
Performance Thresholds Review

Performance Assurance Board (PAB)

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Summary This Quarterly Performance Thresholds Review recommends lowering the performance management thresholds and Error and Failures Resolution exit criteria for the quarter ahead, and proposes a change of approach to combine performance monitoring of different Measurement Classes to support migration to elective Half Hourly Settlement and simplify performance management.

Background

Elxon and the PAB review performance on a quarterly basis. All the threshold review papers to date are public and available on the Elxon website. These set out the logic of past reviews and the previous thresholds that have been agreed. The current principles for reviewing the performance thresholds have been agreed by the PAB, with the latest set of principles available in the [February review](#).

Executive Summary

This **May 2022** quarterly review provides:

- Recommended thresholds of non-compliant estimation for the focussed Suppliers to be applied from June to August 2022:
 - [Half Hourly \(HH\) MC C](#) and [HH sub-100kW](#) - **1,000MWh**, decreased from 1,500MWh from last quarter
 - [Non-Half Hourly \(NHH\)](#) **1,500 MWh**, decreased from 2,000MWh from last quarter
 - Recommended [EFR exit criteria](#):
 - HH MC C and HH sub-100kW - **500MWh**, decreased from 750MWh from last quarter
 - NHH - **750MWh**, decreased from 1,000MWh from last quarter
 - Recommendations for the likely [performance approach](#) that will be taken from August 2022; and
 - A recommended [change of approach](#) to our performance standard risk management to ensure Suppliers are not discouraged from moving Metering Systems to settle Half Hourly.
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Performance overview, changes over the last quarter and potential impacts in the next

The volume of non-compliant estimation of Suppliers under the standard in all three of the market areas is set out below.

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% *	February 2022	98.39% at R1	56,050MWh	24%
HH MC E, F and G	R1 99%	February 2022	95.16% at R1	40,276MWh	18%
NHH	RF 97%	February 2021	96.25% at RF	134,970MWh	58%
Total				231,296MWh	100%

* standard required at SF but assessed due to risk based approach at R1

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 decreases in total volume and non-compliant estimations and highlights that in all three market areas the volume of non-compliant estimation has decreased at a greater rate than the total volume.

Market area	Volume of total energy (MWh)		Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	February	May		February	May	
MC C	9,775,252	9,018,065	-7.7%	78,901	56,050	-29%
MC EFG	1,139,197	1,099,605	-3.5%	44,340	40,276	-9%
NHH	12,521,077	12,619,143	+0.8%	148,252	134,970	-9%

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

Review Point	HH (R1)	Sub-100kW (R1)	NHH (RF)
February 2021	98.02%	94.60%	95.01%
May 2021	98.08%	94.51%	95.07%
August 2021	98.38%	95.40%	96.12%
November 2021	98.27%	95.41%	96.23%
February 2022	98.22%	95.11%	96.11%
May 2022	98.39%	95.34%	96.25%
Difference May 2021 to May 2022	+0.21%	+0.83%	+1.18%
Difference May 2021 to May 2022	+0.17	+0.23%	+0.04%

Half Hourly performance considerations for this quarter

Over this quarter we expect to see some impact from the April contract round on performance, as this can disrupt read collection and increase exceptions.

Suppliers continue to inform us that the shortage in Meter stock is impacting performance.

Disruption to the Data Transfer Network (DTN) in March and April will impact industry performance during this period.

Non Half Hourly considerations for this quarter

The very high winter 2021 volumes (which resulted in us maintaining the 2,000MWh threshold) have now reached their peak at RF and the total NHH volumes will reduce significantly.

In addition, the R3 industry level performance is just under 90% for a significant portion of the Settlement Days that will run through RF over the next quarter.

Some Suppliers have reported some improvements for “Meter Read Day”, the day that Martin Lewis, the household finance advisor, recommended people submit Meter Reads, will have impacted Settlement Dates at all runs during this quarter. This is likely to lead to some Settlement improvement (albeit one Supplier noted that 40% of the read obtained from that exercise were from customers with Smart Meters).

However, disruption to the DTN in March and April is also likely to have impacted performance during this period.

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

Elxon 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 – 24% of all non-compliant estimation

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

Threshold (MWh)	No of Suppliers	Volume of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
900	12	48,752	87%
1,000	10	46,913	84%
1,200	8	44,650	80%
1,500	7	43,281	77%

Elxon concluded that reducing the threshold to 1,000MWh and a market coverage of 84% 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);
- Increase the level of market coverage (from 78% at the point the last threshold was agreed to 84%);
- Ensure the number of Suppliers under focus at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation whilst keeping the number of focus Suppliers the same as agreed at the review in February (when the threshold agreed resulted in 10 focus Suppliers);
- Brings the threshold closer to those in place prior to the pandemic; and
- Takes into account the more favourable season for undertaking fault resolution and the removal of government restrictions.

