

# ELEXON

## RISK OPERATING PLAN 2022/23

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## Contents

<b>Contents</b>	<b>2</b>
<b>Introduction</b>	<b>3</b>
<b>Executive Summary – Areas of focus and additional monitoring in 2022/23</b>	<b>4</b>
<b>2021/22 in Review</b>	<b>5</b>
<b>Recorded Settlement Risks</b>	<b>7</b>
<b>Available Risk Management Tools</b>	<b>8</b>
<b>The 2022/23 ROP Inputs</b>	<b>9</b>
<b>Risk Operating Plan for 2022/23 Focus Risk Areas</b>	<b>11</b>
Post-COVID-19 pandemic market recovery	11
Rising energy prices resulting in an increased number of SoLR events	13
Providing additional Performance Assurance within the CVA Market	15
<b>Summary of the REC 2.0 Assurance Transition Plan</b>	<b>17</b>
<b>The Implementation of REC 3.0 – Faster Switching</b>	<b>18</b>
<b>Events and Risks that require increased monitoring</b>	<b>19</b>
<b>Performance Assurance Techniques Calendar</b>	<b>21</b>
<b>Summary of Costs for delivering Performance Assurance</b>	<b>22</b>

### Introduction

The Balancing and Settlement Code (BSC), Section Z 5.6, requires the Performance Assurance Board (PAB) to determine on an annual basis which Performance Assurance Techniques (PATs) it considers should be applied for each Settlement Risk on the Risk Evaluation Register (RER) for each year. This planned PAT deployment is recorded in the Risk Operating Plan (ROP) and published on the [Elexon website](#).

#### This ROP Report Document and the ROP Ledger

The 2022/23 ROP (effective from **1 April 2022 to 31 March 2023**) has been created based on feedback provided by Market Participants and other interested parties on events that are likely to impact Risks within the Performance Assurance Operating Period (PAOP) as identified in the RER and the 2022/23 PAB strategy.

This ROP report sets out the following:

- A review of the last PAOP;
- The focus Risk areas for 2022/23;
- The planned PAT deployment against each individual Settlement Risk that is in focus;
- A summary of the Retail Energy Code (REC) 2.0 assurance transition plan; and
- The estimated cost of PAT deployment for the 2022/23 PAOP.

This document is accompanied by the ROP Ledger, a spreadsheet setting out the detail of the planned PAT deployment for all Settlement Risks.

#### How the ROP is delivered

Throughout the PAOP, the PAB deploys the PATs as planned in this ROP against individual Performance Assurance Parties (PAPs), via Risk Management Determinations (RMDs).

The Elexon Assurance Product produces Quarterly Performance Assurance Reports (QPARs) throughout the PAOP to update and address points of progress against the ROP. The final QPAR of each PAOP provides commentary on what was actioned and achieved in the year as a whole and a comparison of operational costs against those forecasted in the ROP.

Elexon's Assurance Product is split into three teams, focussing on Risk, PAT Deployment and Metering.

The Risk Team, led by the Risk Manager, leads the co-ordination and management of Settlement Risks across Elexon. The accountability for each Risk on the RER is split across team members within the Assurance team (Risk Owners). Each Risk Owner is tasked with assessing performance, liaising with Operational Support Managers (OSMs) of Parties, investigating performance issues and making recommendations for PAT deployment and additional assurance activities to the PAB, via the Risk Report.

#### Next steps

A draft ROP is published for PAPs and other interested parties to comment on. Appropriate changes are made following consideration of any comments, after which the PAB, delegated from the BSC Panel, is asked to approve and adopt the ROP.

Once the ROP has been approved and adopted, a 'within-period revision' may be applied to vary risk appetite or PAT deployment at any time in the year, to refocus risk management if required. Within-period revisions are approved by the PAB and may be published for comment by PAPs and other interested parties if the PAB considers it a material change.

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## Executive Summary – Areas of focus and additional monitoring in 2022/23

After consideration of three key inputs into this ROP (customer feedback, the PAB strategy and annual Risk scoring), the following Risk areas have been selected for additional focus and increased monitoring in 2022/23.

### Focus Risk Areas

Exelon proposes to place a greater focus on the Risks that are most heavily impacted by the following three Risk areas by deploying additional PATs (outside of the regular PAT deployment) and assurance activities.

1. **Post-COVID-19 pandemic market recovery**
2. **Processes associated with SoLR events**
3. **Providing additional Performance Assurance within the CVA Market**

The full rationale and planned activities for these Risk areas can be found in the [Risk Operating Plan for 2022/23 Focus Risk Areas](#) section of this ROP.

### Events and Risks that require increased monitoring

Exelon proposes to increase assurance on the following areas and Risks by performing more regular Risk monitoring over the PAOP. This increased monitoring will assist the PAB to determine whether the deployment of additional PATs and/or assurance activities is required in the future.

1. **The implementation of P375<sup>1</sup>**
2. **Settlement Run defaults**
3. **Unmetered Supplies**
4. **Faster Switching**
5. **The Meter stock shortage**

The full rationale and planned monitoring activities for these Risks and Risk areas can be found in the [Events and Risks that require increased monitoring](#) section of this ROP.

