

PUBLIC

# Annual Performance Assurance Report

2019/20

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PAB 233/02  
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# ANNUAL PERFORMANCE ASSURANCE REPORT

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## MESSAGE FROM THE PERFORMANCE ASSURANCE BOARD (PAB) CHAIR

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Another challenging 12 months for BSC Parties and their agents. During 2019/20, we have seen 15 Modifications to the BSC and 14 Changes to Code Subsidiary Documents implemented. This is in addition to changes introduced by other industry Codes and the ongoing commercial pressures on BSC Parties and their agents.

The Performance Assurance Board continues to have a heavy workload with the members dealing with over 180 papers during the year of which 114 were asking for the committee to make a decision. The committee also invited eight BSC Parties to attending meeting in person to explain what actions they were taking to address poor performance and non-compliance with BSC obligations.

The Performance Assurance Framework review continues with changes made to a number of Performance Assurance Techniques and the committee provided input on 11 separate papers.

However the impact of Covid-19 became evident during March 2020. The Committee working with ELEXON and the BSC Panel put in place a number of steps designed to ease some of the pressure on businesses. A number of workgroups were convened at short notice resulting in suspension of the following Performance Assurance Techniques:

1. Error and Failure Resolution (EFR),
2. Technical Assurance Agent site visits,
3. Technical Assurance of Performance Parties (TAPAP), and
4. Supplier Charges

While suspending the above techniques is helpful to businesses during the lockdown period when restrictions of movement are in place the committee are still keeping a watchful eye on Party behaviour. Amendments are being made to risk reporting which will allow the committee to investigate any Party behaviour which looks to be out of step with the norm.

I would like to thank both the industry and the PAB for the contributions they have made during the year, and especially the work around tackling the impact of Covid-19.

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## OVERVIEW

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The Performance Assurance Board (PAB) is required, by [Balancing and Settlement Code \(BSC\) Section Z 8.1](#), to prepare an Annual Performance Assurance Report (APAR), which includes:

- Results from risk evaluation and risk assurance procedures focussing on the outcome of deployment of Performance Assurance Techniques (PATs)
- The actual costs associated in delivering the Performance Assurance Framework (PAF) compared with the estimated costs set out in the Risk Operating Plan

Recommendations for modifying the PATs

## Risk Performance and Assurance Procedures

ELEXON strives to deliver a transparent, risk based PAF focusing on the key Settlement Risks affecting BSC Parties.

In collaboration with our customers, and with support from the Operational Support Managers (OSMs) and Risk Owners within ELEXON, we use a range of techniques to monitor performance against BSC obligations, identify risks and plan mitigations and controls, detect instances of non-compliance and, where appropriate, put in place corrective measures.

As part of continued transition to a fully rounded, risk based approach, ELEXON is continuing to develop working practices and reporting to support BSC parties in identifying and managing risks to settlements. Whilst some notable strides have been made in this approach this year, there is still significant progress to be made, and we will continue to deliver updates and progress reports over this coming Performance Assurance Operating Period (PAOP).

ELEXON chose to focus on 8 key risks during this Performance Assurance Operating period.

- SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all – risk no. 3
- A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 5
- SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met – risk no. 7
- Unmetered Supplies volumes are calculated incorrectly or not at all – risk no. 11
- The energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System – risk no. 16
- Revenue Protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement – risk no. 18
- CVA metered data is not retrieved, or processed correctly, or at all, by the CDCA – risk no. 21
- A fault with CVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 23

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The selection of risks for specific focus were with an aim to reduce and mitigate risk impact, risk volatility or to better assess risks where ELEXON had limited data or understanding of risk factors and controls.

During this period, the Total Risk Impact across all risks has reduced from **£290m to £269m, a 7.25% reduction.**

We present this number as a useful view of the scale of potential Settlement Error only - it would be misleading to sum the forecast error of each risk to a total amount of error, due to the amount of assumptions and as individual errors can manifest in multiple risks as the impact works along the "meter-bank" process.

In addition, this reduction in Total Risk Impact can be attributed to both improvements in our assessment of Risk and mitigations carried out by Risk Owners, who are specifically tasked with managing their risks.

There have been movements in both risk impact and risk volatility.

