

PAB238/06 – BSC Audit Market Issues Review

Performance Assurance Board

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Classification	Public	Document version	1.2
Summary	This paper details an overview of the existing method of generating BSC Audit Market Issues, provides resolution of the existing Market Issues and presents Elexon's proposed solution to addressing some concerns raised by PAB at its August 2020 meeting.		

1. Overview of PAB concerns and existing Market Issues

- 1.1 At the August 2020 PAB meeting the BSC Auditor presented the [Market Issues Report](#), highlighting issues that Parties considered significant to them and to the Market as a whole. During this presentation PAB raised concerns over various aspects of both the Market Issues and the process itself. Key concerns were:
 - The age of Issues;
 - The materiality/ impact of Issues;
 - Is the Issue actually a Market Issue anymore or does it just affect one to two Parties;
 - Inconsistency in the level of data available per Issue; and
 - Unclear action plans for each Issue
- 1.2 The existing list of Market Issues was discussed at the September 2020 Risk Evaluation Work Group (REWG)¹ with these points in mind, and actions for each issue were determined. The REWG also considered whether each Market Issue was still relevant and proposed to close if appropriate.
- 1.3 Going forward, all Issues will be tracked through a Market Issues Action Log (attachment A) similar to the PAB Action Log, which will contain key details of each Market Issue, the team currently responsible for its resolution, and a brief summary of the proposed Action plan. This Action Log will be presented alongside the Quarterly Performance Assurance Report (QPAR) where actions can be updated, altered and a proposed closing of Issues can be approved by the PAB following a review by the BSC Auditor.
- 1.4 REWG propose to close four Market Issues, and have determined actions for the remaining 10, with updates due for eight of them for the March 2021 PAB.

2. Current Market Issues Process

- 2.1 There are concerns over the way data is gathered which leads to a Market Issue being raised. Below is outlined how information is currently gathered.
- 2.2 Following the completion of the Audit Site visits and presentation of the BSC Audit Report, a questionnaire based on existing Market Issues is sent to each Entity that was Audited in that year. For the 2019/20 Audit period this was 96 recipients across 60 Parties. Responding to the questionnaire is not mandatory however Elexon did receive on average a 50% response rate; for 2019/20 this consists of 42 responses across 24

¹ Risk Evaluation Working Group (REWG): comprising of Elexon staff drawn from a variety of teams who work closely with the Settlement Process, to deliver the core activities prescribed in the Risk Evaluation Methodology and BSC Section Z.

Parties. By Market Role this is listed below (please note that some Parties cover more than one role, which is why we have more than 42 as a total for below):

Role	Number of Respondents
CVA MOA	4
Half Hourly / Non Half Hourly MOA	14
Half Hourly / Non Half Hourly Supplier	22
NHHDC	8
UMSO	10

- 2.3 The questionnaire consists of five multiple choice questions per issue, with an open field section for each Issue. The BSC Auditor uses a combination of questionnaire responses, audit results (where the Issue is in scope of testing) and anecdotal evidence from discussions held with Parties during the year to determine the overall Market Issue status (in instances where respondents aren't consistent the BSC Auditor takes a worst case scenario approach). This means that ratings for the existing Market Issues stay the same unless there is a significant change in responses year on year.
- 2.4 New Issues are raised through the questionnaire, with a free field question to raise concerns Parties have. The BSC Auditor uses similar methods to establish whether a proposed Market Issue is valid and can be raised.

3. Proposed Market Issues Process

- 3.1 Elexon propose the below changes to the process:
- a) Raise the topic of Market Issues as a discussion point with the Audited Party prior to the closing meeting..
 - b) Remove the questionnaire style of gathering data and shift to a single line of questioning without previous examples of existing Market Issues that could be misleading. This will be in the form of a template sent to each Party on what constitutes a Market Issue:
 - An issue that is effecting the Party itself and/ or the wider Market
 - Its link to the BSC and the relevant Risk
 - Its impact/ materiality on the Party
 - Its perceived impact on the Market
 - A proposed underlying cause
 - A proposed solution (Change/ Modification, additional guidance notes/ education from Elexon etc.)
- 3.2 The Party would then use this template to generate Market Issues on this basis, and can discuss this during their Audit close meeting.
- 3.3 The BSC Auditor would provide statistics on how many Parties raised each issue for Elexon and PAB to determine whether it constitutes a Market issue.

4. Recommendations

- 4.1 We invite the PAB to:
- a) **APPROVE** the use of the Market Issues Action Log to track actions
 - b) **APPROVE** the closing of four Market Issues
 - c) **APPROVE** the proposed update to the Market Issues Process

Attachments

Attachment A – Market Issues Action Log

For more information, please contact:

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