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<sup>1</sup> 'Settlement of Secondary BM Units using metering behind the site Boundary Point'

### 2021/22 in Review

For the 2021/22 PAOP, Elexon and the PAB placed a greater focus on four Risk areas. For each individual Risk identified in each of the four Risk areas, the planned actions noted in the 2021/22 ROP aimed to:

- Increase monitoring;
- Reduce the impact and volatility; and/or
- Improve the strength of the current controls.

#### Progress against the four focus Risk areas

Detailed progress against each of the four Risk areas has been documented in the [Q1 QPAR](#), [Q2 QPAR](#) and [Q3 QPAR](#). The final QPAR of the PAOP will be available in April 2022.

In summary:

Focus Risk Area	Actions taken
Supporting the recovery of the market, following the COVID-19 pandemic	<ul style="list-style-type: none"><li>• Quarterly reviews of our approach to monitoring Settlement performance have allowed a phased approach to market recovery. This has led to thresholds of non-compliant estimation being used to ensure that Elexon and the PAB are focused on the Suppliers with performance that is likely to have the biggest Settlement impact.</li><li>• This quarterly performance approach has enabled us to gradually reduce the thresholds as restrictions are lifted and where this is appropriate, or to maintain them in periods impacted significantly by COVID-19 surges and significant seasonal issues or volume change.</li><li>• This quarterly performance approach has also enabled us to gradually re-introduce the Error and Failure Resolution (EFR) requirements to address performance below the standards: First re-introducing EFR for Suppliers who exceed the thresholds to set out the actions they are taking, then to introduce a quarterly performance target for Suppliers in EFR. Elexon is now working to encourage Suppliers to better link their actions to the forecasts.</li><li>• Elexon and the PAB announced the end of the COVID-19 derogations and monitored the removal of the derogations. In line with the PAB's decision, Elexon has send out communication to all Suppliers with derogations remaining to inform them that and request that all MSIDs with derogated Estimates of Annual Consumptions (EACs) must either be restored to their original EAC or new meter reads retrieved and the EAC updated by the end of June 2022.</li></ul>
Provide improved Performance Assurance within the CVA Market	<ul style="list-style-type: none"><li>• We have identified of the root causes of two significant Settlement Errors indicated by the Annual Demand Ratio (ADR) KPI and continue to target Central Volume Allocation (CVA) sites where it is indicated that there could be an error.</li><li>• Multiple CVA Workshops have been held throughout the PAOP, reviewing CVA Faults and central processes.</li><li>• Aged CVA Faults have been escalated in order to prioritise their resolution.</li></ul>

## Risk Operating Plan

	<ul style="list-style-type: none"> <li>We have progressed dispensations that were identified by the Issue 97 Workgroup<sup>2</sup>, which will help to mitigate impact of shortages on Supplier Volume Allocation (SVA) and CVA Metering</li> </ul>
Understand and mitigate, where possible, the impact of any potential transition of Risk to the REC	<ul style="list-style-type: none"> <li>Agreed with the REC which of the Risk factors under each of the Risks would remain with the BSC and which would migrate to the REC and provided an overview of Performance Assurance activities and current outcomes for each of the impacted Risks in order to provide a smooth transition.</li> <li>Undertaken monthly meetings with the REC to share risk insights and agree transition approaches. In future these meetings will also be used for the REC to inform us of the analysis and actions for the areas that have migrated to the REC. Equally the meetings will be used to discuss any issue that Performance Assurance Parties (PAPs) that remain under the governance of the BSC may have on these areas to ensure alignment where possible.</li> <li>Undertaken the BSC Audit PAT for Meter Operator Agents (MOAs) for the transition period ending 30 September 2022 and will agree EFR plans where necessary for issues emerging.</li> </ul>
Address actions arising from Market Issues identified within the BSC Audit	<ul style="list-style-type: none"> <li>Elxon has and will continue to focus on addressing the actions to be taken against Market Issues identified within the BSC Audit in order to resolve long standing and historical Market Issues. 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.</li> <li>Over the course of the PAOP the Risk team has performed a reassessment of the BSC Audit Issues to determine the best course of action, and have enacted plans to bring each issue to completion, closing four and significantly progressing a further seven. The Risk team will continue to progress the Market Issues throughout the next PAOP.</li> </ul>

## Additional Key Achievements

- Developed Risk Dashboards for Risks 007, 012, 013, 016, 021 and 023
- Switched off Participant Reported Performance Assurance Reporting and Monitoring System (PARMS) Serials to save cost to the industry
- Progressed Modification P427<sup>3</sup> to enable the publication of Risk and performance data
- Supported the development of Assurance arrangements for P375<sup>4</sup>
- Developed automated monitoring for GSP consumption and export volumes in order to identify step changes

<sup>2</sup> Meter shortage risk driven by global materials availability and supply chain challenges