**Risk Impact – The most plausible estimated error for each risk (middle impact).**

**Risk Volatility – the difference between the middle and upper impact of a risk.**

## Top 5 Decreases in Risk Impact and Volatility (Following re-assessment of Risk)

	Decrease in Risk Impact	SVA/CVA	Risk Impact	Impact Change (-)		Decrease in Risk Volatility	SVA/CVA	Risk Impact	Volatility Change (-)
1	Retrieval of Metered Data	SVA	£11.9m	£14.9m	1	Aggregation Rules	CVA	£2.3m	£33.1m
2	Metering Equipment installation, programming, maintenance and Commissioning	CVA	£1m	£12.9m	2	Retrieval of Metered Data	SVA	£11.8m	£26.5m
3	Unmetered Supplies	SVA	£7.8m	£9.8m	3	Metering Equipment installation, programming, maintenance and Commissioning	CVA	£1m	£19.4m
4	Fault resolution	SVA	£29.8m	£5.9m	4	Processing of Metered Data	SVA	£5.4m	£13.6m
5	Meter Technical Details transfer and processing	SVA	£2.8m	£5.2m	5	Notification of change to Metering Equipment	SVA	£2.6m	£12.9m

The reductions in Risk Impact and Risk Volatility could be attributed to a number of factors including:-

- Additional data available to ELEXON to assess a risk
- Improved Risk Controls, achieved via Industry change, Process Improvement or improved Performance
- Greater awareness of Risks and contributory factors
- Changes in market behaviour affecting certain risk areas (e.g Smart Meter roll out)

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## Top 5 Increases in Risk Impact and Volatility (Following re-assessment of Risk)

	Increase in Risk Impact	SVA/CVA	Risk Impact	Impact Change (+)		Increase in Risk Volatility	SVA/CVA	Risk Impact	Volatility Change (+)
1	Retrieval and processing of Metered Data	CVA	£59.3m	£28.1m	1	Retrieval and processing of Metered Data	CVA	£146m	£97m
2	Fault resolution	CVA	£36.6m	£6.4m	2	Metering Equipment installation, programming, maintenance and Commissioning	SVA	£132m	£47.5m
3	Registration	CVA	£4.2m	£3.7m	3	Fault resolution	CVA	£93m	£36m
4	Aggregation Rules	CVA	£2.3m	£2.2m	4	Registration	CVA	£14m	£11.5m
5	Metering Equipment installation, programming, maintenance and Commissioning	SVA	£45.1m	£2.2m	5	Payment default	CVA	£6.5m	£4.4m

The increase in Risk Impact and Risk Volatility could be attributed to a number of factors including:-

- Additional data available to ELEXON to assess a risk
- Weak Risk Controls
- Less awareness of Risks and contributory factors (e.g Data available to monitor performance)

Full details of all changes to Risk Impacts and Volatility are available as an appendix within this document

Whilst ELEXON has noted a nett decrease in the overall impact of Settlement risk, there are concerns raised by the increase in impact across certain risks. We have applied additional focus on these areas in our [Risk Operating Plan 2020/21](#)

During 2019/20, Risk Owners across ELEXON have managed and mitigated Settlement Risks and achieved a number of successes. The following pages are a summary of updates provided by Risk Owners over the course of the year, via Quarterly Performance Assurance Reports, which you can read, in full following at

[Quarter 1 - Quarterly Performance Assurance Report](#)

[Quarter 2 - Quarterly Performance Assurance Report](#)

[Quarter 3 - Quarterly Performance Assurance Report](#)

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## RISK MANAGEMENT IMPROVEMENTS

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### 1. Improved engagement across Industry panels and work groups.

ELEXON has engaged with an increased number of industry parties across the PAOP, presenting updates and introductions to our Risk management approach to Ofgem, Energy Networks Association and Electralink. In addition, we have sought engagement with the BSC Panel, Trading Disputes Committee (TDC), Technical Assurance of Metering Expert Group (TAMEG) and have fed into the scoping work for Marketwide Half Hourly Settlement. This increased engagement across the market has allowed us to improve assessment of risk and understand and improve relevance of risk management within other organisations.

