

ELEXON

QUARTERLY PERFORMANCE ASSURANCE REPORT

Quarter 3 – 2021/22

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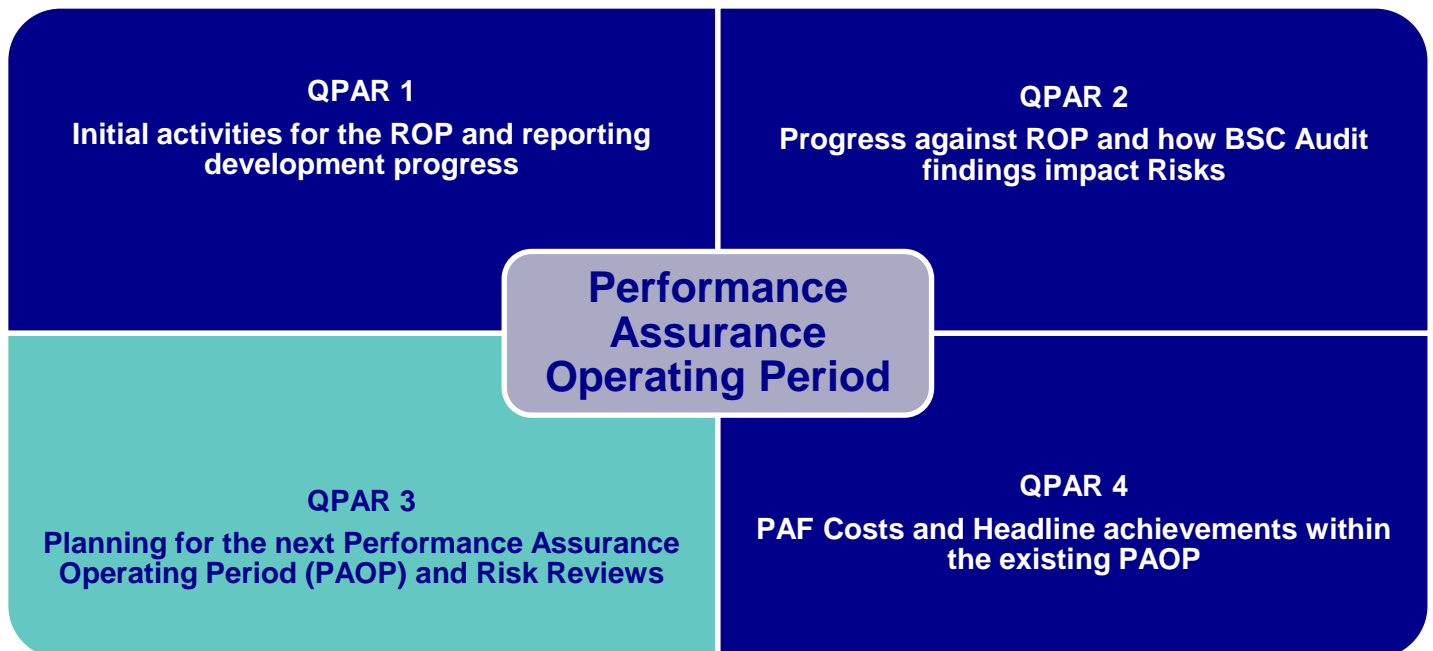
Overview

The Performance Assurance Board (PAB) is required, by Balancing and Settlement Code (BSC) Section Z 8.1¹, to prepare an Annual Performance Assurance Report (APAR). Following a recommendation from the PAF Review, Elexon provides a Quarterly Performance Assurance Report (QPAR), which includes:

- Results from Risk evaluation and Risk assurance procedures focussing on the outcome of deployment of Performance Assurance Techniques (PAT);
- Recommendations for modifying the Performance Assurance Techniques.

In addition, the content of the QPAR will focus on the Performance Assurance activities that have been undertaken within the previous quarter and that are planned for the next quarter.

