

PUBLIC

Risk Report April 2020

PAB 231/02



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RISK OVERVIEW

Overview

| Id No. | Focus Risk | Risk Sub-Category | CVA/SVA | Impact | Target Impact |
|---------------------|-------------------|---|----------------|---------------|----------------------|
| 003 | ▪ | Metering Equipment installation, programming, maintenance and Commissioning | SVA | £45.0m | £42.9m |
| 005 | ▪ | Fault resolution | SVA | £30.0m | £30.0m |
| 007 | ▪ | Retrieval of Metered Data | SVA | £11.8m | £11.8m |
| 012 | ▪ | MTD Technical Details | SVA | £6.1m | £5.9m |
| | | | | | |
| | | Event 001 – Supplier Agents | SVA | £TBC | £TBC |
| | | Event 011 – Party Failure | Both | £TBC | £TBC |
| | | Event 020 – CVA Market | CVA | £112m | £63m |

The risks and risk events in the table above have been selected for focus in the 2020/21 Performance Assurance Operating Period (PAOP). The target impact is what we aim to achieve over the course of the PAOP. In some cases, our target impact is to maintain the current level of impact. In the case of 2 Risk events, our plan is to assess the Risk Impact for overall risk event.

Introduction

Please note:- During the past month, ELEXON has been working to identify and manage impacts to Settlement Risk introduced by the Covid-19 lock down. In addition, as agreed during the March 2020 Performance Assurance Board meeting, ELEXON would monitor performance of parties at this time, and not recommend the deployment of Performance Assurance Techniques, other than in exceptional cases.

As part of our continuing development of Risk Management within ELEXON, this Risk Report has been created to provide the Performance Assurance Board (PAB) with insight and guidance on the Settlement Performance of BSC Parties in 3 market areas, Non Half Hourly (NHH), Half Hourly (HH) and Sub 100kw.

This report contains 4 elements

- 1 – An overview of Market level performance in each market segment
- 2 – An insight into High and Low performing Parties at each Settlement Run
- 3 – The result of further investigations into each Party identified as poor performing.
- 4 - Recommendations

In order to produce this report, ELEXON carries out an initial assessment of Parties' performance at each Settlement Run. Where poor performance is identified, the Risk Manager will flag Parties for further investigation. During the investigation period, ELEXON will consider input from the Operational Support Manager (OSM) and Risk Owners, to provide a detailed overview of the performance challenges faced by each Party. Our recommendations to the PAB considers appropriate and effective deployment of Performance Assurance Techniques to restore performance in line with BSC obligations.

The PAB should consider these recommendations, provide challenge to them and determine the next steps to take in each case.

COVID-19 – Monitoring changes to estimates

We have temporary derogations in place to allow Suppliers to adjust estimates, based on evidence, to enable Settlement to be more accurate during the lock down period, as past consumption may no longer be a reasonable reflection of consumption at some sites.

However, there is a risk that, if Suppliers do not follow a robust, evidence based approach when making such adjustments, that this could lead to Settlement inaccuracies.

ELEXON will have a number of types of monitoring in place to help to detect such inaccuracies:

Market Level Reporting – Monitoring GSP Group Correction Factors (GSPGCFs)

GSPGCFs are used to address differences between,

- a) the net energy measured going from/to a GSP Group and
- b) the actual and estimates submitted by Supplier Agents to the Supplier Volume Allocation Agent (SVAA).

The GSPGCFs adjust Non Half Hourly (NHH) Suppliers' to account for these differences.

Therefore, unless errors made by Suppliers net each other off, any substantial issues introduced by Suppliers inaccurately adjusting estimates are likely to result in significant changes to the GSPGCFs.

ELEXON has regular monitoring in place to check changes to the GSPGCFs and works to identify the source of any potential errors. Details are published monthly in the Trading Operations Report.

