

ELEXON

RISK REPORT

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Overview

Id No.	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

Introduction

Please note:- Since March 2020, 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 continues to monitor performance of Parties at this time but is not recommending 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 (PATs) 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.

Market Level Reporting – SVAA SF data analysis

The table below compares the change in MWh Volume submitted to SVAA, across Non Half Hourly, Half Hourly and Sub 100kW Market segments before and after lockdown restrictions were applied, following the COVID-19 outbreak.

	PRE-COVID DATA (9 th March 20 - 15 th March 20)			POST COVID - WEEK 44 (11 th Jan 21 - 17 th Jan 21)			Week on Week Change		Lockdown Change		Year on Year Change	
	Actual	Estimated	Total Volume	Actual	Estimated	Total Volume	Volume (MWh)	Proportional Vol (%)	Volume (MWh)	Proportional Vol (%)	Volume (MWh)	Proportional Vol (%)
NHH/MC A (MWh)	37,432	364,394	401,826	56,202	423,899	480,102	3,400	0.72%	70,668	17.26%	38,895	8.82%
HH/MC C (MWh)	327,217	6,897	334,114	302,581	9,250	311,831	409	0.13%	-22,283	-6.67%	-25,120	-7.46%
Sub 100kW/MC E (MWh)	31,409	1,470	32,880	23,374	1,594	24,967	-590	-2.31%	-7,912	-24.06%	N/A	N/A
Sub 100kW/MC F (MWh)	503	99	602	483	51	534	-18	-3.19%	-68	-11.32%	N/A	N/A
Sub 100kW/MC G (MWh)	11,317	815	12,132	8,062	834	8,896	-305	-3.32%	-3,236	-26.68%	N/A	N/A
Total (MWh)	407,879	373,675	781,555	390,702	435,628	826,330	2,897	0.35%	44,775	5.73%	13,775	1.76%

The weekly average of volumes submitted at the SF Run to SVAA from the week commencing 9 March 2020 to the week commencing 17 January 2021 shows:

- The Market level proportional volume (%) Year on Year has increased from last Risk Report by 1.32% (1.76% from 0.44%). The potential impacts on MC A year on year are numerous, including comparative temperatures, the ongoing impact of national lockdowns, and the potential for derogations to impact NHH Volumes. The comparative usage across NHH vs HH markets is now representative of the change expected, caused by lockdown, with NHH volumes increasing, and HH volumes decreasing.
- During the period of time for this data extract (January 2021), the third national lockdown in England was underway, alongside the continuing similar restrictions in Wales and Scotland.

Market Level Reporting – DC Submissions

Elexon has continued to receive and monitor DC submissions of Supplier EAC Adjustments, in line with COVID-19 derogations, details of which can be viewed on the Elexon [website](#).

During this period, we have been monitoring how parties have managed sites within the derogation that may now be exiting the process, using Effective To Dates (for NHH MSIDs) and the receipt of Actual data (for HH MSIDs) as an indication that the estimation submitted into the process is no longer required to reflect accurate consumption.

We are now in the midst of a third national lockdown in England, along with further lockdowns and restrictions in Scotland and Wales, and Elexon is aware that parties may now be considering re-submitting sites or submitting new sites into the derogated EAC process.

In order to monitor these sites, Elexon will be using indicators previously reported in the Risk Report (Non Unique EACs submitted for a number of MSIDs, or MSIDs with a Zero EAC) in addition to monitoring MSIDs that enter and exit the derogations process.

Half Hourly DC Monitoring – Actual Data received

Supplier	Measurement Class C						Measurement Class E						Measurement Class G					
	December Data			January Data			December Data			January Data			December Data			January Data		
	MSIDs	Actual Data	%	MSIDs	Actual Data	%	MSIDs	Actual Data	%	MSIDs	Actual Data	%	MSIDs	Actual Data	%	MSIDs	Actual Data	%
Total	2494	1707	68.44%	2519	1741	69.11%	1023	586	57.28%	1011	592	58.56%	975	457	46.87%	973	468	48.10%

This table shows the continued increase in MSIDs within the derogation process that are now receiving actual data.

Half Hourly DC Monitoring – Measurement Class C submissions received

Supplier	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total
Total	24	3186	935	169	1708	34	298	75	29	342	11	6811

In this table, we are seeking to understand when submissions have been made into the derogations process. Only two parties have made additional submissions since December 2020, suggesting parties may no longer be using the process, or be aware that submissions are still open.

Half Hourly DC Monitoring – Measurement Class E and G submissions received

Supplier	Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Jan		Total	
	E	G	E	G	E	G	E	G	E	G	E	G	E	G	E	G	E	G	E	G	E	G	E	G
Total	11	13	1785	1686	493	367	46	66	1293	1149	20	14	284	256	41	29	9	12	9	7	3	2	3994	3601

Similarly to Measurement Class C submissions, Measurement Class E and G submissions have reduced since November, with minimal new submissions since that time.