Within each QPAR, the content and information provided will have a specific focus in line with the activities undertaken. Elexon will, over the course of the four quarterly reports, cover the full scope of the Performance Assurance Framework and our Risk Operating Plan. As a guide, we anticipate the four quarterly reports to have focus on the following areas:



¹ <https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/>

Risk Manager Update

- The operations of BSC Parties and their Agents were significantly impacted by COVID-19 during the period of lockdown in the 2020/21 PAOP, which extended into PAOP 2021/22. Between March 2020 and September 2021 there were temporary derogations in place to allow Suppliers to ensure that estimated consumptions used in Settlement reflects known reductions in customer demand. Suppliers are now required to remove all remaining MSIDs from the derogations.
- Our Risk Evaluation Register (RER) contains a total of 34 Risks. 18 Risks relate to Supplier Volume Allocation (SVA) processes, and 16 to Central Volume Allocation (CVA). Our Risk approach within Elexon remains to re-assess and re-prioritise Risks in accordance with changes in how Risks impact the market. We continue to deploy Performance Assurance Techniques (PATs) to monitor and mitigate Risks, in line with the 2021/22 Risk Operation Plan (ROP).
- During the next quarter, we will be re-evaluating the Risks on the RER in order to determine which Risks to prioritise in the 2022/23 PAOP. We will also continue to focus on supporting the recovery of the market following the COVID-19 pandemic, including the facilitation of a continuous review of Party performance thresholds. In addition, we will focus on the following areas and associated Risks:
 - Providing improved Performance Assurance within the CVA Market
 - Understanding and mitigating, where possible, the impact of any potential transition of Risk to the REC
 - Addressing actions arising from Market Issues identified within the BSC Audit
- If you have any questions regarding Risk, please contact Risk@elexon.co.uk.

Quarterly Performance Assurance Report

Key Industry Metrics

Elexon has provided a high-level overview of the Market Performance across the most recent quarter of settled dates at each Settlement Run, for the Half Hourly (HH) Measurement Class C Market, the Sub-100kWh Half Hourly Market, and the Non-Half Hourly (NHH) Market. For a detailed analysis of the Market performance across each month, please find the recent [Risk Reports: Insight and Guidance on Settlement](#) available on the Elexon website.

HH Market



The HH Market performance declined in the third quarter of the 2021/22 PAOP.

The performance range for each of the runs is detailed below, including the Settlement dates on which the lowest and highest performance was achieved between 1 September 2021 and 8 December 2021.

| Settlement Run | Lowest Performance | Date achieved | Highest Performance | Date achieved |
|----------------|--------------------|-----------------|---------------------|------------------|
| SF | 96.37% | 31 October 2021 | 97.84% | 9 September 2021 |
| R1 | 97.98% | 4 October 2021 | 98.46% | 21 July 2021 |

Sub 100kWh HH Market



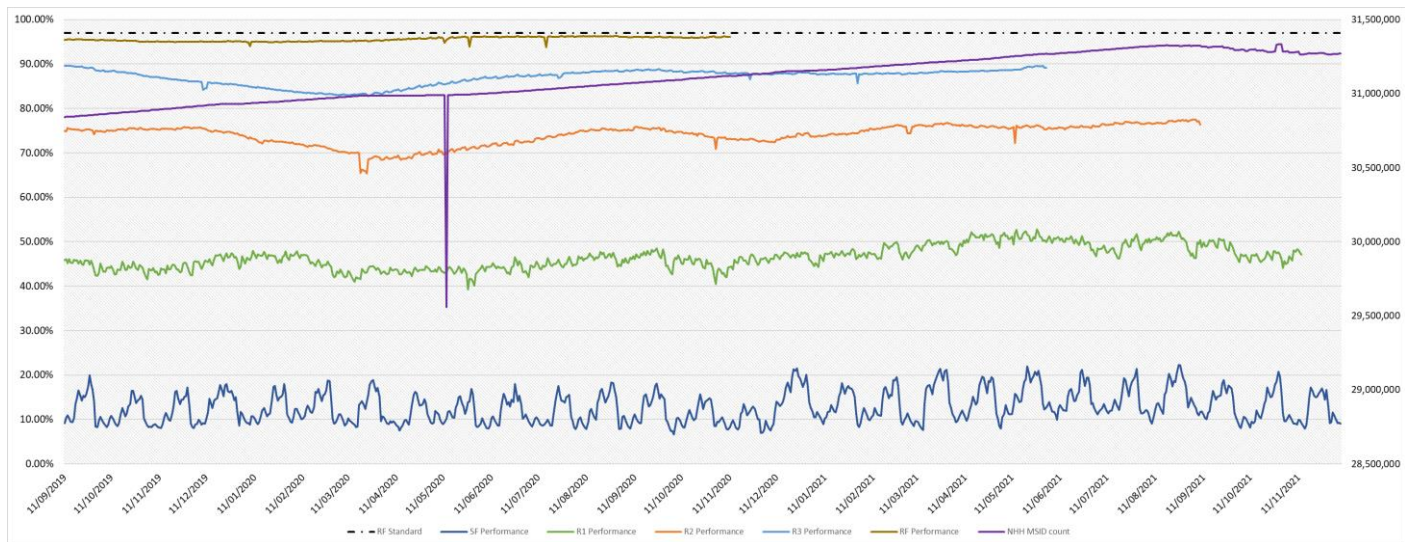
The Sub 100kWh HH Market performance declined in the third quarter of the 2021/22 PAOP.