HH Performance sub-100kW – 18% of all non-compliant estimation

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

Threshold (MWh)	No of Suppliers	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
900	11	32,187	80%
1,000	10	31,231	78%
1,200	10	31,231	78%
1,500	7	27,378	68%

Elxon concluded that reducing the threshold to 1,000MWh 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);
- Increase the level of market coverage (from 76% at the point the last threshold was agreed to 78%);
- Ensure the number of Suppliers under focus at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation whilst keeping the number of focus Suppliers the same as agreed at the review in February (when the threshold agreed resulted in 10 focus Suppliers); and
- Takes into account the more favourable season for undertaking fault resolution and the removal of government restrictions.

NHH Performance – 58% of all non-compliant estimation

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

Threshold (MWh)	No of Suppliers	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
900	20	121,434	90%
1,000	19	120,508	89%
1,200	19	120,508	89%
1,500	16	116,589	86%
2,000	13	111,212	82%

Elxon concluded that reducing the threshold to 1,500MWh would:

- Cover the majority of non-compliant estimation (maintaining the 86% of market coverage from the threshold review last quarter) whilst slightly reducing the number of focus Suppliers from the number within the thresholds previously (from 18 to 16);
- Reflects the lower total volumes (and therefore lower expected volumes of non-compliant estimation);
- Brings the threshold closer to those in place prior to the pandemic (with a further reduction expected at the next review); and
- Takes account of the good industry performance at R3.

Review of EFR exit requirement and EFR exit recommendation

The PAB has 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.

The exit criteria needs to be set at a level that enables Elxon 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.

In line with the approach to the performance thresholds, Elxon recommends that the exit criteria for the next quarter for all market sectors are reduced to half of the volume of non-compliant estimation of the entry trigger (to 500MWh for HH, and 750MWh for NHH).

Likely changes as a result of the next threshold review in August 2022

We expect to recommend further reductions to the performance threshold and exit criteria.

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

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

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.

For NHH, the good industry R3 performance continues during the period that will be under review in August and we would anticipate that, with the exception of Meter stock issues, Half Hourly Meter fixes should be able to take place to reduce fault backlogs.

Therefore, Elexon is likely to recommend a further reduction in the thresholds in August. Perhaps to as low as 750MWh for HH performance (with a 375MWh exit criteria) and to 1000MWh for NHH performance (with a 500MWh exit criteria).

It is possible, however, that these thresholds may need to be increased at the November review to account for seasonal issues and increased total volumes but this will be based on the data we have available at that time.

Recommended adaptations to our approach in consideration of the move to Market-Wide HH Settlement (MHHS)

MHHS is currently due to be completed [by October 2025](#) and Modification [P432](#), currently under assessment, proposes that NHH settled Current Transformer (CT) Advanced Meters are moved to settle HH by October 2023, and all new connections for CT Advanced Meters to settle HH from October 2022.

It is likely to be beneficial both to Settlement accuracy and Suppliers and their agents to be able to migrate these Meters gradually rather than in a short space of time.

Recently, Elexon has received feedback from some Suppliers that they are reluctant to move sites to HH from NHH as it will impact their NHH performance. They were concerned this could result in Elexon and the PAB triggering EFR, or, for those already in the EFR process, would hinder progress of performance improvements.

Additionally, some Suppliers have highlighted that monitoring sub-100kW performance separately to HH MC C is not in line with how they manage their HH operations, where Suppliers are working all the HH settled Meters collectively.

Elexon has considered the feedback and what we could do to facilitate a smooth run up to mandatory HH Settlement in our approach to risk based performance management, until formal changes are introduced to support the MHHS transition. We recommend the following changes:

- The current NHH volumes to be merged with MC F to monitor the 97% NHH performance standard at RF into a “Domestic and NHH Business” area (with the expectation that the NHH business will be continuously reducing). We can provide MC F monitoring separately too and review this on a quarterly basis as part of the threshold review to determine if further changes are required; and
- Combine the remaining sub 100kW Meters (MC E and G) with Measurement Class C to monitor the 99% HH performance standard at R1 into a “HH Business” area.

This approach would ensure that:

- Suppliers are not dis-incentivised from moving sites from MC A to F due to Elexon and the PAB’s performance approach; and
- Simplify the approach for HH Suppliers, Elexon and the PAB.