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Non Half Hourly DC Monitoring – Actual Data received

Actual Data received

Supplier	Domestic (PC 1 & 2)						Non-Domestic (PC 3 & 4)					
	December Data			January Data			December Data			January Data		
	MSIDs	ETD received	%	MSIDs	ETD received	%	MSIDs	ETD received	%	MSIDs	ETD received	%
Total	17713	16288	91.96%	27328	23672	86.62%	192165	95943	49.93%	267855	145504	54.32%

Non Half Hourly DC Monitoring – NHH Submissions received

Supplier	Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Jan		Total	
	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4	1 & 2	3 & 4
Total	13287	57333	2698	35276	727	13541	176	1696	20	152	15	1350	31	685	6	68	161	15233	14	29	13	12	17148	125375

Submissions in NHH follow the same pattern as HH, with submissions reducing significantly in December 2020.

Non Half Hourly DC Monitoring – MSIDs reaching RF

Supplier	Domestic (PC 1 & 2)							Non-Domestic (PC 3 & 4)						
	Total	Estimated EACs to Pass RF in...						Total	Estimated EACs to Pass RF in...					
		May	%	June	%	Jul	%		May	%	June	%	Jul	%
Total	27328	2646	9.68%	922	3.37%	23	0.08%	267855	82585	30.83%	26106	9.75%	10747	4.01%

The table above shows the percentage of markets submission due to reach RF in the months of May, June and July 2021. Submissions for 82,585 Profile Class 3 and 4 MSIDs (30.83%) are due to reach RF in May 2021.

COVID-19 – Performance Standards and Estimation Accuracy

Estimation inaccuracy by Settlement Runs and by year

This month Elexon has completed further Data Transfer Network (DTN) analysis focussed on the NHH market, as there is more reliance on estimation in the NHH market at present and the estimation process is less adaptable to take account of changing consumption than the HH market. The DTN does not provide full coverage of the industry flows but provides us with insight.

This analysis aggregates estimated consumption to a daily Metering System (MSID) level and compares it to the subsequent actual consumption aggregated at the same level. When assessing the inaccuracy we looked at the gross difference, i.e. ignoring the direction.

The following table is view of NHH estimation inaccuracy by Settlement Run:

Run AA entered	Unique MSIDs	No of EACs	% error
R1	100,855	1,367,038	22.08%
R2	112,251	577,696	22.81%
R3	81,368	196,046	24.49%
RF	48,476	85,650	26.67%
Total	140,634	2,226,430	22.60%

This analysis indicates that estimation inaccuracy increases as the estimate ages. This is even taking into consideration the netting aspect of NHH estimation, which uses forecasted consumption values (i.e. EAC). As estimation inaccuracy increases across the runs, we can infer that this trend would continue after RF and some Suppliers have highlighted AAs that were 50% to 85% higher than the AAs obtained after RF.

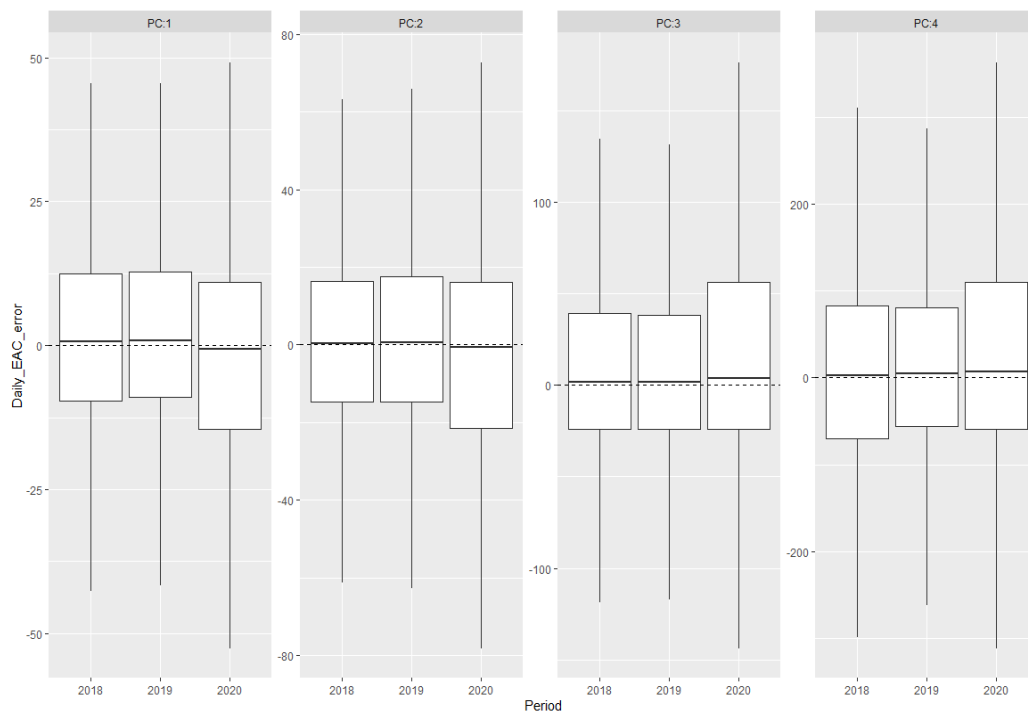
Elexon has also produced an updated view of NHH estimation inaccuracy changes over time (in aggregate for all Reconciliation Settlement Runs, i.e. R1 to RF):

Period	Unique MPANs	No of EACs	% error
2018	113,910	652,056	22.37%
2019	117,553	750,736	21.42%
2020	120,325	823,638	23.91%
Total	140,634	2,226,430	22.60%

This shows that whilst estimation inaccuracy had reduced in 2019 (likely as a result of the in excess of 2.4m Smart Meters installed in the period), it increased in 2020 (likely as a result of Meters being read less frequently and being based on past consumption that did not reflect the lockdown volumes). A full view of estimation for the past three years, for each of the Settlement Runs, is set out in Attachment A.