Quarterly Performance Assurance Report

The performance range for each of the runs is detailed below, including the Settlement dates on which the lowest and highest performance was achieved between 1 September 2021 and 8 December 2021.

| Settlement Run | Lowest Performance | Date achieved | Highest Performance | Date achieved |
|----------------|--------------------|-------------------|---------------------|------------------|
| SF | 89.24% | 07 October 2021 | 94.01% | 9 September 2021 |
| R1 | 94.19% | 28 September 2021 | 95.65% | 22 July 2021 |

NHH Market



The NHH Market recorded a variable performance in the third quarter of the 2021/22 PAOP.

The performance range for each of the runs is detailed below, including the Settlement dates on which the lowest and highest performance was achieved between 1 September 2021 and 8 December 2021.

| Settlement Run | Lowest Performance | Date achieved | Highest Performance | Date Achieved |
|----------------|--------------------|-----------------|---------------------|------------------|
| R1 | 44.13% | 1 November 2021 | 52.28% | 26 August 2021 |
| R2 | 72.20% | 13 May 2021 | 76.46% | 6 September 2021 |
| R3 | 85.59% | 1 February 2021 | 89.57% | 31 May 2021 |
| RF | 93.77% | 16 July 2020 | 96.33% | 31 August 2020 |

Focussed Risk Event Overview

Supporting the recovery of the market following the COVID-19 pandemic

Due to the prolonged impact of the COVID-19 pandemic and subsequent lockdowns, Elexon continues to focus on supporting the recovery of market performance and reinforcement of good practices as a priority for the 2021/22 PAOP.

The Risks identified for focused support within this area are:

- Risk 5 – Fault Resolution;
- Risk 6 – Meter Technical Details transfer and processing;
- Risk 7 – Retrieval of Metered Data;
- Risk 8 – Processing of Metered Data;
- Risk 10 – Meter read history; and
- Risk 12 – Metering Equipment Technical Detail Quality.

Following the ending of the temporary derogations, the key factor involved in supporting the recovery of the market in a responsible and managed manner is the regular review of performance standards.

Information on the review of the Performance Standards can be found in the Public Paper **Performance Thresholds Review** which was presented to the [Performance Assurance Board Meeting 250](#) in November 2021.

Ending of the Temporary Derogations

On 30 September 2021 the three-month notice period to end the COVID-19 Supplier derogations concluded. In order to monitor the ending of the derogations Elexon requested from all Suppliers that they submit a list of all Half Hourly (HH) and Non Half Hourly (NHH) Meter System IDs (MSIDs) where the derogated Estimated Annual Consumption (EAC) will remain in place.

Elexon reviewed the data submissions and presented them to the Performance Assurance Board (PAB) at the December 2021 meeting where the PAB determined that Suppliers must amend derogated EACs back to their original EAC or collect and send a revised Meter read. Elexon agreed to notify Suppliers that this action must be taken and completed by **mid-2022**. Elexon will later request confirmation that this activity had been completed by the Suppliers and subsequently report back to the PAB.

CVA Assurance Improvements

Elexon is focusing on CVA Risks, to improve and strengthen Assurance processes in line with Elexon's proactive and transparent assurance programme following the Performance Assurance Framework Review.

