

Performance Thresholds Review

Performance Assurance Board (PAB)

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Summary	Recommendations to maintain the thresholds in place to manage the Supplier performance standards		

1. Background

- 1.1 In October 2020, the PAB carefully considered the best approach to take to monitoring and managing issues associated with the Performance Standards, including the deployment of Error and Failure Resolution (EFR) following the pausing of the technique during the first lockdown.
- 1.2 Since then, Elexon and the PAB have reviewed this approach on a quarterly basis. All the threshold review papers to date are public and available on the Elexon website. These set out the logic of past reviews and the previous thresholds that have been agreed. The current principles agreed by the PAB are:
- There will be an ongoing quarterly review approach taken to managing performance standards and the application of EFR;
 - These reviews will set the threshold for 'focus Suppliers' for the next quarter and provide an indication of what is likely for the subsequent review. The indication for the subsequent review would still require confirmation at the next quarterly review, but providing this communication to the industry should help Suppliers to prepare for any changes and have forewarning of the potential of EFR at the next review;
 - Elexon and the PAB's efforts would be predominantly focused on Suppliers with the largest volume of non-compliant estimation ('focus Suppliers');
 - Elexon would consider whether EFR is appropriate at the PAB meeting one month after the Supplier has been identified as "in focus";
 - EFR exit criteria is also considered on a quarterly basis with the new exit criteria being applied at the PAB meeting a month after it is agreed;
 - Whilst there will be some fluctuation in the thresholds to take account of seasonal or significant external issues, the overall priority is to bring the industry performance in line with the relevant standards and to then manage outliers and early risk indicators;
 - The PAB now requires Suppliers to provide a Settlement performance forecast at least one quarter ahead. These forecasts will be monitored and explanations provided to the committee where they have been missed. However, EFR escalation to the PAB will only occur in cases where there has been a lack of engagement or co-operation with the EFR process; and
 - That the PAB expected all Suppliers, not just the focus Suppliers, to work to meet or maintain the Settlement standards.
- 1.3 At the last threshold review in November 2021, the PAB agreed that:
- The focus Suppliers should be those with a monthly non-compliant estimation volume of above 1,500MWh in Half Hourly (HH) Measurement Class (MC) C and HH sub-100kW markets and an EFR exit criteria of 750MWh for the quarter from December to February;

- The focus Suppliers should be those with a monthly non-compliant estimation volume of above 2,000MWh and an EFR exit criteria of 1,000MWh in the Non Half Hourly (NHH) market for the quarter from December to February;
- That this threshold was then unlikely to be further reduced at this review, due to the known seasonal difficulties with Half Hourly performance during the period under review;
- That the NHH market threshold may be reduced, dependent on if the number of Suppliers on the lower threshold did not look likely to increase significantly in consideration of the expected increase in total energy at RF during the period (which would lead to the volume of non-compliant energy increasing).

1.4 The February 2022 quarterly review provides:

- Recommended thresholds of non-compliant estimation for the focussed Suppliers to be applied from March 2022 and to the EFR exit criteria ;
- Consideration of the issues impacting Half Hourly Settlement performance and action that the PAB and Elexon can consider taking to improve this;
- Recommendations for the likely performance approach that will be taken in May 2022; and
- A recommended adaption to the approach for managing underperforming Suppliers that have a volume of non-compliant estimation beneath the agreed threshold.

1.5 The performance monitoring for the next quarter following this review will be for Settlement Days from December 2021 to February 2022 at R1 for the HH market and December 2020 to February 2021 at RF for the NHH market.

2. Performance overview, changes over the last quarter and potential impacts in the next, which we need to consider

2.1 The volume of non-compliant estimation of Suppliers under the standard in all three of the market areas (Settlement Days in November 2021 at R1 and Settlement Days in November 2020 at RF) is set out below. The impact of the NHH market had been reducing proportionally when we reviewed it in May and August but has increased from 49% to 55% now.

Market Area	Settlement Run and standard used for current view	Settlement month used in current view	Industry Average	Volume of non-compliant estimation in MWh for Suppliers not meeting the standard	% 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 2021	98.22% at R1	78,901MWh	29%
HH MC E,F and G	R1 99%	November 2021	95.11% at R1	44,340MWh	16%
NHH	RF 97%	November 2020	96.11% at RF	148,252MWh	55%
Total:				271,493MWh	

2.2 However, in considering how each market impacts the overall volume of non-compliant estimation, we also need to have an awareness of how the total volumes in each market have changed between review periods. This is because the greater the total volume is in a market, the greater the volume of any non-compliant estimation will also be. The table below sets out the increases in total volume and non-compliant estimations and highlights that in all three market areas the volume of non-compliant estimation has increased at a greater rate than the total volume.