The changing trends of estimation inaccuracy

It is important to remember that estimation can both overstate and understate consumption. The impact of lockdown on the directional aspect of estimation accuracy can be seen further when looking at the distribution of estimation error in NHH Profile Classes one to four.



The boxplots above set out the distribution of daily EAC error for each of the Profile Classes one to four in 2018, 2019 and 2020 respectively for a random sample of approximately 140k NHH Metering Systems.

The middle horizontal dotted line at zero represents where there was no inaccuracy from the EACs. The solid lines within each box show the average (median) daily EAC error for that Profile Class in that year based on the EAC to AA conversions.

A median above the dotted line outlines a tendency for the estimation to overstate consumption whereas a median below the dotted line outlines a tendency for the estimation to understate consumption.

As you can see above, in 2018 and 2019 estimation on average tended to overstate consumption across all four of the Profile Classes. However, in 2020 this changes.

For the domestic Profile Classes (one and two) during 2020, the direction of average estimation inaccuracy is overstated where historically consumption tended to be understated. This is to be expected and aligns with what participants have told us as the lockdown has resulted in more people being at home and using more energy, i.e. not reflective of historical consumption on which looking forward EACs were based.

Profile Classes three and four (covering the small to medium business market) during 2020 still show that estimation, on average, tended to overstate consumption, but it has become more pronounced in 2020 where there is more likely to be larger overstatements of consumption.

Again, this is to be expected and in line with feedback received by Elexon, due to the closure of businesses during the lockdown periods and the estimates would have been based on past consumption when they were operating normally.

The derogated process that Elexon and the PAB put in place to allow Data Collectors to accept amended EACs from Suppliers to account for this change in consumption would have mitigated this issue to an extent for some of the largest sites where evidence of reduced consumption was available.

The derogations would also have added to the EAC converting to a lower AA however, as deemed reads were entered as part of this process, creating forward looking EACs and AAs.

What these changes mean for Settlement accuracy

As noted on the previous page, we have seen NHH estimation inaccuracy increase as a result of changes in demand which can be attributed to the pandemic.

This increase in estimation inaccuracy will have also increased the amount of unaccounted energy that is redistributed to Suppliers through GSP Group correction.

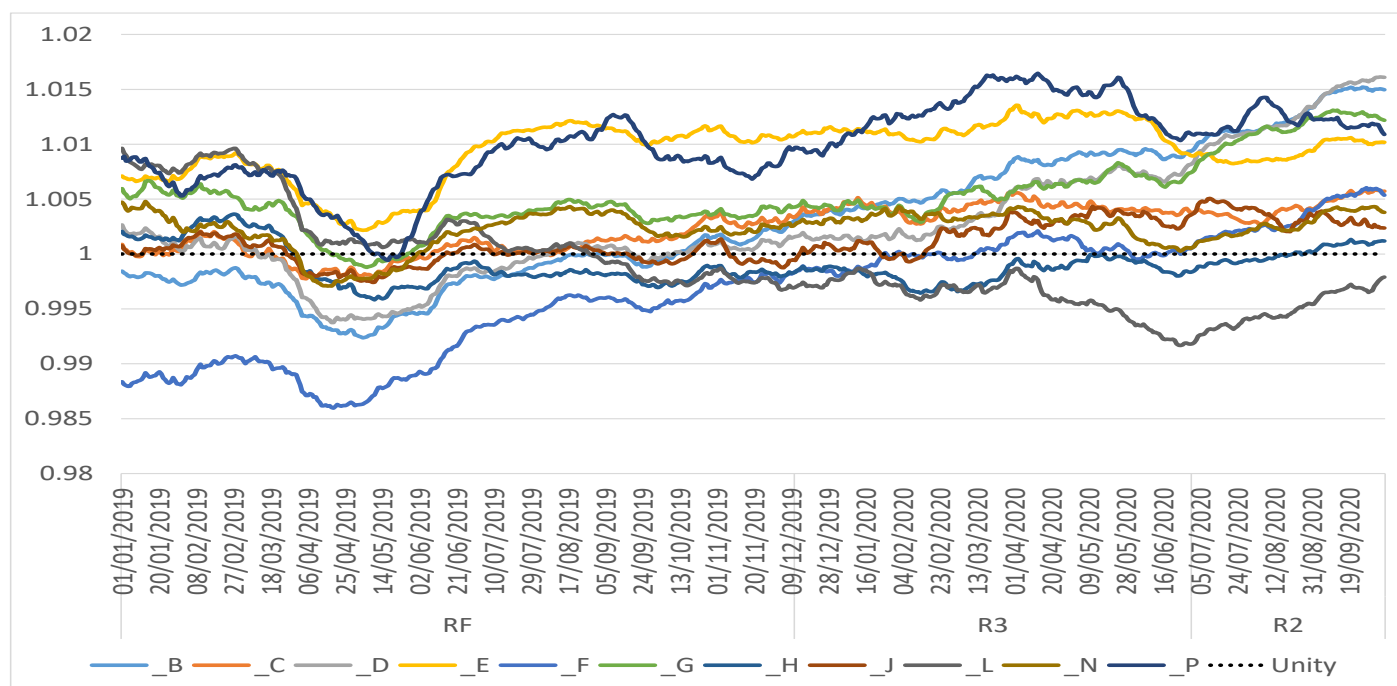
As GSP Group Correction Factors are subject to large variances on a daily/weekly/monthly basis due to the impact of profiling NHH consumption, Annual Demand Ratio (ADR) provides a more stable view of changes in correction factor trends.