The Risks identified for focused support within this area are:

- Risk 20 – CVA Metering Equipment installation, programming, maintenance and Commissioning;
- Risk 21 – CVA Retrieval and processing of Metered Data;
- Risk 22 – CVA Notification of change to Metering Equipment; and
- Risk 23 – CVA Fault Resolution.

Elexon has held two CVA Workshops where Elexon, PAB Members, CVA MOAs and central systems service providers have discussed key Risks within the CVA market. These workshops have focused on Central Data collection Agent (CDCA) processes and CVA Fault Resolution. Through these discussions, a number of improvements have already been identified which are being progressed to streamline the relevant processes and strengthen assurance against CVA risk.

The next CVA workshop is scheduled to be held in February 2022 where discussion will focus on outstanding CVA Faults, historic CVA errors including root cause analysis and a review of current CDCA KPIs.

Addressing actions arising from Market Issues identified within the BSC Audit

Elxon is focusing on addressing the actions to be taken against Market Issues identified within the BSC Audit in order to resolve long standing and historic Market Issues.

The Risks identified for focused support within this area:

- Risk 3 – Metering Equipment installation, programming, maintenance and Commissioning.
- Risk 4 – Notification of change to Metering Equipment.
- Risk 6 – Meter Technical Details transfer and processing.
- Risk 8 – Processing of Metered Data.
- Risk 11 – Unmetered Supplies.
- Risk 13 – Manual adjustments.
- Risk 18 – Revenue protection.
- Risk 20 – CVA Metering Equipment installation, programming, maintenance and Commissioning

The Risk Team has ownership of the delivery of actions raised relating to market issues as part of the wider Risk Operating Plan delivery ensuring that issues are progressed, resolved or re-assessed during the PAOP.

There are 11 Open Market Issues assigned to Risk Owners. One Issue is recommended to be closed this Quarter:

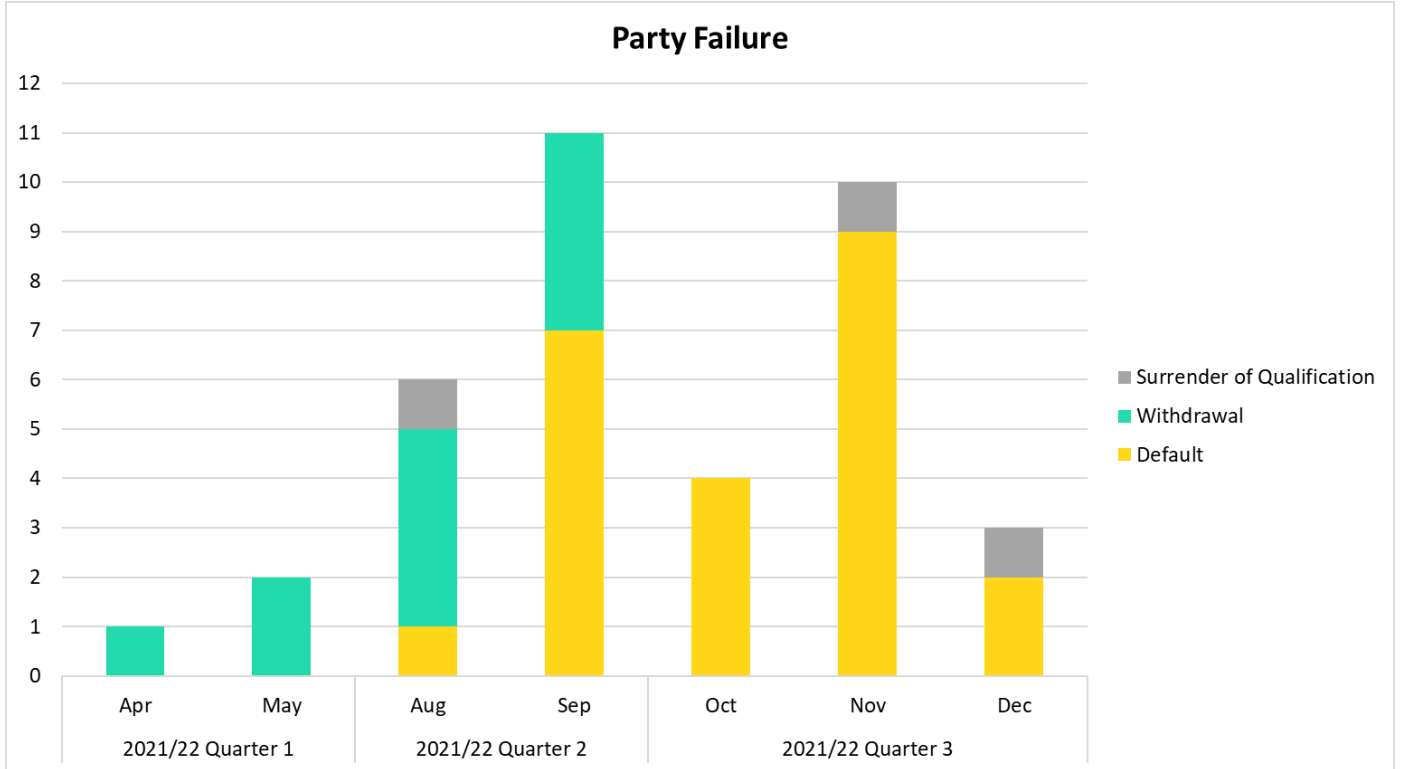
- Smart Meter Details (D0367 flows) – Recommended to be closed due to this area no longer being managed under the BSC.