### 2. Improved Risk Reporting

In the course of the year, ELEXON has made good progress towards Risk reporting.

- Creation of Risk specific reporting (For Risk 003 – Metering Equipment installation, programming, maintenance and Commissioning)
- Introduction of Risk Report for the Performance Assurance Board
- Introduction of BSC Party Reporting aligned to Risks.

ELEXON aims to further improve available reporting for Performance Assurance Board and BSC Parties in the 2020/21 PAOP, seeking to expand Risk specific reporting and to promote available reporting across parties.

### 3. Improved Risk Assessment

Having developed a more complex and detailed Risk Evaluation Methodology, ELEXON has re-assessed risks during the year, in order to understand and identify impacts to settlement risks.

Each Risk Owner, responsible for managing and assessing risk, has been able to feed into the assessment process any additional data, improved logic and understanding of how risks manifest and assessment of party performance to ensure that our assessment of risk is progressively refined. In addition, ELEXON has refreshed and revitalised internal Risk Evaluation Work Group, creating clearer more progressive sessions, to drive risk management improvements

### 4. Refining how we use Performance Assurance Techniques

In addition to ongoing improvements to Performance Assurance Techniques made via the PAF Review, ELEXON has sought to consider the outputs of Techniques in line with Risk Operating Plan priorities. We have also carried out independent assessment of Techniques to ensure that they are fit for purpose. Key changes include:-

- Assessment of issues raised during BSC Audit, seeking to broaden the range of ways in which we can address issues raised against each risk
- Project ongoing to improve Trading Disputes Techniques
- Refining and re-assessing the Education Technique
- Refining and developing ways to utilise TAPAP technique alongside other techniques, such as EFR.

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## PERFORMANCE ASSURANCE TECHNIQUES

During the course of the Performance Assurance Operating Period (PAOP), ELEXON deploys a number of Performance Assurance Techniques to manage and mitigate Settlement risks. The following updates provide further detail on the activities of each technique during 2019/20.

### EFR

Risk	Non compliances	Number of plans
Retrieval of Metered Data/Processing of Metered Data	NHH and HH performance plans against 97% and 99% standards	23
Processing of Metered Data	Above EAC/AA threshold	1
Meter Technical Detail Transfer and Processing	Non-compliances found during TAPAP into root causes of missing MTDs	2
Metering Equipment installation programming maintenance and Commissioning	Non-compliances found during TAPAP into P283 process	6

### BSC Audit 2019/2020

The BSC Audit report is published on the [BSC Audit page](#) of the BSC Website. The table below details initial issues identified within the BSC Audit in 2019/20 ranked by High, Medium, Low materiality and Management Learning Point (MLP) which have low material impact, but should be addressed by each party.