<sup>3</sup> 'Publication of Performance Assurance Parties' impact on Settlement Risk'

<sup>4</sup> 'Settlement of Secondary BM Units using metering behind the site Boundary Point'

## Recorded Settlement Risks

The Risks recorded in the RER for 2022/23 along with the Risk Owners that are responsible for managing each Risk are listed below:

Risk	Risk Description (The Risk that...)	Market	Risk Owner
7	SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met	SVA	Ben Mitchell
32	Manual adjustments to CVA Metered Data are not completed correctly, or at all	CVA	
34	The SVAA does not process or transfer the correct data or does not use approved default data.	SVA	
9	The Data Aggregator does not process metered data correctly or at all, including transfer to SVAA, such that the energy volumes required for Settlement are incorrect or missing	SVA	Chris Stock
10	On change of Data Collector, meter read history is incorrect or not transferred such that sufficient history is not available for validating and estimating energy volumes	SVA	
14	Agents are not appointed or de-appointed correctly, such that SMRS is not complete or up to date, members of the Supplier Hub do not hold the correct MPID of other Hub members or the appropriate agents are not appointed	SVA	
5	A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved	SVA	Jason Jackson
23	A fault with CVA Metering Equipment is not resolved, such that Metered Data is recorded incorrectly or cannot be retrieved	CVA	
24	CVA reference data is not created or transferred correctly, or at all	CVA	
28	NETSO does not submit or submits incorrect Settlement data	CVA	
29	The SAA's calculations and processing are incorrect or use incorrect data	CVA	
30	The ECVA does not carry out processes correctly, such that output files are inaccurate	CVA	
31	The FAA does not accurately process Trading Charges or calculate ad-hoc charges correctly, such that Advice Notes are incorrect	CVA	
1	SVA Metering Point is registered incorrectly or not at all, such that metered data is not collected or aggregated	SVA	Jess Davis
4	Changes to SVA Metering Equipment are not notified, such that all members of the Supplier Hub do not use the current Meter Technical Details	SVA	
8	SVA metered data is not processed or transferred correctly, or at all	SVA	
18	Revenue protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement	SVA	
20	CVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	CVA	
27	Trading Parties do not or are unable to pay Trading Charges fully or at all, such that it triggers an Event of Default	CVA	
17	Exception reports are not sufficiently managed, such that material exceptions are not addressed at all or in a timely manner	SVA	Marianne Haslam
25	Balancing Services provided by Virtual Lead Parties allow error to enter Settlement, such that the energy volumes required for Settlement are incorrect or missing	SVA	
6	On a change of agent, Meter Technical Details are not transferred or processed correctly or at all, such that parties do not use the latest Meter Technical Details	SVA	Mica Thomas
11	Unmetered Supplies volumes are calculated incorrectly or not at all	SVA	
12	SVA Metering System technical details are created incorrectly	SVA	
15	SVA reference data is not created or transferred correctly, or at all	SVA	Segun Kehinde
19	A Volume Allocation Unit is registered incorrectly or not at all, such that the CDCA does not collect any or the relevant data	CVA	
3	SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	SVA	Simon Waltho
21	CVA Metered Data is not retrieved, or processed correctly, or at all, by the CDCA	CVA	
22	Changes to CVA Metering Equipment are not notified to CDCA	CVA	
26	Aggregation Rules in CDCA are incorrect such that CVA Metered Data is not correctly aggregated and the energy volumes required for Settlement are incorrect or missing	CVA	
13	Manual adjustments to Metered Data are not completed correctly, or at all	SVA	Sukh Berk
16	The energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System	SVA	
2	SVA Metering System attributes held in the Supplier Meter Registration Service (SMRS) or by any party in the Supplier Hub are incorrect	SVA	Tom Dee
33	An Interconnector Administrator does not submit, or submits inaccurate BM Unit Metered Volume data	CVA	

## Available Risk Management Tools

### Performance Assurance Techniques

There are 14 active PATs available to the PAB to manage Settlement Risks. A summary of the PATs and full details are available on the Elexon [website](#).

Performance Assurance Technique	Technique Category	Technique Type
Qualification	Preventative	Non-standard - Triggered by applicant; no flexibility in deployment
Re-Qualification	Preventative	Non-standard - Triggered by the PAB or PAP
Bulk Change of Agent (BCoA)	Preventative	Non-standard - Triggered by Supplier
Education	Preventative	Non-standard - Fully flexible – triggered by the PAB
Performance Monitoring & Reporting <sup>5</sup>	Detective	Mandatory - Applicable to all relevant parties as per the BSC
Material Error Monitoring (MEM)	Detective	Standard - Fully flexible – triggered by the PAB
Technical Assurance of Metering Systems (TAM)	Detective	Standard - Partly flexible – the PAB manages scope
BSC Audit (BSCA)	Detective	Standard - Partly flexible – the PAB manages scope
Technical Assurance of PAPs (TAPAP)	Detective	Non-standard - Fully flexible – triggered by the PAB
Assurance Information Request (AIR) <sup>6</sup>	Detective	Non-standard - Fully flexible – triggered by the PAB
Peer Comparison	Incentive	Standard - Partly flexible – the PAB decides Serials
Removal of Qualification	Incentive	Non-standard - Fully flexible – triggered by the PAB
Breach and Default	Incentive	Non-standard - Fully flexible – triggered by the PAB
Supplier Charges <sup>7</sup>	Remedial	Mandatory - Applicable to all relevant parties as per the BSC
Error and Failure Resolution (EFR)	Remedial	Non-standard - Fully flexible – triggered by the PAB
Trading Disputes	Remedial	Non-standard - Partly flexible – deployed for errors meeting BSC criteria
Change Mechanisms	Remedial	Non-standard - Fully flexible, triggered by the PAB

