

PAB235A/01 – BREACH, DEFAULT AND ERROR & FAILURE RESOLUTION PAF REVIEW RECOMMENDATION

MEETING NAME	Performance Assurance Board
Date of meeting	30 July 2020
Paper number	234/08
Owner/author	Jason Jackson
Purpose of paper	Decision
Classification	Public
Summary	We have concluded our review activities in relation to Performance Standards. This cover paper provides a high level summary of the final recommendations.

Executive Summary

The Performance Assurance Framework (PAF) review project team has worked closely with operational teams and stakeholders in order to identify the strengths and weaknesses of the Error and Failure Resolution (EFR) technique while also considering how Breach and Default can be applied as an incentive supporting the EFR process. EFR has proven to be an effective tool for managing the resolution of issues which contribute to Settlement Risks.

Whilst Breach and Default has in the past primarily been applied in respect of insolvency, credit and payment defaults, the mechanism contains the flexibility to incentivise the resolution of other issues which materially contribute to Settlement Risks.

The PAF review has considered the suite of Performance Assurance Techniques holistically and has sought to maximise the flexibility and efficiency with which both EFR and Breach and Default are deployed and how they could be effectively coordinated. This has been done in line with the PAF review's objectives.

Recommendations

- Board sign off needed from Party for plan following escalation (M)
- More severe consequences for repeat EFR Issues (M)
- Rules limiting the duration of EFR plans (M)
- Linking EFR to risk 'events' (M)
- Letter sent to a director at the outset of the EFR process (L)
- Streamlining customers' experience in EFR (L)
- Introducing new working practices for EFR escalation (M)
- Revising the process for the application of Breach and Default (M)
- New working practices for EFR de-escalation (M)
- 'EFR Avoidance' applied prior to EFR (M)
- Increase focus on PAB precedent register (L)

Next steps

Recommendations approved by the PAB will be translated into requirements by the operational team. These requirements will be implemented by the operational team.

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Recommendations

We invite you to:

- a) **APPROVE** the recommendations outlined in the attached report.

Attachments

Attachment A – EFR and Breach and Default Recommendations Report

For more information, please contact:

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