ELEXON is also working to put in place additional analysis comparing Suppliers' energy volumes prior to and after GSPGCFs being applied. This analysis will help to determine the volumes of any errors introduced on a nett basis (although it is possible that differences between the corrected and uncorrected volumes may be attributable to other errors such as inaccuracies introduced as a result of the use of profiling and errors and approximations in the calculation of Line Loss Factors). We expect this analysis to be in place by the time sufficient data becomes available at the SF Settlement run, following lock down restrictions.

Market Level Reporting – SVAA data analysis

ELEXON has put in place monitoring to look at volume movements pre and post the COVID-19 restrictions for the NHH, HH >100kW Metering Systems and HH <100kW Metering Systems markets.

This analysis does not identify errors but does highlight how the volume of energy submitted to the SVAA is changing whilst restrictions are in place. We also have a view of this information at Supplier Id level to enable us to identify the Suppliers that have made the biggest changes to their volumes and start to ask questions about the adjustments they have made and offers the opportunity to ask for evidence of the rationale used in making changes if we believe it is appropriate to do so.

Plans to review Evidence provided by Suppliers

We are working on our plans to obtain and review more detailed analysis from Suppliers in relation to any estimation adjustments that they make. Such analysis is likely to be used for targeted Technical Assurance of Performance Assurance Parties (TAPAP) checks we consider necessary for any Suppliers after identification and initial questioning as part of monitoring set out above and as part of the BSC Audit for 2020-2021. We will provide the PAB with further information on our plans to do this.

RISK OVERVIEW

Market Level Reporting – SVAA data analysis

| | PRE-COVID DATA (9 th March – 15 th March) | | | POST COVID - WEEK 1 (16 th March - 22 nd March) | | | | |
|--------------------|---|---|--|---|--|---|---|--|
| | Actual Volume total weekly average pre COVID-19 | Estimated Volume total weekly average pre COVID-19 | Total Volume weekly average pre COVID-19 | Current Actual Volume total weekly average | Current Estimated Volume total weekly average | Current Total volume weekly average | Volume difference between pre COVID-19 and latest data | Difference in proportion of Total Volume from Pre COVID to Current (%) |
| NHH (Mwh) | 37,432.34 | 364,393.99 | 401,826.33 | 48,615.02 | 359,602.43 | 408,217.45 | 6,391.12 | 1.59% |
| HH (Mwh) | 327,217.18 | 6,897.16 | 334,114.34 | 308,197.09 | 11,017.25 | 319,214.35 | -14,899.99 | -4.46% |
| Sub 100kW (Mwh) | 37,721.68 | 2,050.41 | 39,772.09 | 34,012.71 | 2,589.24 | 36,601.95 | -3,170.14 | -7.97% |
| Total (Mwh) | 402,371.21 | 373,341.56 | 775,712.76 | 390,824.82 | 373,208.92 | 764,033.75 | -11,679.01 | -1.51% |

The weekly average of volumes submitted to SVAA from the week commencing the 9 March 2020 to the week commencing 16 March 2020 shows:

- The NHH volume had increased by 1.59%
- The HH volume had decreased by 4.46%; and
- The HH <100kW volume had decreased by 7.97%.

RISK OVERVIEW

COVID-19 Update – Performance Assurance Techniques

ELEXON is continuing to monitor and model the impact of COVID-19 lock down restrictions on Settlement performance.

Over the past month, we have continued to review Performance Assurance Techniques, to investigate if any adjustments to these techniques can support parties in meeting their BSC obligations.

In March PAB meeting, the Performance Assurance Board agreed to a number of changes to the way in which techniques are deployed at this time. This included changes to Error and Failure Resolution (EFR), Technical Assurance of Performance Assurance Parties (TAPAP), Supplier Charges and BSC Audit.

ELEXON has reviewed the following techniques, and notes the following considerations for them:-

- **Trading Disputes**

TAA non-compliances

ELEXON has identified that we are not able to follow our usual process in assessing Category 1 non-compliances against the Trading Disputes criteria. In order to assess non-compliances, we are reliant on investigative site visits taking place by Meter Operators. As no site visits are currently being undertaken, we have raised 10 precautionary Trading Disputes relating to identified Category 1 Non Compliances to ensure that we can correct as much Settlement Data as possible should they be upheld by the Trading Disputes Committee TDC).