Two of the 9 Issues to remain open have factors that relate specifically to Meter Operator Agent issues. The Risk Owner will conclude analysis and corrective work on these areas and migrate them to the Retail Energy Code (REC) Performance Assurance Board (PAB).

Other Notable Risk Updates

Party Failure

Elexon processed eleven Party Withdrawals, Seven Party Defaults, and three Surrender of Qualification in the first half of the 2021/22 PAOP. Elexon processed 15 Party Defaults and two Surrender of Qualifications in the third quarter of the 2021/22 PAOP.



Annual Demand Ratio Monitoring and Investigation

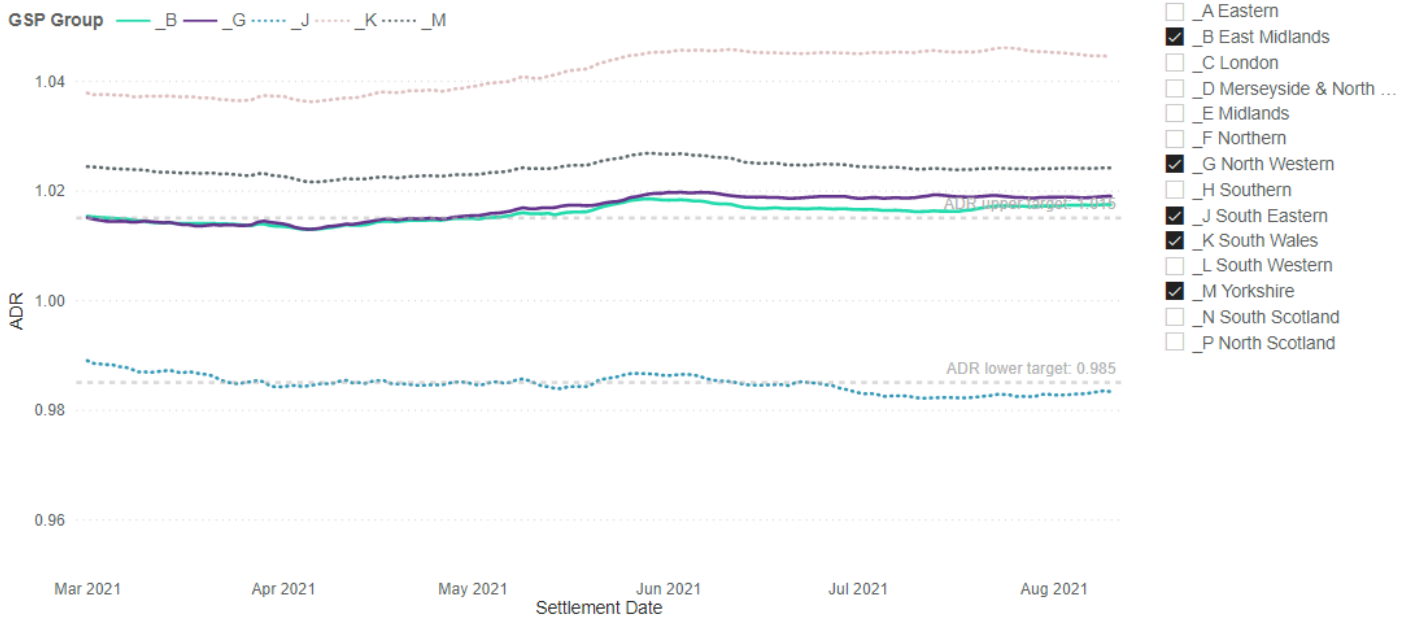
During Q3, Elexon continued to pursue all available avenues to investigate the potential issues highlighted by the Annual Demand Ratio (ADR) KPI.