Market area	Volume of total energy November	Volume of total energy February	Difference	Volume of non-compliant estimation of Suppliers under the standard November	Volume of non-compliant estimation of Suppliers under the standard February	Difference
MC C	9,212,616MWh	9,775,252MWh	562,636MWh (6% increase)	68,628MWh	78,901MWh	10,273MWh (15% increase)
MC EFG	973,577MWh	1,139,197MWh	165,620MWh (17% increase)	36,510MWh	44,340MWh	7,830MWh (21% increase)
NHH	9,280,120MWh	12,521,077MWh	3,240,957MWh (35% increase)	102,841MWh	148,252MWh	45,411MWh (44% increase)

2.3 The following table shows the overall industry-level Settlement Performance for each market sector at the previous review points:

	HH	Sub-100kW	NHH
February 2021	98.02% at R1	94.60% at R1	95.01% at RF
May 2021	98.08% at R1	94.51% at R1	95.07% at RF
August 2021	98.38% at R1	95.40% at R1	96.12% at RF
November 2021	98.27% at R1	95.41% at R1	96.23% at RF
February 2022	98.22% at R1	95.11% at R1	96.11% at RF
Difference from February 2021 to February 2022	+0.2% at R1	+0.51% at R1	+1.1% at RF
Difference from November 2021 to February 2022	-0.05% at R1	-0.30% at R1	-0.12% at RF

Half Hourly performance considerations for this quarter

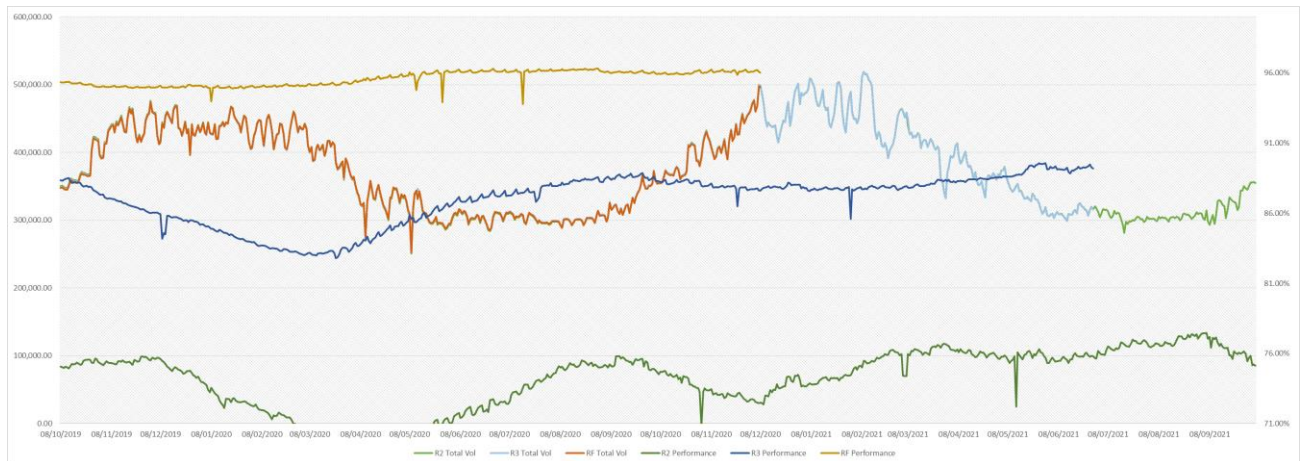
- 2.4 The HH MC C market has decreased performance slightly at R1 since the November 2021 report and more significantly in the Sub-100kW market.
- 2.5 In the last quarter HH Suppliers reported significant impacts due to:
- A significantly greater than usual level of field staff absence for the season; and
 - A significantly greater than usual level of refused access and lower levels of bookings of site visit for the season.
- 2.6 These issues are due to the health and safety requirements or workplace closures as a result of the surge in the Omicron variant of COVID-19, increased hesitancy at residential properties to allow access due to fear of transmission of the variant and a significant reduction in available field staff as a result of self-isolation requirements.
- 2.7 However, even prior to the impact of the Omicron variant, the initial improvements seen in HH performance after restrictions eased from April 2021 had started to drop away.
- 2.8 Elexon has set out the root causes highlighted in EFR plans and Supplier discussions (see Appendix A) that are contributing to HH under-performance to determine if there is any further action Elexon and the PAB should consider taking. Elexon requests the PAB:

- Highlights any root causes it considers may be impacting Half Hourly performance that are not listed;
- Highlights any potential action Elexon and the PAB should consider taking that is not set out; and
- Consider the feasibility of the potential actions Elexon has noted (particularly those not already covered by BSC Issue Groups.

