

# Risk 11: TECHNICAL ASSURANCE OF PERFORMANCE ASSURANCE PARTIES (TAPAP) SCOPE

**MEETING NAME** Performance Assurance Board

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**Purpose of paper** Decision

**Classification** Public

**Summary** This paper seeks approval from the Performance Assurance Board (PAB) for a Risk Management Determination and scope of a Technical Assurance Check on Risk 011.

## 1. Technical Assurance of Performance Assurance Parties Scope

- 1.1 Each year, the Performance Assurance Board (PAB) deploys the Performance Assurance Framework (PAF) to manage Settlement Risks. To do this, the PAB identifies, evaluates and prioritises the risks that may occur within Settlement and the extent to which they apply to each Performance Assurance Party (PAP). The PAB applies Performance Assurance Techniques (PATs) to Performance Assurance Parties (PAPs) based on the risk they pose to Settlement, this is published in the [Risk Operating Plan \(ROP\)](#).
- 1.2 For the current BSC year, eight Risks have been identified by the PAB as being a focus of work under the PAF. Of these eight, five have been recognised as having TAPAP as a recommended technique to investigate the root cause of and manage the impact of these Risks. The scope of this check relates to one of this years' focus risks.

**Risk 011 is the risk that Unmetered Supplies volumes are calculated incorrectly or not at all resulting in erroneous or missing data in Settlement.**

- 1.3 Unmetered Supplies is an area that the PAF has limited information on, largely due to limitations within both the process and the data available.

Risk ID	Risk Category	Risk Sub-Category	Lower Impact	Forecast Impact	Upper Impact	Target Risk impact	Volatility
011	Data retrieval and processing	Unmetered Supplies	£9.8m	£17.6m	£30.4m	£15.6m	Medium

## 2. Detail of the check

- 2.1 Because ELEXON's existing data and reporting on Unmetered Supplies (UMS) is predominantly based on the Non Half Hourly (NHH) market, the check candidates have been selected mainly based on NHH data. The TAPAP checks will however still cover Unmetered System Operator (UMSO) obligations in relation to the Half Hourly (HH) market, while also making efforts to promote the transition to Market Wide HH Settlement.

### Request for information (RFI)

- 2.2 On 11 September 2019, ELEXON sent a Request for Information (RFI) to registered UMSOs. The request asked for two items - a summary of their portfolio and relevant process documentation. ELEXON received responses against nine MPIDs. A summary of the specific Party responses can be found in the confidential attachment.

## RISK 11: TECHNICAL ASSURANCE OF PERFORMANCE ASSURANCE PARTIES (TAPAP) SCOPE

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- 2.3 ELEXON found that while many UMSOs made accurate declarations compared to the Supplier Meter Registration Service (SMRS) and Material Error Monitoring (MEM) data ELEXON has available, there were also inaccuracies. These inaccuracies were most prominent in UMSOs' declarations of information such as:
- Total Meter Point Administration Number (MPAN) counts,
  - Estimated Annual Consumption (EAC) values and
  - Error identified through MEM reporting.
- UMSOs providing inaccurate submissions highlights risks such as:
- inventories not being maintained efficiently,
  - EACs being calculated incorrectly, and
  - UMSOs not actively engaging with the MEM reporting and trying to resolve mismatches with the relevant NHHDA.
- 2.4 ELEXON also found that many UMSOs have outdated inventories and EAC Effective-From-Dates (EFD), with some EACs and inventories dating back to as early as 01 Jan 1998, which is the earliest possible EFD. Inventories and EACs being out of date pose a risk of new unmetered connections or disconnections being unaccounted for in Settlement because the information will not be current and true.
- 2.5 Because ELEXON obtains SMRS and EAC snapshots on a quarterly basis, a degree of inaccuracy was to be expected when comparing against the information provided by UMSOs in the RFI. While most of the submissions were accurate in relation to the data held by ELEXON, there were some stark differences in values declared by UMSOs. In particular, EAC values, MPAN counts and MEM error. Many of these however appear to be due to misunderstandings of the RFI. For example, one UMSO submitted a low MPAN count which appears to be due to only providing information on MPANs that have error identified in MEM reports. Another UMSO's low EAC values appear to be due to providing MWh values, not kWh.
- 2.6 ELEXON has however received many incomplete RFI submissions. Information such as EAC EFDs, current Supplier, MEM error and Energisation Status were missing in UMSO submissions. Many UMSOs have declared some inventories are missing/outstanding and many have declared that a large majority of their inventories have not been updated for years.
- 2.7 The TAPAP check will further explore this process by performing a deep dive investigation into the following processes;
- The creation and maintenance of the UMSO inventories;
  - Investigating MPAN error identified in the MEM; and
  - The transfer of any MPANs from NHH to HH.
- 2.8 In addition, we will seek UMSO feedback and engagement regarding current arrangements and how they can be improved.