- **Mandatory PATs** - Techniques which the PAB is required to deploy to a PAP because they are mandated by the BSC.
- **Standard PATs** - Default techniques, assigned to the relevant Settlement Risk which the PAB will usually deploy uniformly across PAPs (e.g. Material Error Monitoring); any exceptions will be described in the ROP.
- **Non-Standard PATs** - PATs that are deployed on an ad-hoc basis.

### Additional Assurance Activities

In order for Elexon to better understand a Settlement Risk, we carry out analysis and reporting to provide greater insight into the impact of a Settlement Risk. In addition, we may require further information from BSC Parties; these will be requested via formal RFI (Request for Information) as required.

### Risk Assessment and Monitoring Dashboard (RAMD)

As part of our Risk monitoring activity, Elexon is creating a suite of reporting linked to each Settlement Risk on the current RER. Elexon will continue to create and monitor Risk Assessment and Monitoring Dashboards (RAMDs) for

<sup>5</sup> No longer active as of 24 February 2022

<sup>6</sup> Introduced with CP1567 'New BSC Procedure (BSCP) for Assurance Information Requests (AIRs)'

<sup>7</sup> Not currently used. Expected to be re-instated in 2022/23, subject to Panel approval



## Risk Operating Plan

the most impactful Risks. These will provide insight into Party performance against noted Risk Factors for each Risk. We aim to use this reporting to inform recommendations made to the PAB.

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## The 2022/23 ROP Inputs

In order to create this ROP, the Risk Manager has considered a number of aspects to ascertain the most appropriate focus for 2022/23. The selected focus areas that are proposed in this ROP are based on:

- The Risk Assessments provided in the RER;
- Feedback received from BSC Parties and other interested parties about areas of the market that are of concern; and
- The PAB Strategy and discussions held with the PAB during meetings throughout the year.

### Events identified in the RER

As outlined in the [2022/23 RER](#), Elexon has re-assessed Risks across both the SVA and CVA markets, using the established Risk Evaluation Methodology (REM).

Elexon's approach to the RER changed for 2022/23. The RER and the commentary in the report focuses on events that may happen during the 2022/23 PAOP, and the Settlement Risks that would be impacted if such events were to occur. There were six Risk events that were identified:

1. The Impact of COVID-19
2. A rise in electricity prices
3. The Meter stock shortage
4. Faster Switching
5. Transfer of BSC Obligations to the REC
6. Issues & Change Proposals (CPs) – P375<sup>8</sup> and P427<sup>9</sup>

The materiality of the majority of the Risks have increased. This is largely due to the rise in demand in the electricity wholesale market and a rise in the price of gas. The scoring of the Risks on the RER has been presented both in financial terms and in energy volumes to give a better indication of the percent change from the 2021/22 RER.

### Customer Feedback

When creating this ROP, Elexon has placed more emphasis on customer feedback than in previous years.

SVA and CVA Market Participants and other interested parties have been asked to complete Assurance Surveys in order to suggest which events (as identified in the RER) and Risks affected by each event will have the most impact on their operations and therefore their ability to meet BSC obligations in 2022/23.

The results of these Assurance Surveys have been reflected in the "Risk Operating Plan for 2022/23 Focus Risk Areas" section below.

### The 2022/23 Performance Assurance Board (PAB) Strategy

The PAB Strategy is reviewed annually, taking into consideration developments and activities across the market, to ensure the PAB's functions, actions and priorities are reflective of the market and effective in assuring performance amongst BSC Parties.

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<sup>8</sup> 'Settlement of Secondary BM Units using metering behind the site Boundary Point'

<sup>9</sup> 'Publication of Performance Assurance Parties' impact on Settlement Risk'

## Risk Operating Plan

The areas of priority of the PAB for 2022/23 are proposed based on discussions and concerns raised at PAB meetings throughout 2021/22 and at the PAB Strategy Day, which was held in October 2021. PAB priorities will evolve over the year depending on market conditions, industry focus and feedback from BSC Parties.