- 2.9 Over the next quarter we are not expecting announcements of further government restrictions which would impact the ability for site visits to take place. However, we do expect that the Meter shortage issue may impact HH performance.
- 2.10 However, we noted in the November threshold review that there would be likely to be significant impacts from the festive period impacting Settlement Days during this period. In addition to this further impact from the Omicron wave is likely to impact performance during this quarter.

Non Half Hourly considerations for this quarter

- 2.11 Performance in the NHH market has decreased since our review in the November.
- 2.12 Similarly to the HH market, this area has also been significantly impacted by the Omicron variant as access for data retrieval visits and Smart Meter installations was reduced.
- 2.13 In addition to this the NHH market has been significantly impacted over the last quarter by a system issue experienced by one Supplier. This issue has now been resolved and the average industry performance improved but the Supplier is undertaking some backlog correction work which is likely to improve this further.
- 2.14 As we noted at the last review volume of total energy passing through RF in the NHH market which relates to Settlement days in December to February 2021 is higher than the previous winter. The increase in seasonal consumption is much higher in the NHH market than in HH.
- 2.15 The graph below highlights that we are now approaching the peak of the winter 2021 volumes at RF. However, the impact of this peak on RF performance is likely to last for the entire quarter we are reviewing.



- 2.16 An increase in total volume would also result in an increased volume of non-compliant estimation for any under-performing Suppliers. This could, depending on the threshold level applied, increase the number of focus Suppliers. Elexon and the PAB need to consider this in our threshold approach as we have limited resources at our disposal and having too many focussed Suppliers reduces our ability to prioritise the Suppliers with the very highest volumes of non-compliant estimation.
- 2.17 In addition, the R3 industry level performance is lower over the period under review as Suppliers obtained fewer reads during the winter lockdown of 2020 to 2021.

3. Recommendations for the threshold for Focus Suppliers and EFR for the next quarter

- 3.1 Elexon has considered the following points in order to set the thresholds for the next quarter:
- The current number of Suppliers that fall above a number of different potential thresholds for each market area (below);

- The relative volume of non-compliant estimation between each of the market areas; and
- The performance considerations coming up in the next three months (set out in section two).

HH MC C – 29% of all non-compliant estimation

3.2 Elxon considered the effectiveness of the following thresholds for the HH MC C market:

Threshold (MWh)	No of Suppliers	Vol of non-compliant energy	% coverage of non-compliant energy in this market
1,000	16	69,293MWh	88%
1,500	10	61,758MWh	78%
2,000	7	56,317MWh	71%

3.3 Elxon concluded that, as indicated in the previous review, maintaining the 1,500 MWh and a market coverage of 78% of the non-compliant estimation would:

- Cover the majority of non-compliant estimation (the percentage coverage has not changed since the last review but there is an additional focus Supplier);
- Keep the level of market coverage and number of Suppliers under focus at a level that enables us to maintain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation; and
- Takes into account the significant impact of the festive period and the Omicron wave on performance over the next quarter.

HH Performance sub-100kW – 16% of all non-compliant estimation

3.4 Elxon considered the effectiveness of the following thresholds for the HH sub-100kW market:

Threshold (MWh)	No of Suppliers	Vol of non-compliant energy	% coverage of non-compliant energy in this market
1,000	12	35,887MWh	81%
1,500	10	33,507MWh	76%
2,000	6	26,732MWh	60%

3.5 Elxon concluded that, as with HH MC C, maintaining the threshold for this area to 1,500 MWh and a market coverage of 76% of the non-compliant estimation would:

- Cover the majority of non-compliant estimation (despite keeping the threshold the same the market coverage has increased by 8%); and
- Keep the level of market coverage and number of Suppliers under focus at a level that enables us to maintain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation (the number of Suppliers has increased by four since the last review);