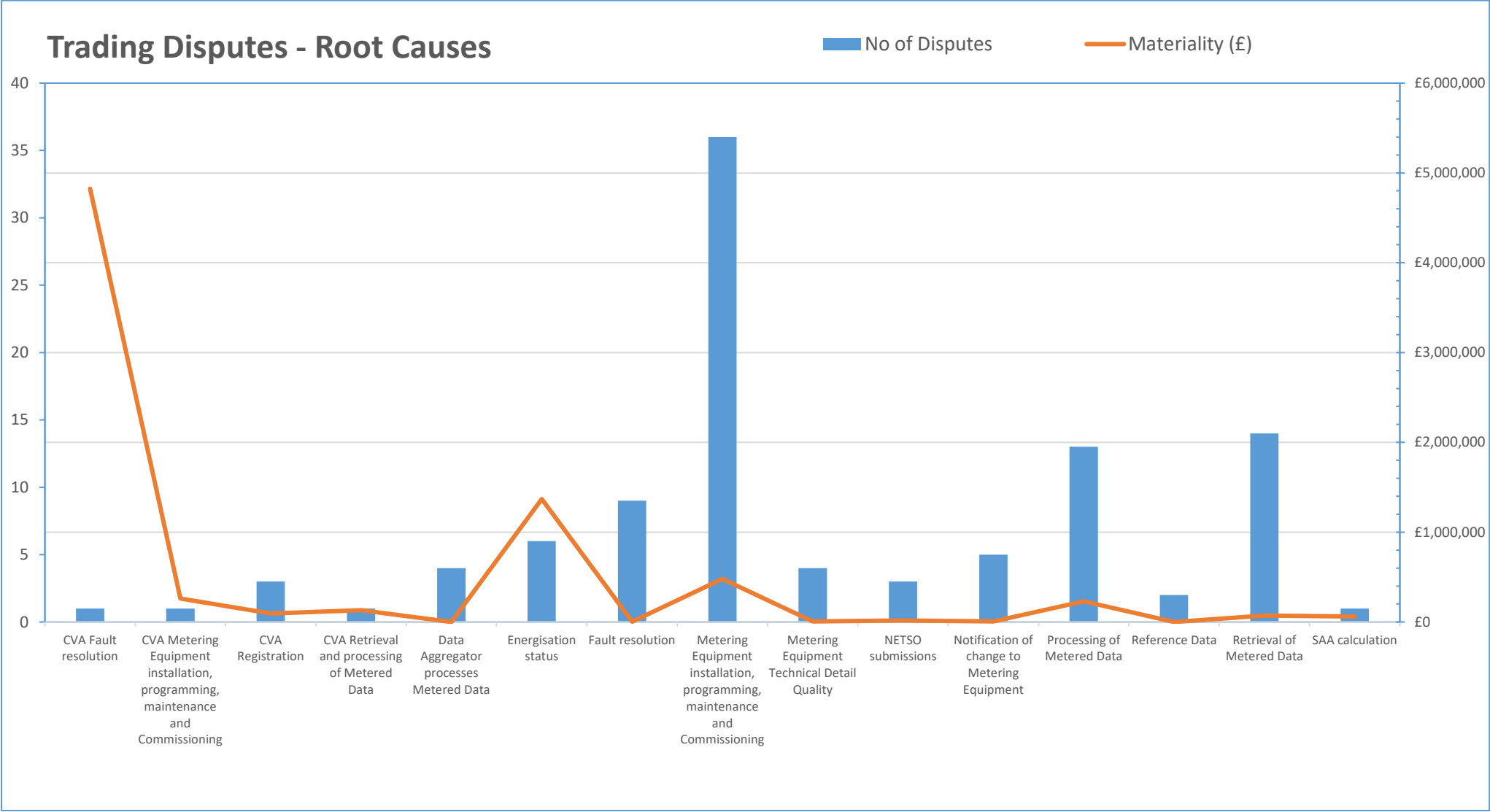
#### Issues identified by Risk

Risk Name	High	Medium	Low	MLP	Total
Energisation status	3	6	44	35	88
Fault resolution	2	9	37	36	84
Processing of Metered Data		7	49	28	84
Meter Technical Details transfer and processing	1	6	30	30	67
Notification of change to Metering Equipment	1	9	33	22	65
Exception management		11	26	28	65
Agent appointments	1	2	13	46	62
Manual adjustments	1	4	17	16	38
Registration		1	11	24	36
Metering Equipment installation programming maintenance and Commissioning		2	10	16	28
Meter read history		6	12	4	22
N/A - CVA/Central Systems			6	13	19
Unmetered Supplies		3	5	6	14
Metering		3	3	2	8
Data Aggregator processes Metered Data		4	2	1	7
Attributes		3	2	2	7
CVA Aggregation rules			2	1	3
Registration and appointments			2		2
<b>Grand Total</b>	<b>9</b>	<b>76</b>	<b>304</b>	<b>310</b>	<b>699</b>



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## Trading Disputes



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## Breach and Default

There were 24 Events of Default under BSC Section H between 1 April 2019 and 31 March 2020. The 24 events were by 22 different Parties. Of the 22 Parties, 6 had a Supplier of Last Resort (SoLR) appointed. Six Parties were expelled from the BSC with 2 parties completing the expulsion process in April and May 2020. All of the Parties who have been/are in the expulsion process had no BM Units or Energy Contract Volume associated with them. 10 Parties resolved their Section H Defaults, with 8 still active and 2 parties subsequently withdrawing from the BSC.