The following six areas have been identified as current priorities of the PAB:

Priority area	Summary
Post-COVID-19 pandemic recovery	Following the removal of the temporary COVID-19 derogations, the focus of the PAB is now on the recovery of the market. Performance, which remains below standard across the market, should be improved in line with the required performance standards as a priority.
CVA Market Assurance	As communicated to industry on <a href="#">7 March 2022</a> , significant CVA metering errors have been located in two GSP Groups. The PAB wishes to prioritise assurance in the CVA Market, both in order to assist in locating further existing errors and to ensure that future faults and errors are reduced.
Market-Wide Half Hourly Settlement (MHHS)	The PAB wishes to focus on understanding and shaping the assurance that should be in place for the MHHS transition phase to ensure that Settlement Risks are managed effectively
The Meter stock shortage	The PAB is concerned that the Meter stock shortage, if it continues, could impact the operations of BSC Parties and Risks relating to new connections, Meter faults and the collection of actual data for use in Settlement.
Faster switching	The PAB is keen to understand how the implementation of Ofgem's Faster Switching programme in July 2022 will impact the operations of BSC Parties and therefore the Risks associated with Change of Supplier (CoS) processes and any other impacted Risks.
An increased number of Supplier of Last Resort (SoLR) events	Should the number of SoLR events continue to rise, an increased number of processes associated with SoLRs will be performed, which increases the likelihood of error. SoLR events also have a significant impact on Supplier's resources managing increased customer contact and transfer processes which can have a knock on impact on other processes.

## Risk appetite

The PAB Strategy informs the PAB's consideration of risk appetite: the type and amount of Settlement Risk that can be tolerated in the coming year, when availability and cost of appropriate mitigation is factored in.

The PAB will consider the extent to which each Settlement Risk should be controlled, what is feasible with the PATs available, and what is a reasonable amount to invest in those PATs.

## Risk Operating Plan for 2022/23 Focus Risk Areas

After consideration of the ROP inputs, we are proposing three Risk areas to place greater focus on in 2022/23, these are:-

- 1. Post-COVID-19 pandemic market recovery**
- 2. Processes associated with SoLR events**
- 3. Providing additional Performance Assurance within the CVA Market**

In order to align these areas of Risk to the Risks or Risk Events listed within the RER, it is necessary to group risks under each of these three areas, to propose and assess targeted impact reduction or monitoring.

In each of the three Risk areas, we have selected the most impactful Risks for focus in 2022/23, based on:

- The Risks that are most likely to affected the operations of BSC Parties and Party Agents as reported in our Assurance Survey; and
- The materiality of each affected Risk

The impact and rationale of each Focus Risk and the Risk Operating Plan for each focus Risk area are listed within the following sections.

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### Post-COVID-19 pandemic market recovery

The operations of BSC Parties and Party Agents were impacted significantly in both the 2020/21 and 2021/22 PAOPs due to the impact of the COVID-19 pandemic and subsequent lockdowns. As a result, performance across the market remains below the required Settlement standards.

Although restrictions in the UK have been loosened, we anticipate the operations of BSC Parties and Party Agents to be impacted in 2022/23 due to site access issues, availability of staff, backlogs and changes in consumer behaviour.

53% of SVA and 50% of CVA Market Participants that responded to our Assurance Survey predict that the impact of COVID-19 will have an impact on their operations in 2022/23.

With regards to the most impactful Risks in this area as listed in the table below, the two primary focuses for 2022/23 are to:

- Continue to monitor and help to improve the performance of Parties, aiming to reach the required Settlement standards; and
- Improve the existing controls with the deployment of additional assurance activities and PATs, aiming to reduce the impact of the Risks.

## Risk Operating Plan

### Focus Risks

Risk	Risk Sub-Category	Impact	Upper Impact	Assurance Survey priority	Focus Risk Rationale
003	Metering Equipment installation, programming, maintenance and Commissioning	£208m	£640.3m	1	Parties are not able to attend site visits to fix, maintain and commission Metering Equipment due to site access issues and backlogs following the pandemic
005	Fault resolution	£52.5m	£134.3m	2	Some faults can be fixed remotely but those that require a site visit will not be able to be fixed as quickly as expected due to site access issues and backlogs following the pandemic
007	Retrieval of Metered Data	£97.5m	£261m	3	Actual data cannot be collected remotely due to uncorrected Meter faults. Data that is currently retrieved manually will not be collected at expected levels
	<b>TOTAL</b>	<b>£385m</b>	<b>£1,035.6m</b>		