There are currently four GSP Groups which indicate concern through their ADR. Namely _B, _G, _J, _K and _M. Elexon's ADR Response Group continues to meet on a weekly basis to discuss these issues and progress internal analysis as well as industry engagement to help resolve these potential issues. Regular updates on this work are presented to the industry committees including the PAB, the TDC and the SVG.

Elexon is working with colleagues within NGENSO in order to identify ways in which they might be able to support these ongoing investigations. Elexon is also exploring the possibility that the ADR deviation could be the result of error within the calculation of Line Losses as a result of changing consumer behaviours following the impact of COVID-19.

Elexon continues to work with the TAA and the relevant BSC Parties in order to investigate the potential issue identified by the TAA which we believe may account for the ADR error in _J.

Annual Demand Ratio based on Settlement Run type R2 or later



Elxon has estimated the potential impact of these issues (estimated to be £34.6m across all GSPs indicating potential error through ADR) and will be contacting the Suppliers with the greatest market share within the relevant GSP Groups directly to make them aware of the potential impacts.

Elxon continues to undertake TAA site visits for GSPs within GSP Groups _J, _K and _M. Certain audits have been delayed due to support required from the National Electricity Transition System Operator (NETSO), however the majority of visits have already been completed.

Further detail on the ADR issue and the Lessons Learned exercise can be found [here](#) and [here](#).

Issue 97 – Meter shortage risk driven by global materials availability and supply chain challenges

The Issue 97 workgroup has been set up to discuss potential challenges linked to the global semi-conductor and electronic component shortage, which is impacting on the availability of Meters.

The primary impact of these challenges on electricity Settlement is in respect of:

- **New connections** - where a Meter is not available to be installed
- **Fault resolution** - where a replacement Meter is required to address a fault and is not available

Two Issue 97 workgroup meetings have taken place in September and November 2021. For information, the slides from both meetings have been published on [the Issue 97 webpage](#). The third Issue 97 Workgroup meeting will be held in early March 2022.

Elxon continues to work to establish an estimate of the impact of the Meter shortage on relevant Settlement Risks. Elxon has received responses from a number of BSC Parties, Party Agents and Meter manufacturers which indicate that while some Parties/Party Agents are experiencing issues, others are not. It therefore appears that Supply Chains are being maintained for the moment, however responses to a Request for Information (particularly from MOAs and Meter manufacturers) indicate that the impact of the Meter shortage is likely to significantly worsen over the next 3-12 months. Full aggregated responses to the RFI can be found in the slide pack for meeting 2 of the Issue 97 Workgroup.

Quarterly Performance Assurance Report

To help alleviate the impact that the Meter shortage may have in the upcoming year, Elexon have raised two Generic Metering Dispensations that are scheduled to be presented to the ISG and SVG meetings for decision on the 11 January 2022. These Metering Dispensations are proposed to:

- Apply a derogation to comply with the Issue and Version of the CoPs that will take effect on 30 June 2022 via CP1527² for a period of 18 months (from the CP1527 implementation date).
- Apply a derogation from the requirement for MOAs to perform Type B and Type C re-Calibrations for CoP3 and CoP5 Meters that have reached their maximum re-calibration period for 18 months from the date of approval.