Open Disputes

Due to only emergency site visits being performed, faults or errors will not be corrected on site, and Commissioning tests cannot be performed.

It is likely that open Trading Disputes that are waiting for either a site visit or a Commissioning test before we can present the Dispute to the TDC will remain outstanding until site visits resume

The Disputes Team will discuss the best way to handle these with a view to presenting options to the TDC at the May meeting.

New Trading Disputes

We anticipate the number of new Trading Disputes to be significantly reduced during the COVID-19 outbreak due to a lack of site visits being carried out that would usually detect Settlement Errors.

- **Performance Assurance Reporting and Monitoring System(PARMS)**

ELEXON proposes no changes to this investigative technique. Data submissions should continue wherever possible.

- **Peer Comparison**

ELEXON proposes no changes to this incentive technique

- **Material Error Monitoring (High EAC/AA, UMS, Energisation)**

ELEXON proposes no changes to this investigative technique.

- **Education**

ELEXON is reviewing guidance documentation and hosting virtual training sessions and seminars as required.

RISK OVERVIEW

COVID-19 – Participant Issue Monitoring

ELEXON is keeping a log of issues identified in relation to participant operations as a result of COVID-19 to enable us to monitor the issues and take action if required.

The issues identified currently highlight:

- Suspension of site visits across the board for all but emergency work;
- One organisation that has furloughed staff that undertaken work to process data flows;
- Issues in a small number of organisations with offshore data teams in similar lockdown restrictions as in UK.

We do not believe we can currently undertake any additional actions to address the first issue, having already put in place actions to adjust estimation processes as a result of the suspension of site visits. However, we plan to monitor the other issues carefully and recommend that the PAB, via ELEXON, sets reasonable expectations of the requirement to undertake work to minimise the impact on Settlement processes during the period of restrictions.

COVID-19 Expert Group – Further Recommendations

ELEXON reconvened the COVID-19 Expert Group on Thursday 22 April in order to discuss:

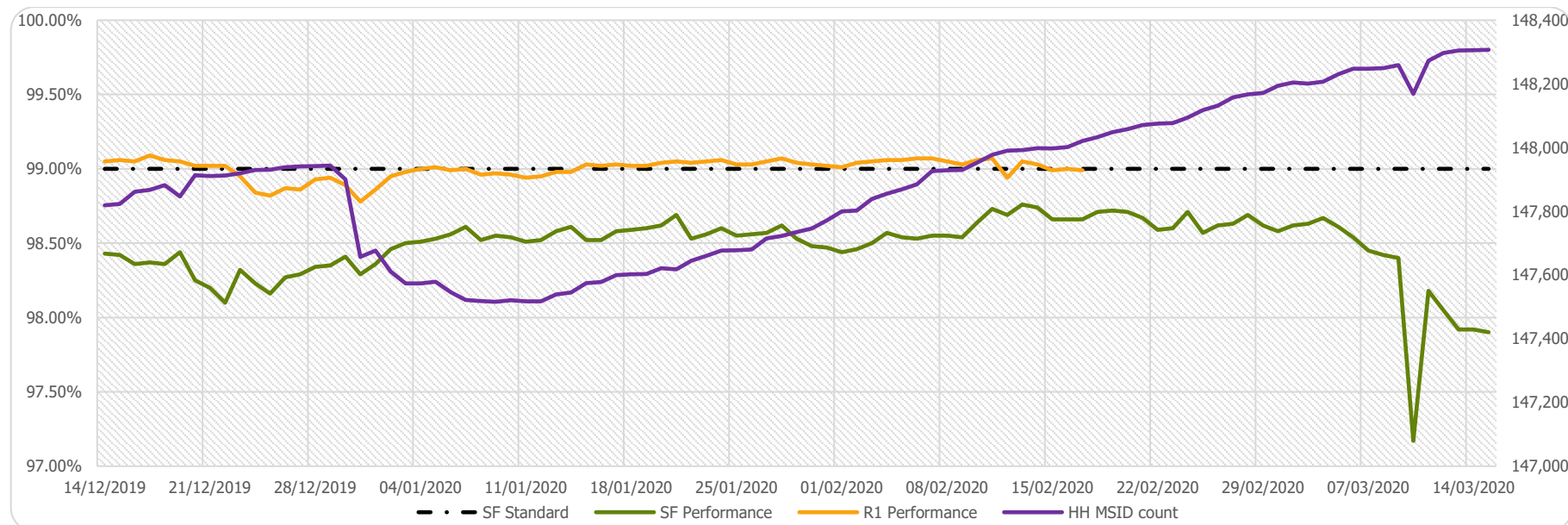
- Changes to the previous COVID-19 estimation Guidance Notes and any additional derogations required to enable settlement to be as accurate as possible when the current restrictions end;
- The process for end-dating the temporary derogations to the BSC provisions;
- What happens if there are subsequent lock-downs and whether there is a process needed to re-enact the revised EAC arrangements; and
- Potential amendments required to the management of the Long Term Vacant process as a result of the restrictions imposed by the management of COVID-19.