### Risk Operating Plan for Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2022/23)	Additional PAT deployment for 2022/23	Additional assurance activities for 2022/23
003	BSC Audit (the number of work papers may be reduced following MOA obligations transferring to the REC) EFR (applied following the BSC Audit) Trading Disputes Technical Assurance of Metering (TAM)	TAPAP check on LDSOs to be considered	<ul style="list-style-type: none"> <li>Liaise with the REC who will lead on MOA assurance in this area.</li> <li>Compare the results of TAM and BSC Audit with regards to Commissioning performance and deploy the TAPAP technique to investigate areas of concern.</li> <li>Target LDSOs to improve engagement with Commissioning processes through communications, training, reporting, LDSO committee attendance and consideration of a new LDSO bespoke forum.</li> </ul>
005	EFR (applied following the BSC Audit) BSC Audit (the number of work papers may be reduced following MOA obligations transferring to the REC) Trading Disputes TAM	Education or TAPAP to be considered following an Assurance Information Request (AIR)	<ul style="list-style-type: none"> <li>Collaborate with the REC where DCs report that faults have been raised but not resolved to ensure that action is taken by MOAs.</li> <li>Desktop assessment / review to check how Data Collector (DC) metering fault flags correlate to reported Meter faults using an AIR, to ensure that fault flags are being used correctly. TAPAP or Education to be utilised depending on the results of this assessment.</li> </ul>
007	PARMS EFR (applied for performance)	None – the existing PAT deployment is to be continued	<ul style="list-style-type: none"> <li>Quarterly performance threshold reviews.</li> <li>Monthly engagement with Parties that have the lowest performance to understand and help to resolve issues.</li> <li>EFR exceptions to be reported to the PAB on a monthly basis.</li> </ul>

## Risk Operating Plan

### Rising energy prices resulting in an increased number of SoLR events

A rise in the price of gas in the 2021/22 PAOP saw the price of wholesale electricity increase drastically. Subsequently, there has been an increase in Supplier Defaults and therefore an increase in the number of SoLR events.

If the wholesale price of electricity stays above Ofgem's price cap, it is possible that more Suppliers will go through the SoLR process in the 2022/23 PAOP. An increased number of SoLR events results in an increased number of processes associated with SoLRs being performed, which in turn increases the likelihood of error.

86% of Market Participants that responded to our Assurance Survey predict that an increased number of SoLR events will have an impact on their operations in 2022/23.

With regards to the most impactful Risks in this area as listed in the table below, the two primary focuses for 2022/23 are to:

- Continue to monitor the migration of MSID between Suppliers and Supplier Agents in the event of a SoLR; and
- Improve the existing controls with the deployment of additional assurance activities and PATs, aiming to reduce the impact of the Risks.

### Focus Risks

Risk	Risk Sub-Category	Impact	Upper Impact	Assurance Survey priority	Focus Risk Rationale
005	Fault resolution	£52.5m	£134.3m	1	When a SoLR event occurs, all investigations would be closed and would need to be re-diagnosed by the new Agent and the fault would not be corrected in a timely manner
004	Notification of change to Metering Equipment	£4.5m	£10.7m	2	When a SoLR event occurs there is a risk that a backlog of data flows may not reach the appropriate party
017	Exception management	£352.2k	£39.6m	3	When a SoLR event occurs, the old Supplier will not review the last 14 month of exceptions and will no longer be responsible. The new Supplier is also not responsible for the previous 14 months of exceptions
010	Meter read history	£3.6m	£13.9m	4	When a SoLR event occurs, there is a risk that the Meter read history is not transferred between Agents correctly or at all
008	Processing of Metered Data	£5.4m	£261m	6	Following a SoLR event, erroneously large EACs / AAs could be processed due to failures with the transfer of data and Meter read history
014	Agent Appointments	£6.5m	£15.7m	7	When a SoLR event occurs, there is a risk that Agents are not appointed or de-appointed correctly during the process
	<b>TOTAL</b>	<b>£72.5m</b>	<b>£475.2m</b>		

## Risk Operating Plan

### Risk Operating Plan for Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2022/23)	Additional PAT deployment for 2022/23	Additional assurance activities for 2022/23
005	BSC Audit (the number of work papers may be reduced following MOA obligations transferring to the REC) EFR (applied following the BSC Audit) Trading Disputes TAM	Education or TAPAP to be considered following desktop assessment of DC fault flags.	<ul style="list-style-type: none"> <li>Engage with biggest SoLRs to understand resource constraints with regards to fault resolution.</li> </ul>
004	BSC Audit (the number of work papers may be reduced following MOA obligations transferring to the REC) EFR (applied following the BSC Audit) Trading Disputes TAM	None – await output of the Issue Group discussions	<ul style="list-style-type: none"> <li>Issue Group 99<sup>10</sup> is looking at making improvements to the site technical details processes.</li> <li>This Risk may need to be changed based on the outcome of the Issue Group discussions.</li> </ul>
017	BSC Audit EFR (applied following the BSC Audit)	Education (guidance for Suppliers)	<ul style="list-style-type: none"> <li>The creation of a Risk dashboard for this Risk will be prioritised due to the predicted impact on exception management following SoLRs.</li> <li>Regular monitoring will be completed using the new Risk dashboard.</li> </ul>
010	BSC Audit EFR (applied following the BSC Audit)	New BSC Audit work paper for SoLRs  Education – updated guidance note on SoLRs	<ul style="list-style-type: none"> <li>Monitor the results of the BSC Audit work paper</li> <li>Weekly reporting of falling Supplier IDs, including the monitoring of the migration that takes place between Suppliers and Supplier Agents.</li> </ul>
008	Material Error Monitoring (MEM) BSC Audit	New BSC Audit work paper for SoLRs  Education – updated guidance note on SoLRs  EFR	<ul style="list-style-type: none"> <li>Monitor the results of the BSC Audit work paper</li> <li>Weekly reporting of falling Supplier IDs, including the monitoring of the migration that takes place between Suppliers and Supplier Agents.</li> <li>Collaboration between the Risk Owner, MEM Technique Owner and EFR Technique Owner to agree investigation and EFR application processes</li> </ul>

