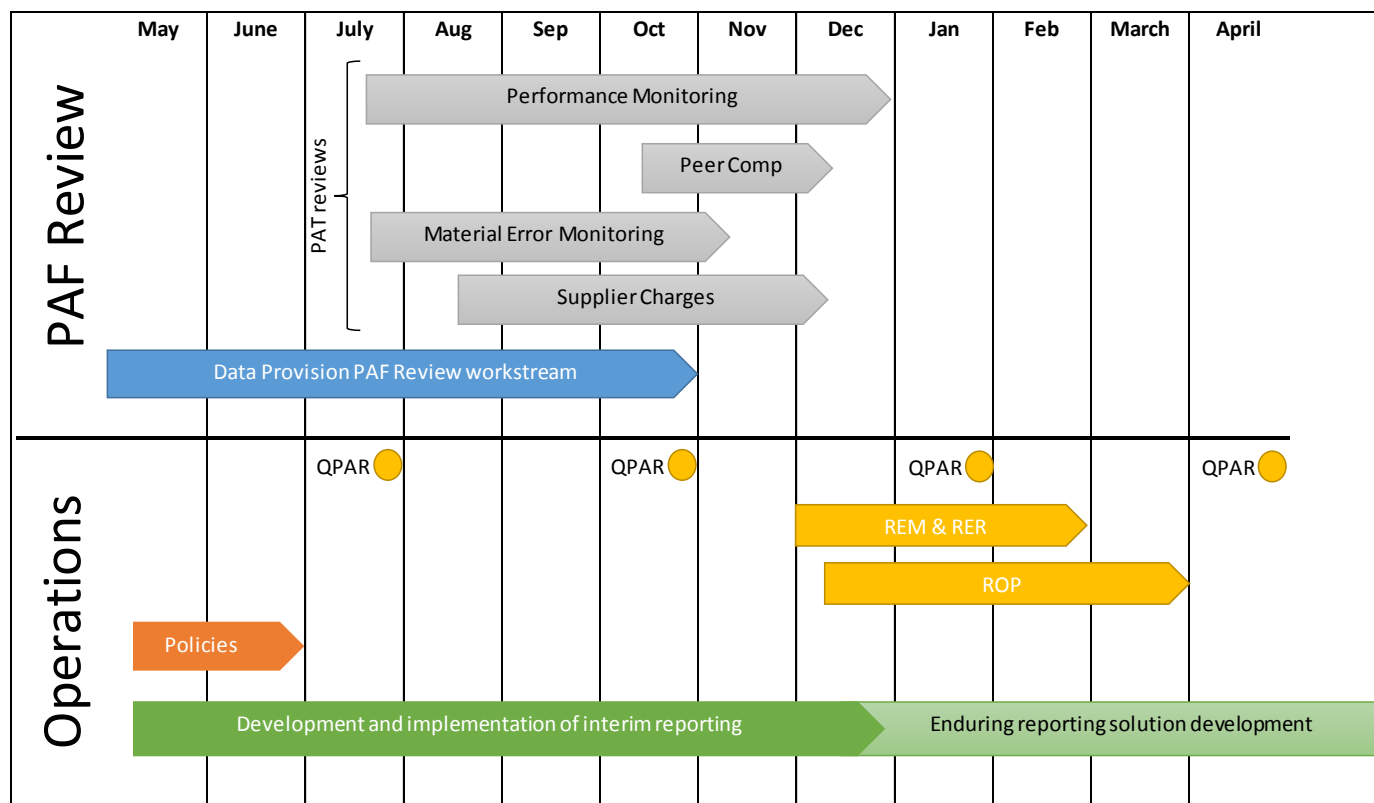
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## Appendix 1: Timeline of activities



NB – this is not an exhaustive list of activities. Only those PAF activities with a direct interaction with reporting and data are shown.