NHH Performance – 55% of all non-compliant estimation

3.6 Elxon considered the effectiveness of the following thresholds for the NHH market:

Threshold (MWh)	No of Suppliers	Vol of non-compliant energy	% coverage of non-compliant energy in this market
1,500	19	128,901MWh	87%
2,000	18	127,022MWh	86%
2,500	16	122,522MWh	83%

3.7 Elexon concluded that maintaining the threshold at 2,000MWh would:

- Cover the majority of non-compliant estimation (the market level coverage has increased from 83% to 86%) whilst ensuring the number of focus Suppliers is at a manageable level sufficient to maintain sufficient focus (the number of Suppliers has already increased this quarter from 12 to 18);
- Ensure that Elexon and the PAB are mindful of the high total energy volumes at RF, which are likely to lead to an increase in Suppliers' volumes of non-compliant estimation. Whilst there is only one additional Supplier in the lower category of 1,500MWh currently, this is likely to increase as the peak volumes feed through over the next three months; and
- Reflect that the impact of the Omicron wave on performance at the start of the quarter.

4. Review of EFR exit requirement and EFR exit recommendation

4.1 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.

4.2 The exit criteria needs to be set at a level that enables Elexon and the PAB's focus to be on the Suppliers that have the largest impact on industry performance whilst guarding against the potential of Suppliers exiting EFR and then re-entering soon afterwards when the thresholds change.

4.3 In line with the approach to the performance thresholds, Elexon recommends that the exit criteria for the next quarter for both HH MC C and the HH sub-100kW areas is maintained at 750MWh, and at 1,000MWh for the NHH market.

5. Likely changes as a result of the next threshold review in May 2022

5.1 The assessment of the threshold review in May will consider analysis for the Settlement Days in February 2022 at R1 for HH and February 2021 for NHH.

5.2 This period is at a time we would expect to see reducing total volumes (as a result of the Spring season), which in turn could be expected to lead to a reduction in the volumes of non-compliant estimation for Suppliers under the standard.

5.3 In addition, at this time, we are not expecting any COVID-19 related restrictions to be re-introduced that would restrict site access although customer behaviour due to COVID-concerns or health and safety procedures may remain.

5.4 Therefore, Elexon is likely to recommend a reduction in the thresholds in May.

6. EFR Considerations

6.1 Elexon will assess any Suppliers that have become in focus following this review to determine whether EFR should be applied and an update will be provided to the PAB in the confidential Risk Report at its March meeting.

6.2 The following assessment timetable for EFR entry or exit will then be applied for the rest of the quarter:

PAB Reporting Month	Relevant Settlement Dates for Reporting	EFR Exit Criteria assessed	Focused Suppliers assessed for EFR entry
March 2022	December 2021 at R1 for HH December 2020 at RF for NHH	March 2022	April 2022

PAB Reporting Month	Relevant Settlement Dates for Reporting	EFR Exit Criteria assessed	Focused Suppliers assessed for EFR entry
April 2022	January 2022 at R1 for HH January 2021 at RF for NHH	April 2022	May 2022
May 2022	February 2022 at R1 for HH February 2021 at RF for NHH	May 2022	June 2022 (apart from in the unlikely event that the May threshold review removes the need for this assessment).

- 6.3 Whilst the approach above sets out the agreed performance monitoring approach that will usually be applied in order for Elexon and the PAB to effectively manage the performance standards with the resources available, it should be noted that EFR may be applied to any Supplier with performance below the relevant Code standards. Therefore, Elexon is able, where required, to consider EFR in cases that there is a risk to industry level performance when Suppliers have not yet exceeded the threshold. This will include where there is data from earlier Settlement Runs that indicate that further significant underperformance is likely.

7. Change of approach to under-performing Suppliers beneath the thresholds.

- 7.1 The current performance approach prioritises volume under the standards as the key risk indicator rather than the degree of under-performance against the standards. This is because monitoring performance of the largest volumes of energy under the standard and the plans to improve these focuses Elexon and the PAB's resource on the largest Settlement impacts.
- 7.2 However, at the last PAB meeting, a PAB member was concerned that this was not an equitable approach. Whilst the majority of the PAB agreed Elexon effort should focussed on the Suppliers with the largest proportion of non-complaint estimation, the committee requested that Elexon consider additional approaches for under-performing Suppliers that have not exceeded the thresholds in addition to the Operational Support Managers (OSMs) discussing performance with them.
- 7.3 The numbers of under-performing Suppliers beneath the current thresholds are set out below:

HH Measurement Class C	HH Sub 100 kW	NHH
39	43	57

- 7.4 Elexon wishes to keep our efforts proportionate to the lower level of risk for these Suppliers and recommends that each month we request updates from three Suppliers in each market area via the OSMs and the responses to these and any next steps identified will be provided as an attachment to the Risk Report.
- 7.5 Our approach will be to start with the Suppliers with the lowest performance first and work backwards asking the following questions of the Supplier:
- Who is responsible for managing Settlement Performance within the organisation? Who is the accountable Senior manager?
 - What are the main root causes of your under-performance against the Balancing and Settlement Code (BSC) Standards?
 - What actions have you/will you put in place to address your under-performance?
 - When do you expect to be compliant with the BSC?
- 7.6 Elexon welcomes any suggested amendments to the questions from the PAB.

For more information, please contact:

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Appendix A

Root causes

Issue	Current or Potential action
Meter Stock Shortage	<ul style="list-style-type: none"> • Elexon raised Issue 97 • Two Metering Dispensations now approved to mitigate against situations where a Meter Exchange may be required to reduce the need for exchanges • Quarterly RFIs to keep an update on the impacts but the other solutions outside of Dispensations not really in Elexon's remit to address on our own • Next meeting 07/03/2022 – will include view of last RFI.
Closed Networks – Closed IPs resulting inability to contact Meter after a Change of Agent.	<ul style="list-style-type: none"> • A communications sub group to Issue 93 will be raised in March/April and will consider this issue.
LDSOs not providing access/their availability to MoAs for HV faults to address issues in a timely manner	<ul style="list-style-type: none"> • This is a MOCOP governance issue. Elexon could highlight the issue but will need to accumulate clearer evidence from Suppliers on the impact of this issue.
Access – new Health and Safety requirements, less customer availability. Can be exacerbated for third party agents who are paid by the customer directly and therefore not as likely to be “pushy”.	<ul style="list-style-type: none"> • Understanding the impact of the issue through EFR plans. • We can also get insight into this areas via monthly discussions with the REC and its MOA/MEM reporting as it develops.
Field staff levels - Suppliers have highlighted that COVID backlogs of faults and Smart installation has resulted in a field staff shortage at some agents which they are finding it hard to recruit to. Some agents are transparent about this others do not appear to highlight it to Suppliers. Illness/self-isolation exacerbated this (heard 70-80% sickness rates).	<ul style="list-style-type: none"> • Understanding the impact of the issue through EFR plans. • We can also get insight into this areas via monthly discussions with the REC and its MOA/MEM reporting as it develops.
Change of Agent activity leading to Meter Exchanges being required.	<ul style="list-style-type: none"> • Pointing Suppliers to Protocol list and highlighting this ahead of migrations and adding this issue to Elexon's migration check list. • We could consider a change to in-build an escalation process into the Change of Agent (CoA) process where the DC escalates any flows it is

Issue	Current or Potential action
	missing to the Supplier and officially chase the MOA/MEM. This would formalise the DCs approach to D0235 management with the Supplier.
Brokers appear to be a barrier to Supplier speaking with customers to obtain details needed in advance to address issues	<ul style="list-style-type: none"> • Outside of the BSC/contractual.
Contact rounds and change of Supplier event– These often lead to change of agents. The delay in sending some data flows can be a short-term issue on performance but inter-operability and DCs only working with certain Meter types can mean some issues take longer to address/require Meter exchanges.	<ul style="list-style-type: none"> • Amalgamation of previous issues • Additionally we need to consider whether Suppliers are sending appointment flows necessary to be able to ensure Settlement standards are met. Elexon undertook a TAPAP into this area several years ago and EFR was applied to some Suppliers. We could consider asking DCs if this is a current issue.
Supplier resource availability – Difficult environment for Suppliers leading to mergers and more responsibility with fewer people.	<ul style="list-style-type: none"> • No known action that Elexon/the PAB can undertake other than ensuring requests for information are proportionate.

Potential mitigations

Issue	Current or Potential action
No requirement on Data Collectors to obtain reads where there is an outstanding D0001- just the Supplier 99% provision	<ul style="list-style-type: none"> • Add one – would need to consider lead times due to changes in contractual arrangements potentially being needed.
HH Estimation	<ul style="list-style-type: none"> • We could consider investigating whether the best estimation methods are routinely being used to mitigate the impact of estimation.