What is ADR?

ADR is a measure of the variation between the total annual profiled NHH consumption and the total annual metered NHH consumption (as deduced from GSP Group Takes and HH consumption). Further information on ADR Calculations is available in the Performance Thresholds attachment A

Have we seen any changes in trends in ADR?

We have observed an increasing trend in ADR across most GSP Groups in recent months as highlighted in the graph below (**please note** we have excluded GSP Groups _A, _K and _M as there are other known or suspected issues causing ADR movements). This suggests systematic under-accounting of import energy in SVA or the over-accounting of export energy in SVA with the latter being less likely.



This could indicate that, whilst there will be some netting off of the under-estimation of NHH domestic sites with the over-estimation in the small to medium business sites, that the impact of the domestic underestimation is having a biggest net impact on Settlement, and could be causing the rise in ADR we're observing across most GSP Groups.

This net effect would make sense as the energy share between domestic Profile Classes one and two and non-domestic Profile Classes three and four is approximately 77% to 23% respectively.

However, it is worth noting that the rising trend in ADR that we're seeing in most GSP Groups could also be caused other issues such as increased energy theft or additional inaccuracy associated with profiling as demand patterns have changed. In addition, whilst we have focused on NHH estimation accuracy initially, systematic understating of HH estimation could also be a contributing factor.

Comparison of potential materiality in the NHH market between February 2020 and February 2021

The table below shows the potential material impact of increased estimation across all market sectors and increased NHH estimation inaccuracy over the last year.

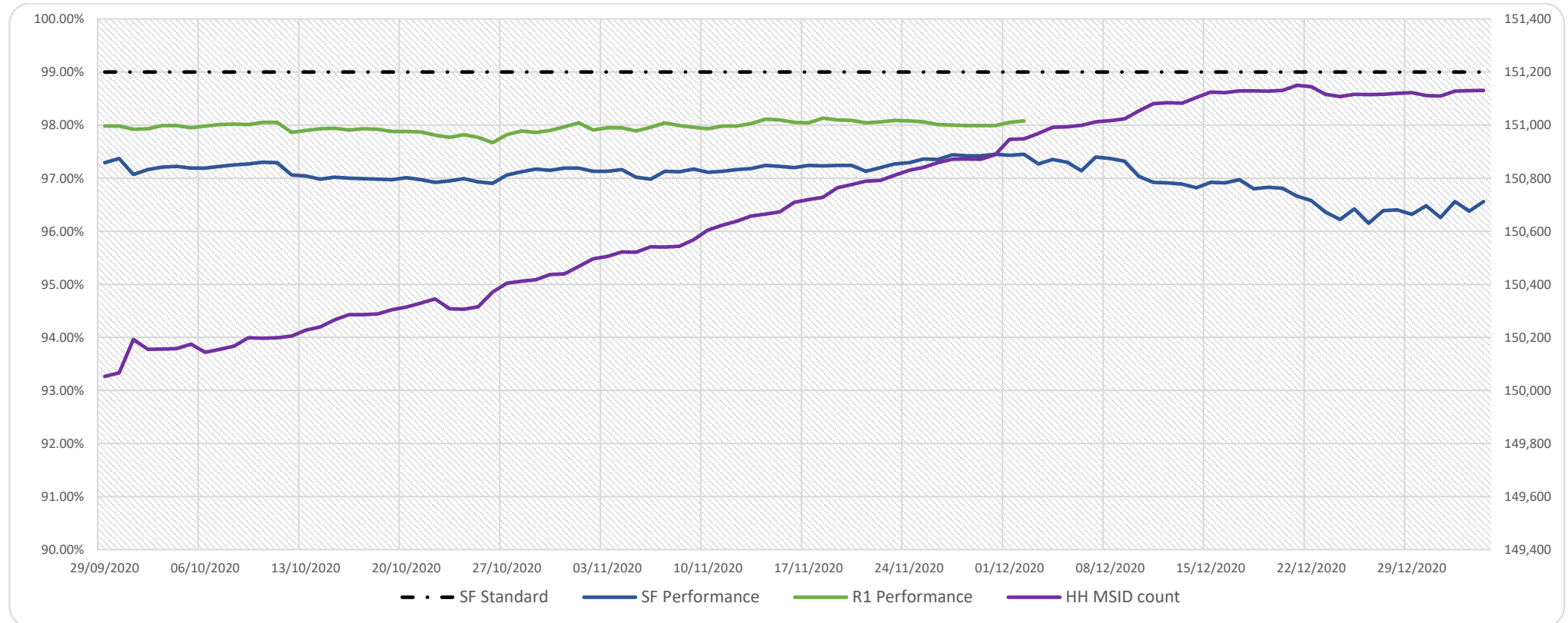
	February 2020	February 2021
Industry average performance %	96.44% at RF	95.01% at RF
Volume of estimation MWh	449,715	647,446
Estimation Inaccuracy % (based on Elexon DTN sample)	27% (average inaccuracy at RF in 2019 as prior to pandemic)	28.5% (average inaccuracy at RF in 2020 to reflect pandemic)
Potential inaccurate Volume based when inaccuracy % applied	121,423	184,528
Credit Assessment Price(CAP) for relevant Settlement Days per MWh	75	54
Materiality (£GBP)	£9,106,725	£9,964,512