### 100kW MPANs

- 2.9 ELEXON has identified that some of the largest NHH UMS MPANs have EACs that would qualify them as 100kW Metering Systems based on their maximum demand exceeding 100kW. ELEXON has selected the top 100 NHH MPANs based on their EACs and identified which UMSOs these MPANs are associated with, as well as the combined total energy of them.
- 2.10 The combined energy of these 100 MPANs equals 429,628MWh. These 100 MPANs comprise 65.24% of all NHH UMS energy, which is currently split between approximately 34,000 MPANs. Considering the target of

## RISK 11: TECHNICAL ASSURANCE OF PERFORMANCE ASSURANCE PARTIES (TAPAP) SCOPE

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Market Wide Half Hourly Settlement, ELEXON would like to use some of these MPANs for the MPAN samples used during TAPAP checks. These MPANs have also been taken into consideration when selecting which parties to select as check candidates.

### What will the audit cover?

- 2.11 The candidates for the check and this Risk Management Determination are detailed in confidential Attachment A.
- 2.12 The TAPAP will be performed with three main objectives;
- To investigate and develop an understanding of the internal processes performed by Parties for Unmetered Supplies;
  - To understand more about error in the market so that ELEXON can reassess the net significance of Risk 011; and
  - To be in a position to assess the reporting that currently exists and look at what additional reporting or techniques may be needed for future risk assessment and mitigation.

### How will the audit be conducted?

- 2.13 ELEXON will conduct the TAPAP audit in accordance with BSCP535, Technical Assurance<sup>1</sup>.
- 2.14 ELEXON will inform each candidate of the planned audit at least 10 WDs prior to the audit as per BSCP535.
- 2.15 ELEXON will select a random sample of no more than 15 MSIDs per Market Participant ID (MPID), which will be taken from the data received through the RFI, UMSO inventories and ELEXON MEM report.
- 2.16 ELEXON will conduct the audits in person, on site, with any follow up conducted by teleconference as required.

### When will the audits take place?

- 2.17 ELEXON proposes that these audits are undertaken in Q1 2020, taking into account ELEXON resourcing as well as impacts of the BSC Audit and Line Loss Factor (LLF) Audit on Party and ELEXON staff availability.

### Potential outcomes of the audit

- 2.18 Following the TAPAP audit, ELEXON will:
- Determine whether Error Failure Resolution (EFR) is required for any of the selected Parties;
  - Determine whether further analysis and TAPAP audits should take place;
  - Reassess the net significance of Risk 011;
  - Review and enhance the current MEM reporting for UMS in line with any findings from the check (this will supplement the work already ongoing as a result of the PAF review);
  - Look at what can be done to support the transition to Market-Wide Half Hourly Settlement;
  - Produce industry guidance for Risk 011; and
  - Review individual TAPAP findings against their BSC Audit Issues to check alignment and review the ratings provided by the BSC Auditor.

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<sup>1</sup> [BSCP535 'Technical Assurance'](#)

## RISK 11: TECHNICAL ASSURANCE OF PERFORMANCE ASSURANCE PARTIES (TAPAP) SCOPE

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### 3. Next Steps

- 3.1 If the PAB approves the scope of this TAPAP audit, the audit site work will be undertaken in Q1 2020. ELEXON will present the TAPAP findings report at the April 2020 PAB meeting. The findings will also be provided to the Unmetered Supplies User Group (UMSUG) at its meeting in May 2020 and also the BSC Auditor.

### 4. Recommendations

- 4.1 We invite you to:
- a) **APPROVE** the Risk Management Determination for each Performance Assurance Party detailed in this paper;
  - b) **APPROVE** the scope for the TAPAP check on Risk 011; and
  - c) **PROVIDE** any additional comments for consideration when performing the check.

### Appendices

Appendix 1 – Relevant Balancing and Settlement Code Sections.

### Attachments

Attachment A – Confidential list of audit candidates.

#### For more information, please contact:

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# RISK 11: TECHNICAL ASSURANCE OF PERFORMANCE ASSURANCE PARTIES (TAPAP) SCOPE

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## Appendix 1

### Relevant Balancing and Settlement Code Sections

[BSC Section S: Supplier Volume Allocation](#)

Section 8. Unmetered supplies

[BSCP520: Unmetered Supplies Registered in SMRS](#)

This BSC Procedure (BSCP) sets out the requirements for UMS registered in Supplier Meter Registration Service (SMRS).