## Education

Education is a preventative Performance Assurance Technique (PAT) within the Performance Assurance Framework (PAF) used to address Settlement Risks. ELEXON publishes guidance on common (market) issues identified and the best ways to address them. This may include a view of root causes of these issues. It may also reference other areas of the BSC that may help in monitoring or controlling the issue in some way. In addition, ELEXON assigns an Operational Support Manager (OSM) to each BSC Party and Party Agent once Qualified. The OSM provides a first point of contact and is able to provide day to day support and guidance regarding the BSC arrangements.

ELEXON runs regular training courses for electricity market participants; these courses are free of charge to BSC Parties. During 2018/19, ELEXON provided the following performance assurance related training/educational days:

- Total training courses delivered: 88
- Total number of delegates: 616
- 23% of training courses were delivered to 'off the shelf' Suppliers.
- Total number of Introduction to ELEXON seminars delivered: 5
- Total number of Introduction to ELEXON seminar delegates: 369
- Total number of webinars delivered: 28
- ELEXON also delivered training to 26 International Delegates from Korea, Singapore, China and Taiwan, which covered Introduction to ELEXON, Imbalance Settlement, EMR Settlement, Future of Electricity and Capacity Margin between April 2019 and March 2020.
- ELEXON produced its Risk Visualisation Tool developed to assist Parties identifying where Settlement Risks occur in BSC Processes.
- ELEXON visited five parties to support the implementation of the new PAF Documents
- ELEXON held a Performance Assurance Day, focussing on PAF products and documentation

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## Qualification

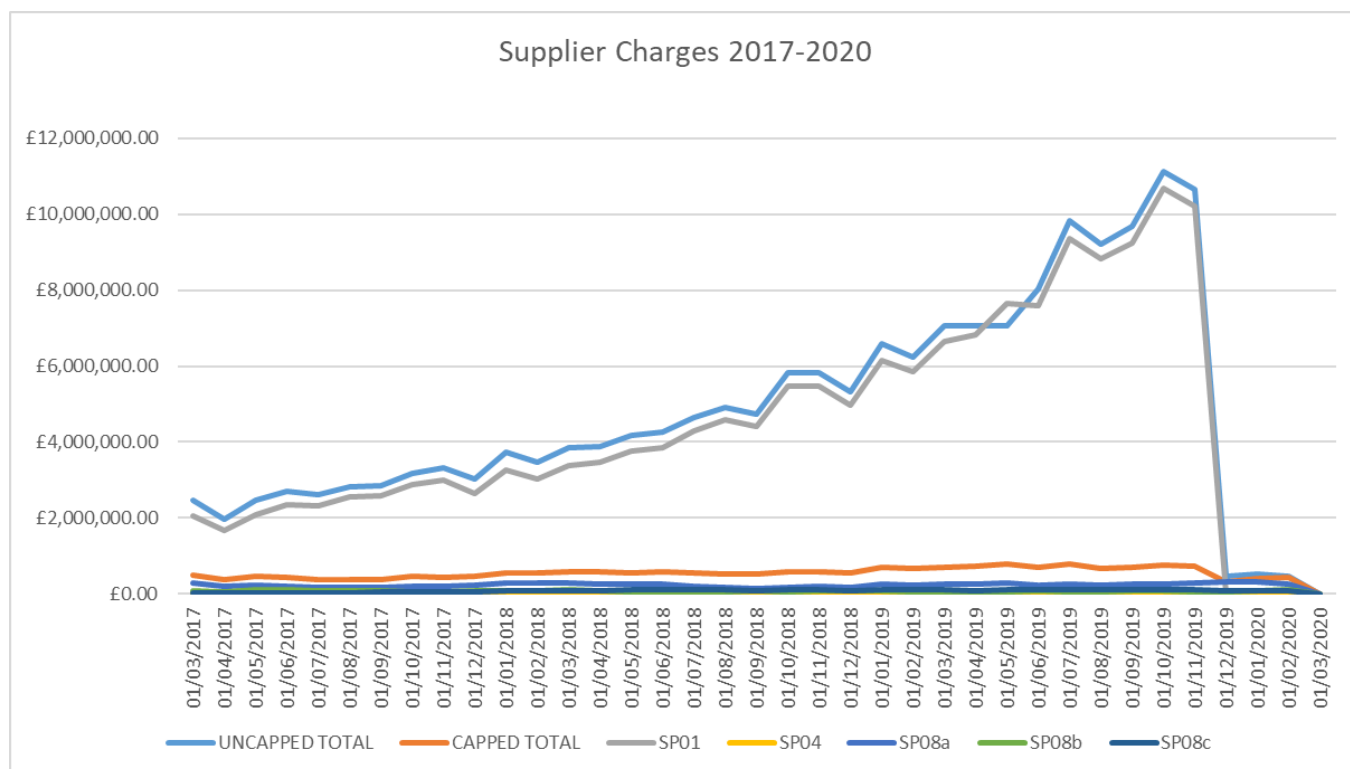
The SVA Qualification process and re-Qualification process are preventative techniques used by the PAB to manage Settlement Risks. The Qualification process provides assurance that new entrants have developed their systems and processes according to the standards defined in the BSC and its subsidiary documents. The re-Qualification process provides assurance that existing Party Agents remain compliant when making major changes to their systems and processes.