This highlights that, despite a decreased CAP price for the Settlement Dates at RF in the February 2021 report, the impact of increased estimation in the NHH market combined with the increased estimation inaccuracy is likely to have resulted in an increased materiality to Settlement.

With these factors in mind, Elexon is continuing to review performance across each sector and recommending remedial technique deployment in order to ensure performance is improved wherever possible (See Party Performance Sections).

Market Performance

HH (MC C) Market



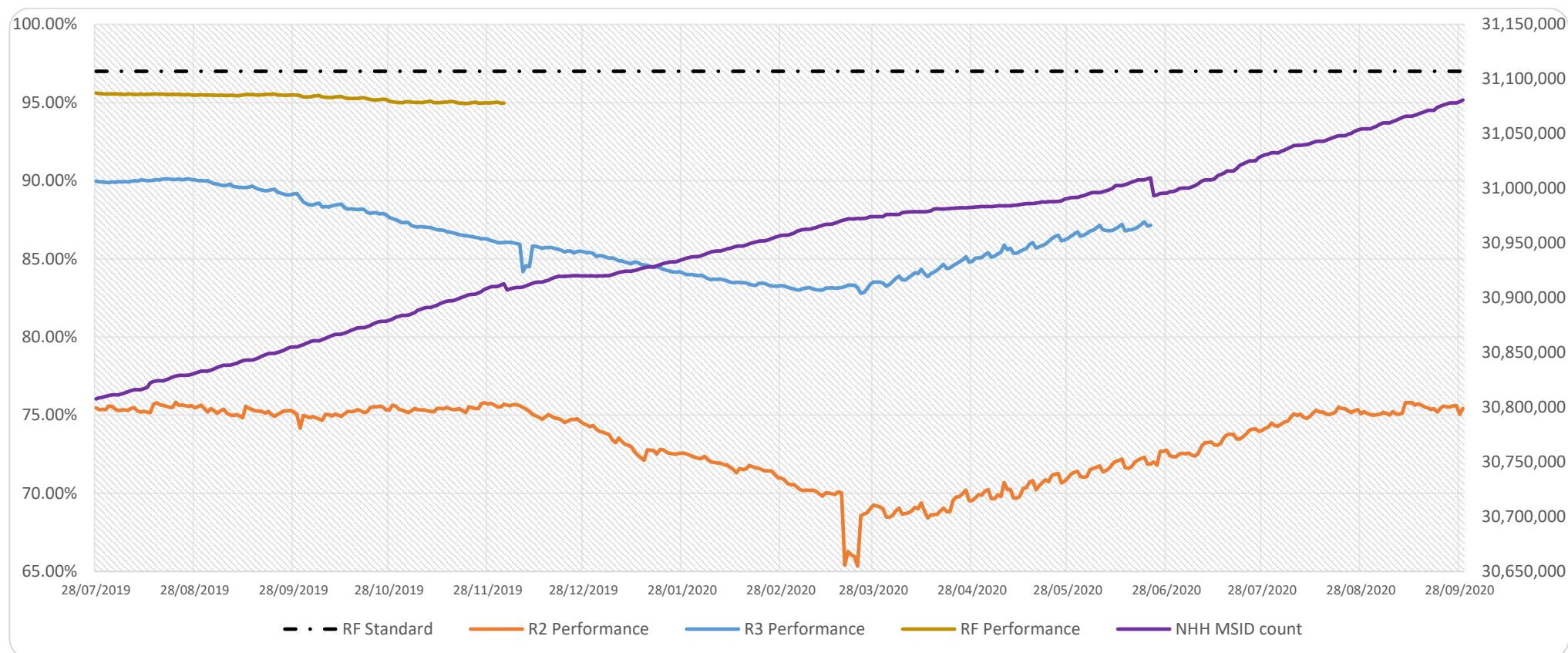
	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020	Dec 2019
Act Volume	8,988,046	9,340,276	8,900,112	8,861,380	8,616,808	7,988,240	7,455,027	7,024,763	9,424,454	9,728,179	10,244,842	9,734,252
Est Volume	181,930	199,652	176,476	180,336	186,082	174,127	250,029	377,520	264,126	98,819	102,656	95,620
Performance	98.02 %	97.91 %	98.06 %	98.01 %	97.89 %	97.87 %	96.76 %	94.90 %	97.27 %	98.99 %	99.01 %	99.03 %
	-90,233	-104,262	-85,719	-89,920	-98,055	-92,504	-172,979	-303,501	-167,244	-550	817	2,674