ELEXON will set out recommendations to the PAB in a paper which will be sent by close of business on Wednesday 29 April 2020. The recommendations can be discussed by the committee at its meeting on Thursday 30 April. In order to allow time for the committee to adequately review the proposal, approval will be requested ex-committee by 2pm on Friday 1 May 2020.

Performance Investigation Summary

Market Performance

HH Market



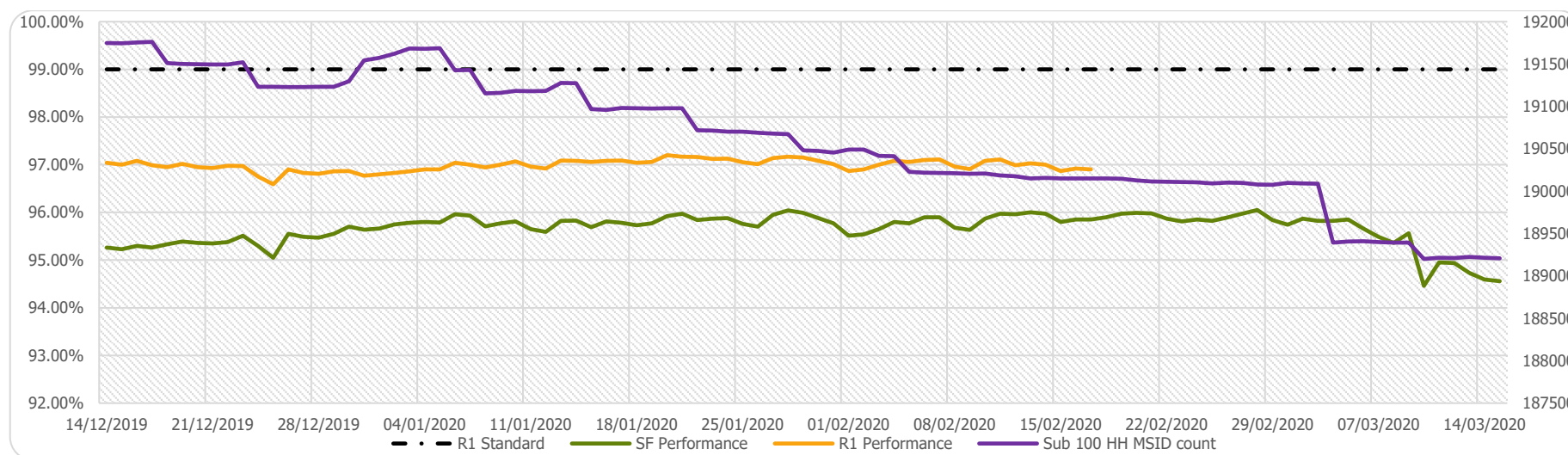
Past 12 Months:

| | Jan 2020 | Dec 2019 | Nov 2019 | Oct 2019 | Sep 2019 | Aug 2019 | Jul 2019 | Jun 2019 | May 2019 | Apr 2019 | Mar 2019 | Feb 2019 |
|-----------------------------|---------------|--------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|
| Act Volume | 10,244,842.08 | 9,734,251.58 | 10,163,588.03 | 10,318,774.62 | 9,648,768.65 | 9,828,645.98 | 10,192,240.82 | 9,603,559.86 | 9,956,279.38 | 9,739,315.74 | 10,470,325.97 | 9,683,925.40 |
| Est Volume | 102,656.25 | 95,620.41 | 88,679.64 | 85,655.68 | 78,273.52 | 84,314.04 | 84,026.66 | 75,410.25 | 81,354.45 | 81,465.76 | 77,380.03 | 77,554.32 |
| Performance | 99.01 % | 99.03 % | 99.14 % | 99.18 % | 99.20 % | 99.15 % | 99.18 % | 99.22 % | 99.19 % | 99.17 % | 99.27 % | 99.21 % |
| Vol (Mwh) from 99% Standard | 817.45 | 2,673.73 | 13,840.56 | 18,384.63 | 18,987.19 | 14,809.96 | 18,733.64 | 21,371.17 | 19,021.32 | 16,734.61 | 28,088.54 | 20,059.84 |

The Graph and table above represents Measurement Class C, HH market level performance in % terms. This measures Metered data across the market and identifies changes in performance at SF and R1 settlement runs. In addition the graph shows changes in total Metering System IDs (MSIDs). The Graph is based on daily data, the table summarises full month performance at R1.