The approach relates to the risk based approach that Elexon and the PAB will take to managing performance and will not impact the Code standards or Supplier Charges.

The approach does not yet address the impact of the movement of NHH non-domestic sites to HH Settlement, which would particularly affect the performance of non-domestic Suppliers. This is something that will require further consideration and Elexon will continue to monitor this area, and propose further changes if necessary.

What are the expected impacts of the proposed changes on the thresholds and focus Suppliers?

Elexon has produced a sample of the PAB Performance Reporting for the HH Business and Domestic and NHH Business areas (Confidential Attachment C of the Risk Report). We have compared this to the reporting that we currently have in place (Confidential Attachment A of the Risk Report) in order to set out how things would change based on this month’s data. We have based this comparison on the existing agreed thresholds.

Impact of move from monitoring HH MC C and sub-100kW separately to HH Business monitoring:

Market area	Total monthly Volume (MWh)	Monthly volume of non-compliant estimation for Suppliers under standard (MWh)	Coverage of non-compliant estimation by threshold	Number of Focus Suppliers – 1,500MWh threshold	Number of MSIDs and average daily volume per MSID (Comments
Current approach						
MC Cat R1	9,018,065	56,050	77%	7	155,843 MSIDs 1.980 MWh	
Sub 100kW (MC E, F and G)	1,099,605	40,276	78%	7	229,242 MSIDs 0.156 MWh	
MC C and sub-100kW total	10,117,670	96,326	77.5%	8	N/A	Whilst a simple aggregation of focus Suppliers would take this total to 14, five of the Supplier Ids are focus Suppliers in MC and sub-100kW so the combined figure of discreet Supplier Ids is eight.
Potential future approach						
HH Business (MC C, E and G)	10,085,200	95,684	84%	13	312,817 MSIDs 1.097 MWh	This approach results in little change to the total volumes of energy and the volume of non-compliant estimation in comparison to the model above. However, it will help to simplify performance management for HH Suppliers. This model captures all of the existing focus Suppliers. The additional focus Suppliers are four Suppliers with high volumes in the amber range within both MC C and sub-100kW. However, the percentage of market coverage is higher here and we may wish to consider increasing the threshold proportionally under this model to keep the number of focus Suppliers and market coverage broadly in line with the current approach.

Impact of move from monitoring NHH to Domestic and NHH Business (MC A and F) monitoring:

Market area	Total monthly Volume (MWh)	Monthly volume of non-compliant estimation for Suppliers under standard (MWh)	Coverage of non-compliant estimation by threshold	Number of Focus Suppliers – 2,000MWh threshold	Number of MSIDs and average daily volume per MSID	Comments
Current approach						
NHH	12,619,143	148,252	82%	13	31,406,387 MSIDs 0.012 MWh	
Potential future approach						
Domestic and NHH Business (MC A and F)	12,633,937	135,738	82%	13	31,478,655 MSIDs 0.012 MWh	As the volumes of energy in MC F are relatively small, the addition of these MSIDs to the NHH area does not impact the number of focus Suppliers or the percentage of the non-compliant estimation covered by the threshold at the current time and makes little impact. As a greater volume of the NHH Meters move to HH this will change. As the volumes increase we can review MC F performance on a quarterly basis and consider if adjustments to more specifically manage that area are required.

What will the implementation approach of this approach change be, if approved?

Elxon recommends the following activities are undertaken to implement the recommended change of approach:

Month	Activity
May	Approach set out to PAB as part of Quarterly Performance Review
June and July	Customer feedback requested and provided to the PAB
August PAB	Decision point for parallel running at PAB in quarterly thresholds
September	Parallel reporting starts to Suppliers and PAB
September and October	EFR plan re-alignment discussions and decisions take place
November	New approach goes live. New EFR outlook provided to the PAB- confirmation of EFR plans in each area
By end of December	Deadline for any EFR plan updates (for Suppliers already in EFR)

EFR Considerations

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

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
June 2022	March 2021 at R1 for HH March 2020 at RF for NHH	June 2022	July 2022

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

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.

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

At the last threshold review in February, Elexon agreed with the PAB that we would request updates from three Suppliers in each market area with performance below the standards but with volumes of estimation beneath the thresholds via the OSMs and the responses to these and any next steps identified will be provided as an attachment to the Risk Report. We agreed we would start with the Suppliers with the lowest performance first and work backwards.

However, we have discovered that the lowest performing Suppliers have very low volumes of energy and are usually the last MSIDs following a SoLR or migration work. We will therefore be adjusting this approach to consider Suppliers with at least 10MWh of estimation below the standard.

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