The graph and table above represents Measurement Class C, HH market level performance in percentage 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 number of MSIDs at SF.

HH Performance appears to be dropping 97% at SF from December due to the impacts of Lockdown 2 but holding steady at circa. 98% at R1.

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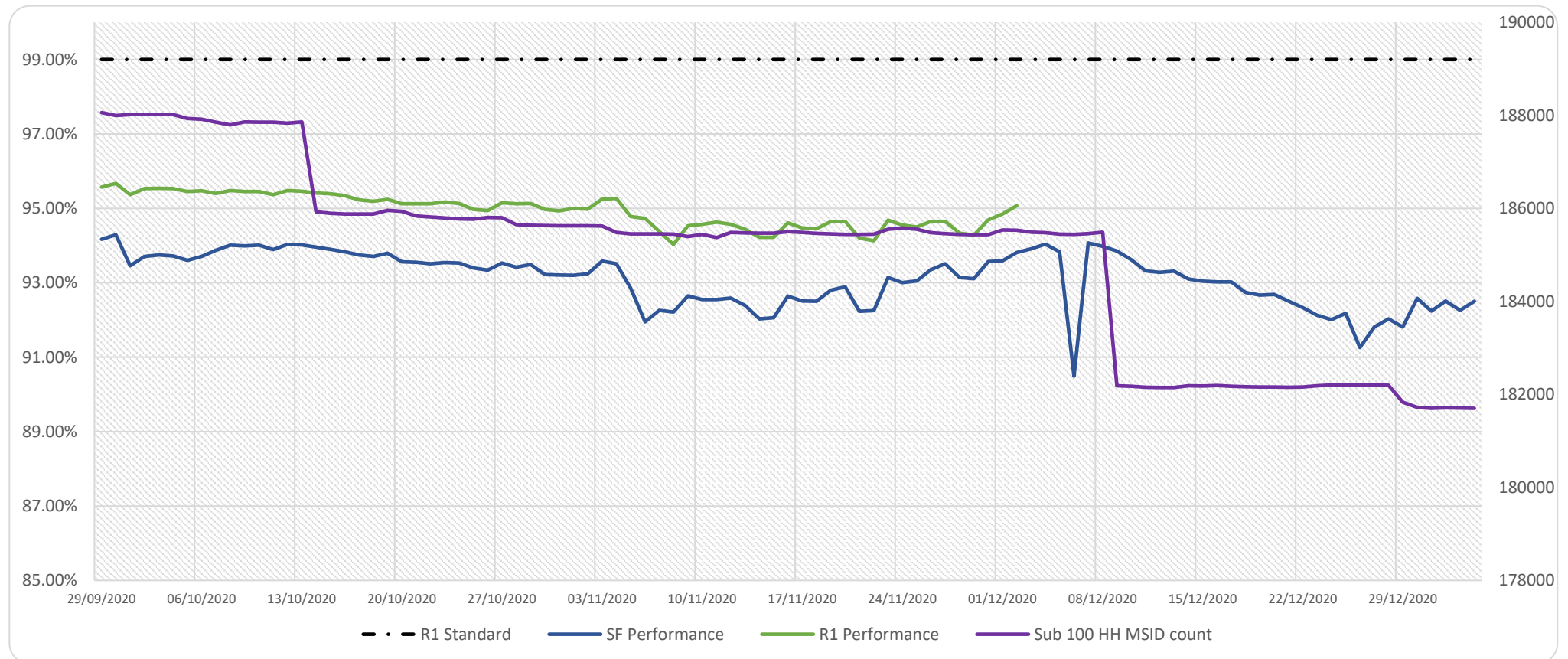
NHH (MC A) Market



	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019	Dec 2018
Act Volume	12,317,542	10,729,069	9,118,257	8,633,667	8,793,534	8,726,822	9,609,436	10,320,531	11,945,588	11,415,074	13,871,459	13,157,283
Est Volume	647,446	533,750	431,415	404,682	397,241	365,305	388,155	379,759	414,602	375,137	456,579	457,842
Performance	95.01 %	95.26 %	95.48 %	95.52 %	95.68 %	95.98 %	96.12 %	96.45 %	96.65 %	96.82 %	96.81 %	96.64 %
	-258,509	-195,872	-144,926	-133,533	-121,520	-92,549	-88,229	-58,755	-43,805	-21,435	-26,750	-49,396

The graph and table above represents Measurement Class A, NHH market level performance in percentage terms. This measures Metered data across the market and identifies changes in performance at R2, R3 and RF Settlement Runs. In addition, the graph shows changes in total number of MSIDs at SF.