Performance Investigation Summary

Sub 100kw Market

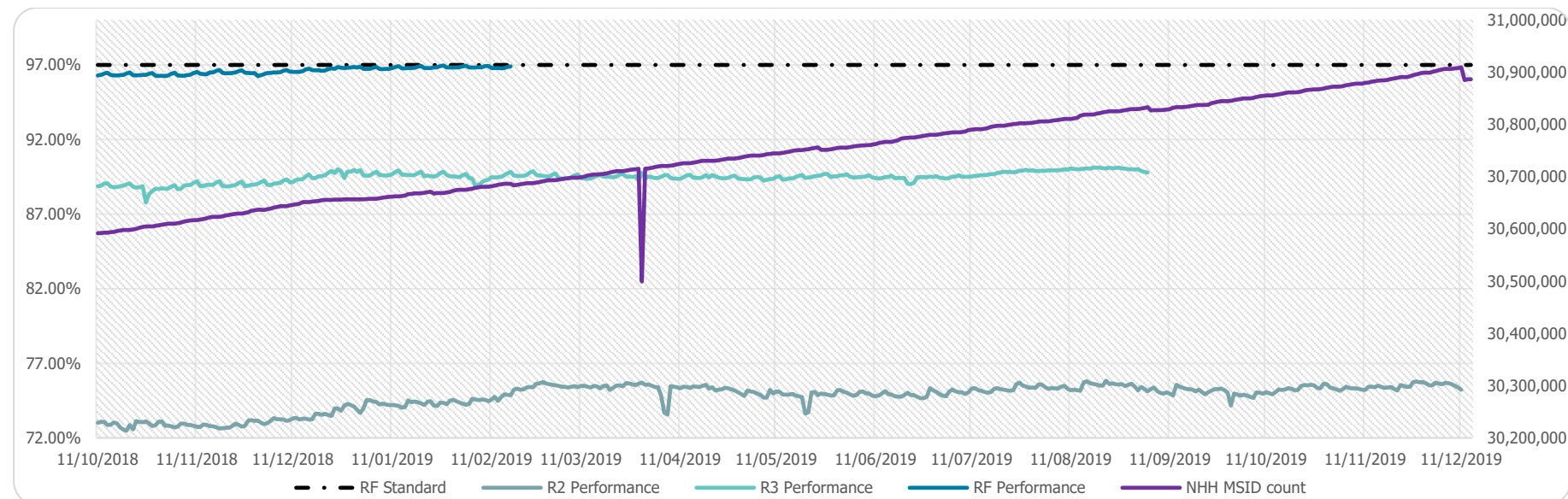


| | Jan 2020 | Dec 2019 | Nov 2019 | Oct 2019 | Sep 2019 | Aug 2019 | Jul 2019 | Jun 2019 | May 2019 | Apr 2019 | Mar 2019 | Feb 2019 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|-------------|--------------|
| Act Volume | 1,230,054.06 | 1,195,464.34 | 1,186,243.80 | 1,121,155.60 | 1,000,635.91 | 1,020,280.17 | 1,056,590.42 | 997,384.80 | 1,041,877.12 | 1,054,209.35 | 1,153,090.3 | 1,087,836.17 |
| Est Volume | 37,479.61 | 37,430.50 | 39,598.91 | 38,685.84 | 36,904.58 | 37,883.04 | 40,698.81 | 40,608.68 | 43,868.96 | 42,783.69 | 46,698.27 | 47,577.91 |
| Performance | 97.04 % | 96.96 % | 96.77 % | 96.66 % | 96.44 % | 96.42 % | 96.29 % | 96.09 % | 95.96 % | 96.10 % | 96.11 % | 95.81 % |
| Vol (Mwh) from 99% Standard | -24,804.37 | -25,101.74 | -27,341.20 | -27,088.10 | -26,529.91 | -27,301.67 | -29,726.66 | -30,229.48 | -33,012.11 | -31,813.90 | -34,701.49 | -36,224.25 |

The Graph and table above represents Measurement Class E, F and G HH market level performance. This measures Metered data across the market and identifies changes in performance at SF and R1 Settlement Runs. In addition the graph shows changes in total Metering System IDs (MSIDs). The Graph is based on daily data, the table summarises full month performance at R1.

Performance Investigation Summary

NHH Market



| | Jan 2019 | Dec 2018 | Nov 2018 | Oct 2018 | Sep 2018 | Aug 2018 | Jul 2018 | Jun 2018 | May 2018 | Apr 2018 | Mar 2018 | Feb 2018 |
|-----------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Act Volume | 13,871,459.35 | 13,157,282.56 | 12,169,061.62 | 10,941,005.79 | 9,298,622.17 | 8,914,526.65 | 8,846,905.97 | 8,797,396.68 | 9,574,843.20 | 10,564,351.95 | 13,276,625.03 | 12,931,611.78 |
| Est Volume | 456,578.80 | 457,841.98 | 449,715.36 | 416,550.82 | 350,075.81 | 337,809.79 | 335,563.09 | 324,592.94 | 348,739.47 | 377,553.49 | 469,597.36 | 445,613.18 |
| Performance | 96.81 % | 96.64 % | 96.44 % | 96.33 % | 96.37 % | 96.35 % | 96.35 % | 96.44 % | 96.49 % | 96.55 % | 96.58 % | 96.67 % |
| Vol (Mwh) from 97% Standard | -26,750.45 | -49,395.67 | -71,157.28 | -75,834.41 | -60,622.77 | -60,241.96 | -60,090.08 | -50,937.19 | -51,036.99 | -49,304.23 | -57,211.78 | -44,305.37 |

The Graph and table above represents Measurement Class A NHH market level performance. This measures Metered data across the market and identifies changes in performance at RF, R3 and R2 Settlement Runs. In addition the graph shows changes in total Metering System IDs (MSIDs). The Graph is based on daily data, the table summarises full month performance at RF.