An update on Qualification activities is included as an appendix to this report.

## Supplier Charges

Supplier Charges is a remedial technique that provides a mechanism for applying liquidated damages to Suppliers failing to meet applicable performance levels set out in the Balancing Settlement Code (BSC). The charges compensate Parties disadvantaged by those who are unable to meet the defined Standards. Supplier Charges are subject to a national monthly cap. We calculate the cap across the 14 Grid Supply Point (GSP) Groups by relative annual consumption compared to total annual consumption for the previous year. We use the Retail Price Index (RPI) to calculate the revised figures for both the national monthly cap and the individual Supplier cap.

The total Uncapped Supplier Charges for 2019/20 was £81,126,358.20 (capped to £7,732,043.92) compared to £60,270,416.95 (capped to £6,738,502.68) in 2018/19.



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## Technical Assurance of Metering

On behalf of ELEXON in its role as the Technical Assurance Agent (TAA), energy services company C&C Group provide the Technical Assurance of Metering (TAM) Service.

This service involves checking of Half Hourly metered sites to ensure that Metering Equipment meets BSC requirements and provides accurate data for electricity Settlement. Overall the TAM service takes a representative sample of metered sites to build up an accurate picture of compliance without resulting in an administrative burden for the industry.

The breakdown of non-compliances recorded during the 2019/20 audit are as follows:

- SVA HH Metering Systems: **1,392**
  - Category 1<sup>[1]</sup> non-compliance: **35**
  - Category 2<sup>[2]</sup> non-compliance: **3,476**
    - Certificate non-compliances: **2,978**
    - Non-certificate non-compliances: **498**
- CVA Metering Systems:
  - Category 1 non-compliance: **4**
  - Category 2 non-compliance: **404**
    - Certificate non-compliances: **282**
    - Non-certificate non-compliances: **122**

The breakdown of Inspection Visits for the 2019/20 audit year is as follows:

- SVA HH Metering Systems:
  - **Total Inspection Visits - 1,392**
  - Main sample<sup>[3]</sup> – 1,124
  - Re-inspection<sup>[4]</sup> - 0
  - Specific sample<sup>[5]</sup> – 265
  - Targeted<sup>[6]</sup> – 3
- CVA Metering Systems:
  - **Total Inspection Visits - 50**
  - Main sample – 49

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<sup>[1]</sup> A non-compliance that is deemed to be currently affecting the quality of data for Settlement purposes

<sup>8</sup> A non-compliance that is deemed to have the potential to affect the quality of data for Settlement purposes

<sup>[3]</sup> A representative sample of Metering Systems.

<sup>[4]</sup> Re-audits Metering Systems where non-compliances have been reported as rectified

<sup>[5]</sup> Focuses on an area of perceived risk to Settlement - SVA only.

<sup>[6]</sup> Where non-compliance is suspected.

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- Offshore wind farms – 3
- Re-inspection – 0
- Targeted – 1

## Technical Assurance Audit

### **Risk 007 – Retrieval of Metered Data**

Suppliers are required to settle 97% of their total Non-Half Hourly (NHH) metered energy on Annualised Advances (AA) by the Final Reconciliation Run (RF). A TAPAP (Technical Assurance of Performance Assurance Parties) check was performed during 2019/20 on a selection of Parties in Error and Failure Resolution (EFR) that have highlighted retrieval (rather than processing of Metered Data) as the prime reason for under performance against the 97% standard.