NHH Performance is beginning to show more significant improved performance at R2 and R3, however RF market level performance has reduced to 95.48% in September 2019. R2 Performance is beginning to settle at similar performance levels to pre-COVID-19 lockdowns (circa 75%).



	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020	Dec 2019
Act Volume	915,952	1,001,709	923,941	914,682	850,760	727,228	675,688	651,428	1,043,166	1,158,979	1,230,054	1,195,464
Est Volume	52,324	49,623	41,385	40,673	42,964	44,530	57,326	69,546	63,654	37,724	37,480	37,431
Performance	94.60 %	95.28 %	95.71 %	95.74 %	95.19 %	94.23 %	92.18 %	90.35 %	94.25 %	96.85 %	97.04 %	96.96 %
	-42,642	-39,111	-31,732	-31,121	-34,028	-36,813	-49,997	-62,336	-52,586	-25,758	-24,804	-25,102

The graph and table above represents Measurement Classes E, F and G HH market level performance. This measures Metered data across the market and identifies changes in performance at R1 and SF Settlement Runs. In addition, the graph shows changes in total number of MSIDs at SF.

The MSID drop on 8 December 2020, showing a reduction of approximately 4000 MSIDs, has been attributed to a migration of sites to NHH meters by OVO Energy Supplier at this time.

Party Performance

Prioritising based on the volume of energy under the standards

When monitoring Settlement performance, Elexon checks both the Settlement performance against the appropriate standard for each Measurement Class and Supplier MPID, and the monthly volume of energy under the standard. Monitoring the volume of energy under the standard enables us to prioritise our investigations and apply Performance Assurance Techniques (PATs) to the Supplier MPIDs with the largest volume of estimates below the applicable standards.

This can result in Suppliers being prioritised above those with a lower percentage performance due to the total volume of energy (and, as a consequence, the estimated energy) being higher.

This approach enables Elexon and the PAB to take actions to more rapidly understand and, where possible, work to reduce the volume of estimated energy under the standard.

Elexon does not recommend a change of this approach at this time, as the majority of non-compliant estimation volume is still concentrated in a relatively small number of Suppliers. However, it is important that all Suppliers continue to work to improve their performance.

Performance Overview, changes over the last quarter and potential future impacts to consider

Looking at the volume of non-compliant estimation in all three market areas based on February 2021 reporting (which reports on Settlement Days in November 2020 at R1 and Settlement Days in November 2019 at RF), we can see that two thirds of this is currently within the NHH market. This is something that we need to consider when reassessing the threshold for focus Suppliers in each of the areas:

Market Area	Settlement Run and standard used for current view	Settlement month used in current view	Industry Average	Volume under the standard MWh	% of the impact per market area
HH MC C	R1 99% (standard required at SF but assessed due to risk based approach at R1)	November 2020	98.02%	90,233	23%
HH MC E,F and G	R1 99%	November 2020	94.60%	42,642	11%
NHH	RF 97%	November 2019	95.01%	258, 509	66%
Total:				391,384	

The following table shows the key changes that have taken place since the last review:

		HHMC C	Sub 100kW	NHH
Industry Average performance	September 2020	97.87 % at R1	94.23% at R1	95.98% at RF
	February 2021	98.02% at R1	94.60% at R1	95.01% at RF
Volume of non-compliant estimation	September 2020	94,423 MWh	36,821MWh	113,281 MWh
	February 2021	90,233 MWh	42,642 MWh	258, 509 MWh
Number of Suppliers above current 2,000 MWh monthly threshold	September 2020	11/76	5/67	11/125
	February 2021	14/78	6/67	21/126

Performance Overview, changes over the last quarter and potential future impacts to consider (cont.)

Half Hourly and Sub 100kW Performance Threshold

The HH MC C and HH Sub 100kW industry average performance has increased slightly since the September report period. However, we are expecting that this could now reduce as we saw a performance decrease at SF over the Christmas period across the market.

We are also aware that whilst HH operational work has largely continued, two HH Meter Operator Agents (MOAs) and Data Collectors (DCs) stopped or reduced their onsite meter activity.

One HHMOA has also experienced system issues. These issues, alongside the lockdown closures and restrictions resulting in reduced access to undertake fixes or obtain manual reads, are likely to result in a drop in performance at the start of the next quarter.

However, we are aware that one of the agents has now increased onsite activity substantially and, as the infection rates have reduced across the country, a number of the restrictions currently in place may start to ease.

It is likely that, unless the national restrictions have resulted in further wide-spread closures, the total volume of energy for these markets will increase for the next two months of reporting, in line with the usual seasonal fluctuations. When the total volume of energy increases, then so too does the volume of energy under the standard unless performance significantly increases.