<sup>10</sup> Review the use of the D0215 flow and its associated processes

## Risk Operating Plan

014	BSC Audit EFR (applied following the BSC Audit)	New BSC Audit work paper for SoLRs  Education – updated guidance note on SoLRs	<ul style="list-style-type: none"> <li>Monitor the results of the BSC Audit work paper</li> <li>Weekly reporting of falling Supplier IDs, including the monitoring of the migration that takes place between Suppliers and Supplier Agents.</li> </ul>
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## Providing additional Performance Assurance within the CVA Market

Elxon has been aiming to improve the overall availability and visibility of Performance Assurance data within the CVA Market by providing increased reporting to the PAB in 2021/22, including regular updates on the ongoing monitoring of the Annual Demand Ratio (ADR) for all GSP Groups.

As communicated to industry on 7 March 2022, significant Settlement Errors have been located in two GSP Groups following investigations that were prompted by the ADR KPI. As the two errors identified were both related to CVA metering, it is evident that CVA assurance should be prioritised in 2022/23, both in order to assist in locating further existing errors and to ensure that future faults and errors are reduced by reviewing and improving the existing CVA Risk controls.

## Focus Risks

Risk	Risk Sub-Category	Impact	Upper Impact	Focus Risk Rationale
019	Registration	£2.9m	£12.4m	These Risks will continue to be prioritised in 2022/23 whilst Elxon undertakes the additional assurance activities highlighted in the Risk Operating Plan below, in order to help to locate further errors that are impacting Settlement and to develop further mitigations.
020	Metering Equipment installation, programming, maintenance and Commissioning	£2m	£6.7m	
021	Retrieval and processing of Metered Data	£107.5m	£324m	
022	Notification of change to Metering Equipment	£5.3m	£54.5m	
023	Fault resolution	£88.7m	£267.7m	
	<b>TOTAL</b>	<b>£206.4m</b>	<b>£665.3m</b>	

## Risk Operating Plan

### Risk Operating Plan for Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2022/23)	Additional PAT deployment for 2022/23	Additional assurance activities for 2022/23
019	Trading Disputes TAM BSC Audit EFR (applied following the BSC Audit)	TAA targeted Inspection Visits	<ul style="list-style-type: none"> <li>Continued development of ADR analytics and tools, which will enable Elexon's internal ADR Response working group to review data sets more efficiently to identify potential site issues and target TAA site inspections to locate and confirm them</li> <li>Continuing to hold CVA Workshops to review lessons learned outcomes from past CVA errors and develop mitigations to prevent future errors</li> </ul>
020	Trading Disputes TAM BSC Audit EFR (applied following the BSC Audit)		
021	Trading Disputes BSC Audit EFR (applied following the BSC Audit)		
022	Trading Disputes TAM BSC Audit EFR (applied following the BSC Audit)		
023	Trading Disputes BSC Audit EFR (applied following the BSC Audit)		



## Summary of the REC 2.0 Assurance Transition Plan

The REC 2.0 was implemented on 1 September 2021 and resulted in the Metering obligations which had been contained in BSCP514<sup>11</sup> being transferred to the REC.

A transition period was agreed with the REC, Elexon and Ofgem, which extended until end of September 2022, after which (with the exception of TAA activities) Elexon will no longer undertake assurance activities in relation to SVA Meter Operator Agents (under the BSC) and Meter Equipment Mangers (under the REC).

Whilst the potential impact to Settlement accuracy remains, with the governance change to the REC the ability for Elexon and the PAB to take action in relation to a Settlement Risk is limited to Performance Assurance Parties (PAPs) and BSC obligations.

Elexon has assessed the Settlement Risks that will be impacted by the change of governance at the end of the transition period to determine the impact on the PATs we use to manage these. A detailed view of our assessment will be published alongside this ROP, and a summary view is provided in the table below:

Risk	Risk Sub-Category	Impact of transition on Risk factor governance	Impact of transition on PAT governance	Impacted PATs <sup>12</sup>
003	Metering Equipment installation, programming, maintenance and Commissioning	Medium	Medium	BSC Audit, EFR
004	Notification of change to Metering Equipment	High	High	BSC Audit, EFR
005	Fault resolution	High	High	BSC Audit, EFR
006	Meter Technical Details transfer and processing	Very High	Very High	BSC Audit, EFR
007	Retrieval of Metered Data	Medium	Low	EFR
012	Metering Equipment Technical Detail Quality	High	High	BSC Audit, EFR
014	Agent appointments	Low	Low	BSC Audit, EFR
016	Energisation status	Medium	Medium	BSC Audit, EFR

Elexon and the REC meet on a monthly basis to discuss the transition arrangements for the areas moving under the REC governance. In future the REC will also share performance assurance insights and updates for these areas to enable Elexon to understand the likely impact on Settlement accuracy and the plans to address any issues.