PAF Review Recommendations

The Performance Assurance Framework Final Report was presented to the BSC Panel in March 2021. The report detailed the issues, learnings, conclusions and recommendations identified by the review and proposed that a regular update be provided to the Performance Assurance Board.

| Rating | PAF Recommendations | No longer Relevant | Not started | WIP | Completed |
|--------------|---------------------|--------------------|-------------|-----------|-----------|
| High | 20 | | | 2 | 18 |
| Medium | 44 | 4 | 6 | 10 | 24 |
| Low | 29 | | 11 | 13 | 5 |
| Not Rated | 1 | 1 | | | |
| Total | 94 | 5 | 17 | 25 | 47 |
| (%) | | 5% | 18% | 27% | 50% |

We are continuing to progress implementing the PAF Review recommendations and will provide a further update in the Quarterly Performance Assurance Report due in April 2022.

Risk 15 - Reference Data

As part of our continuing work to progress large scale change to Market Domain Data (MDD) sets for OFGEM's Targeted Charging Review (TCR), all TCR related changes have now been approved by the Supplier Volume Allocation Group (SVG) ahead of the TCR deadline implementation date of April 2022.

- MDD v318 was published on 15 December 2021 and added 13,029 combinations to support the TCR and end-dated 502 LLFCs and 11,687 combinations which are not required post TCR implementation.
- MDD v319 is due to be published on 19 January 2022 and will end-date 333 LLFCs and 6,745 combinations which are not required post TCR implementation. It also included some TCR related changes in the BAU cycle, which, due to the low volumes, did not need to be approved a month in advance.
- We are not aware of any further TCR Change Requests that need to be processed post January 2022.

From a risk point of view, we are confident that the approved volumes will not cause any system issues and the expected volumes of any follow up changes are considered low and manageable. We can therefore confirm that the risk has been mitigated but we will continue to monitor this pre and post the TCR implementation date.

² 2.1 CP1527 was approved by the ISG and Supplier Volume Allocation Group (SVG) at their meetings on 7 July 2020 for an implementation date of 30 June 2022 and proposes the following:

- Increase the minimum data storage capacity for Settlement Outstations to 90 days per Outstation channel, at 30 minutes integration periods, for CoPs 1, 2, 3, 5 and 10; and
- Mandate specific, selectable, integration periods for CoPs 3, 5, and 10 (i.e. 30, 20, 15, 10 and 5 minutes) and add a test for this requirement (and for CoPs 1 and 2) into BSCP601.