A deep dive investigation into a sample of Metering Systems that have not had a read within 14 months was performed to determine the specific root causes and the actions that have been taken to resolve them.

The findings of the Audit are available to view [here](#)

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## COSTS OF DELIVERING THE PAF

The BSC requires ELEXON to compare the actual costs of delivering the PAF and implementing the PAFs with the estimated costs set out in the Risk Operating Plan (ROP) for the same period. The table below includes the actual and forecasted costs for 2019/20 for information.

Cost Type	2019/20 Forecast (£k)	2019/20 Actual (£k)	2020/21 Forecast (£k)
Operational	£645	£565	£675
Contractual	£2,769	£2,490	£2,765
<b>Total</b>	<b>£3,414</b>	<b>£3,056</b>	<b>£3,440</b>

### Operational costs

Operational costs cover the provision of ELEXON staff to deliver the PATs. The 2020/21 forecast was calculated by applying standard daily rates to the amount of staff time allocated to PAF activities.

The reduction in actual operational costs for 2019/20 compared to forecast costs was a result of improved efficiencies on people costs, due to internal re-organisation, focussing on Risk Ownership across operations.

### Contracted costs

ELEXON derived the 2020/21 contractual costs from the Balancing and Settlement Code (BSC) budget forecasts as of September 2019. These figures include RPI and are subject to amendment to reflect contractual changes and changes to indicative costs e.g. ad hoc and variable expenses

#### Operational and Contracted cost details

PA Area	Operational Days	Operational Costs (£k)	Contractual Costs (£k)	Total Costs (£k)
Qualification			£283	£283
Training	19	£7		£7
Disputes	191	£69		£69
EFR	136	£67		£67
BSC Audit	53	£23	£1,260	£1,283
TAPAP/TAM	423	£162	£678	£841
Committee Support	167	£116	£14	£131
Risk Management	257	£118	£252	£371
<b>Total</b>	<b>1244</b>	<b>£565</b>	<b>£2,490</b>	<b>£3,056</b>

## FURTHER INFORMATION

If you have any questions or require further information on the Annual Performance Assurance Report, please contact:

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## Appendix

### Q4 2019/20 QPAR: SVA Qualification and re-Qualification Activities

SVA Qualification process and re-Qualification are preventative techniques used by the PAB to manage Settlement risks. The Qualification process provides assurance that new entrants have developed their systems and processes according to the standards defined in the BSC and its subsidiary documents. The re-Qualification process provides assurance that existing Party Agents remain compliant when making major changes to their systems and processes.

#### Approved Applications

During the period January 2020 – March 2020, the PAB considered and approved six role-specific Qualification and no re-Qualification applications. Further details are shown on table 1 below

Role	Qualification	Re-Qualification
Supplier	2 (1 NHH, 1 HH)	0
Meter Operator Agent (MOA)	0	0
Data Collector (DC)	1 (1 HH)	0
Data Aggregator (DA)	0	0
Unmetered Suppliers Operator (UMSO)	0	0
Supplier Meter Registration Agent (SMRA)	0	0
Virtual Lead Party (VLP)	3	0
<b>Total</b>	<b>6</b>	<b>0</b>

**Table 1:** Number of Qualification and re-Qualification applications approved in the last quarter.

#### Applications in Progress

As shown on table 2, ELEXON is currently progressing:

- 54 applications for Qualification (10 of which are on hold); and
- 6 applications for re-Qualification

Role	Qualification	Re-Qualification
Supplier	28 (13 NHH, 15 HH)	0
MOA	6 (3 NHH, 3 HH)	6 (3 NHH, 2 HH, 1 CVA)
DC	7 (3 NHH, 4 HH)	0
DA	7 (3 NHH, 4 HH)	0
UMSO	1	0
SMRA	1	0
VLP	4	0
<b>Total</b>	<b>54</b>	<b>6</b>

**Table 2:** Number of Qualification and re-Qualification applications in progress.