HH MC C – 23% of all non-compliant estimation

Exelon has considered the effectiveness of the following performance thresholds for the HH market:

Threshold (MWhs of non-compliant energy)	No of Suppliers exceeding threshold	Vol of non-compliant energy	% coverage of non-compliant energy in this market
2,000	14	79,570	88%
4,000	7	59,982	66%
5,000	5	50,605	56%

Exelon concluded that a performance threshold 4,000MWh and a market coverage of 66% of the non-compliant estimation would:

- Cover the majority of non-compliant estimation whilst ensuring the number of focus Suppliers is proportional to the level of impact for that market area; and
- Allow for the fact that the total volume of energy (and therefore the volume of estimation under the standard) is likely to increase over the next two months which could result in more Suppliers crossing the 4,000MWh threshold in the upcoming months. This expected increase would still, to a point, be manageable by both Exelon and the PAB.

Sub 100kW Performance Threshold

HH MC E, F and G – 11% of all non-compliant estimation

As outlined in the changes and future impacts expected in this market (page 19), Elexon has considered the following thresholds for the Sub 100kW market

Threshold	No of Suppliers	Vol of non-compliant energy	% coverage of non-compliant energy in this market
2,000	6	24,417	57%
4,000	3	15,820	37%
5,000	1	6,557	15%

Elexon concluded that a threshold of 4,000MWh and a market coverage of 37% of the non-compliant estimation would:

- Ensure that some focus remained on this market area which, prior to the pandemic, was one of the larger areas of concern (as the industry average for MC C was above the standard at R1 but not SF) whilst ensuring that this is proportional to the current percentage of total non-complaint estimation in this market area; and
- Allow for the fact that the total volume of energy (and therefore the volume of estimation under the standard) is likely to increase over the next two months which could result in more Suppliers crossing the 4,000MWh threshold in the upcoming months. This expected increase would still, to a point, be manageable by both Elexon and the PAB.

Risk Report

Non Half Hourly Performance Threshold

NHH Performance at RF has been consistently dropping since the first lockdown. However, performance at the earlier runs has been improving for a number of months.

R2 performance, which had dropped to 66% is now back to around 75% which is similar to where it was prior to the first lockdown. R3 had dropped to 83% and has now increased to around 87%. R3 is still three percent away from its performance prior to the first lockdown, however.

There are still three months until RF hits the lowest point reached at R3 prior to some recovery. It is therefore possible (and now, likely given we are in a period of further restrictions) that RF will continue to drop over the next quarter.

The total volume of energy for the upcoming quarter will also continue to increase for the next two months of PAB reporting, based on the volumes for this period at R3.

These two points together would be likely to result in a far increased number of focus Suppliers if the threshold were to stay at the current 2,000MWh volume.

Last month the PAB noted that the number of focus Suppliers in the NHH market has increased and raised concerns that this could result in a loss of sufficient central focus. Elexon highlighted that this would be an issue to consider and address in this review.

NHH MC A – 66% of all non-compliant estimation

Threshold	No of Suppliers	Vol of non-compliant energy	% coverage of non-compliant energy
2,000	21	245,939	95%
4,000	13	222,312	86%
6,000	10	208,437	81%
8,000	8	194,788	75%
10,000	6	176,256	68%
20,000	5	161,740	63%
30,000	3	109,803	42%
40,000	1 (expect 2 soon)	40,501	16%

Elexon concluded that a threshold of 4,000MWh and a market coverage of 86% of the non-compliant estimation would:

- Cover the vast majority of non-compliant estimation whilst ensuring the number of focus Suppliers is at a manageable to maintain sufficient focus and
- Allow for the fact that the total volume of energy (and therefore the volume of estimation under the standard) will increase over the next two months (based on the volumes at R3 for the relevant Settlement Days) which could result in more Suppliers crossing the 4,000MWh threshold in the upcoming months. This expected increase would still, to a point, be manageable by both Elexon and the PAB.

Performance Technique Updates

EFR

P283 Technical Assurance (TA) Checks

Error and Failure Resolution plans have now been completed for all issues relating to the Technical Assurance checks into the P283 Process

Review of EFR exit requirement and EFR exit recommendation

In October 2020, the PAB agreed that Suppliers were no longer required to maintain a performance average above the relevant standard for three months to exit EFR and agreed that that an EFR exit threshold for performance standards issues would be set and reviewed on a quarterly basis.

This threshold was initially set so that Suppliers with a volume of below 1000MWh of non-compliant energy would be able to exit EFR so that Elexon and the PAB's focus could remain on the Suppliers with the largest Settlement impact.

Whilst the EFR entry threshold has been raised for this quarter, Elexon does not recommend raising the volume of non-compliant estimation required to exit EFR at this time. This is because it is hoped that the threshold need only remain high for a short period whilst significant restrictions are in place and whilst the total volume of energy is high in each market.

Elexon is keen to avoid Suppliers exiting and re-entering EFR too regularly to provide an efficient approach for Elexon and Suppliers.

Attachments

A. Performance Thresholds

Further detail on Estimation accuracy provided in this paper

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