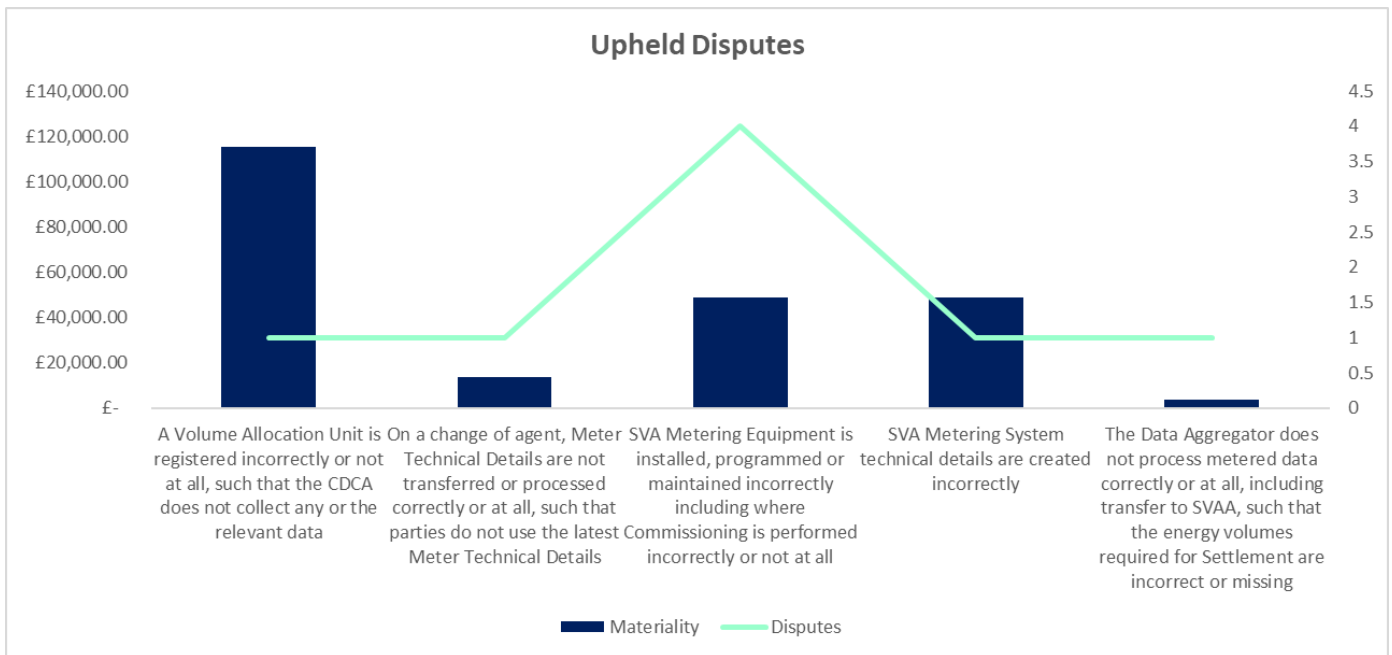
Technique Updates

Trading Disputes

Elexon resolved 13 Trading Disputes between October and December 2021. The Trading Disputes Committee (TDC) upheld eight of the Trading Disputes, noting the material impact to Settlement of £230,313.54. Five Trading Disputes were found to be invalid and were closed by Elexon.

Four of the Trading Disputes upheld by the TDC were related to Risk 003³, with a combined materiality of £48,740.

The Trading Dispute Team’s focus over the next three months will be on progressing an additional 18 Trading Disputes that remain outstanding. The team will also be continuing work on the Trading Disputes Review project, with focus on the Internal Review and Market Wide Half Hourly Settlement.



Error and Failure Resolution

Elexon and the PAB are reviewing their approach to managing the Settlement Performance standards on a quarterly basis. The last review took place at the November 2021 PAB meeting with the next review taking place in February 2022. Elexon provided the latest recommendations in the Performance Thresholds Review, which is available to read [here](#).

The latest performance review resulted in Suppliers with a non-compliant volume of estimation of 2,000MWh at RF in the NHH market and 1,500MWh for the HH Measurement Class (MC) C and HH Sub 100 kWh (MCs E, F and G) market being in focus and likely to have EFR applied.

Suppliers will remain in EFR until it is beneath the EFR exit criteria, which is currently set at 1,000MWh a month of non-compliant estimated energy for the NHH market and 750MWh of non-compliant estimation a month for the HH markets.

The following table highlights the current view of the numbers of Suppliers in EFR for issues with their performance against the standards.

³ <https://www.elexon.co.uk/reference/performance-assurance/performance-assurance-processes/003-sva-risk-metering-equipment-installations-are-incorrect/>

Quarterly Performance Assurance Report

| Market Area | Number of focus Suppliers within EFR technique | Suppliers are in EFR but have met exit criteria this quarter |
|--------------|--|--|
| HH MC C | 7 | 0 |
| HH sub 100kW | 5 | 0 |
| NHH | 10 | 1 |

Elexon has also turned on EFR for the 42 High and Medium-rated Audit Issues. Elexon will work with these BSC Parties to provide them with assistance to improve their processes.

Technical Assurance of Metering

Supplier Charges

Technical Assurance of Performance Assurance Parties

Qualification

Plans for Next Quarter

Risk Evaluation Register 2022/23

In the fourth quarter of the 2021/22 PAOP, Elexon conducted its Risk reassessments in order to produce the Risk Evaluation Register (RER) 2022/23. The RER will be presented to the PAB at the January 2022 meeting and will be published on the Elexon website once it has been approved.

Risk Operating Plan 2022/23

Also in the fourth quarter of the 2021/22 PAOP, Elexon will review the feedback received on the RER and begin to produce the Risk Operating Plan (ROP) for 2022/23. This will be presented to the PAB in April 2022.