<sup>11</sup> SVA Meter Operations for Metering Systems Registered in SMRS

<sup>12</sup> PATs that will be impacted by the transition during the 2022/23 PAOP

## The Implementation of REC 3.0 – Faster Switching

Ofgem's Switching Program will be implemented on 18 July 2022. The current switching timetable allows a customer to switch Supplier within 21 days' the Faster Switching Program will reduce this to allow the customers to switch Suppliers within 5 days, with the intent to reduce this further in the future.

77% Market Participants that responded to our Assurance Survey in March 2022 were concerned that faster switching will impact their operations in 2022/23 due to shortened timescales to complete processes.

In the 2022/23 ROP, we noted that we would further investigate the possible impact of REC 3.0 prior to its implementation and provide our assessment of potential Risk impacts via a within-period revision, We have now identified the following potential Risk impacts:

Identified Risk Impact	Associated Risks	Assurance Actions
Suppliers and Agents could make an increased number of errors following a Change of Supplier event due to reduced timescales for completion, changes to the Supplier Meter Registration Service (SMRS) front end system or new REC process steps.	002, 007, 008, 010, 014	Risk Owners to closely monitor the associated Risks to determine if there appears any increase in issues, which may require additional PATs to be deployed.
The largest potential impact to Settlement is the potential for either the Central Switching Service (CSS) process not to work or the CSS synchronisation with SMRS not to work, which could result in SMRS showing the wrong Suppliers registered to the wrong MSIDs. We note that whilst this would cause significant impact, the likelihood is extremely low.	001, 002	The CSS is being governed outside of the BSC, by the REC. Elexon will engage with the REC on whether the systems are working well following testing.
The previously Master Registration Agreement (MRA) governed procedure for Error Resolution and Retrospective Manual Amendments is switching to BSC governance, under new BSCP604. Elexon must therefore ensure that the procedure is assured from 18 July 2022.	001, 002	The BSC Audit technique will be utilised to audit SMRAs against the new BSC obligations in BSCP604.

## Events and Risks that require increased monitoring

Although the following areas and Risks are not considered to be “in focus” for 2022/23, Elexon proposes that more regular Risk monitoring will be performed over the PAOP.

Risk Area	Affected Risks <sup>13</sup>	Rationale	Additional monitoring type	Additional PAT deployment following monitoring
Implementation of P375 <sup>14</sup>	025	Following the implementation of P375, Elexon will perform statistical monitoring to identify Asset MSIDs (AMSIDs) that may not be acting independently of the other assets on-site (i.e. all the dependent load is not measured by the Asset Metering System).	Statistical monitoring Risk Dashboard to be created and monitored	None – Elexon to consider additional PAT deployment in 2023/24 following this monitoring
Settlement Run defaults	009	The number of Settlement Run defaults increased in the 2021/22 PAOP. Elexon has agreed with the PAB that these instances will be monitored on a monthly basis, and that EFR will be applied to Data Aggregators (DAs) where there are two material instances of files not being submitted in time for inclusion in Settlement Runs over a six month period.	Settlement Run defaults reported by the SVAA	EFR
Unmetered Supplies	011	Following a TAPAP check that was deployed against Risk 011, it was determined that regular monitoring (comparing the DC/DA position to the position of the UMSO) should be completed and presented to the PAB for review on a quarterly basis.	Material Error Monitoring (MEM)	EFR approach to be considered
Meter stock shortage	003, 005, 007, 020, 021, 023	There has been a global shortage of semiconductors, including those which are used in the construction of Metering Systems. This has resulted in a reduction of Meters being available to be installed.  85% of SVA and 100% of CVA Market Participants that responded to our Assurance Survey are concerned that the Meter stock shortage will impact their operations in 2022/23. Therefore Elexon will continue to closely monitor the SVA	Request for Information (RFI): <ul style="list-style-type: none"> <li>MEMs / MOAs: Monthly</li> <li>Meter manufacturers: Quarterly</li> </ul>	None – Elexon to make a within period revision to the ROP if additional PAT deployment is required

<sup>13</sup> For Faster Switching and the Meter stock shortage, the Risks selected for additional monitoring are the most impactful Risks selected by Market Participants via our Assurance Survey

<sup>14</sup> 'Settlement of Secondary BM Units using metering behind the site Boundary Point'

Risk Operating Plan

		<p>and CVA Risks associated as well as updates received from Industry on the availability of Meters.</p> <p>Elaxon will engage with the PAB, Ofgem and BEIS to report any concerns from the additional monitoring that will be performed.</p>		
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## Performance Assurance Techniques Calendar

Technique	Activity	PAOP Q1			PAOP Q2			PAOP Q3			PAOP Q4		
		Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Qualification	Qualification active												
Error and Failure Resolution	EFR active												
	EFR recommendations												
	EFR following BSC Audit												
Trading Disputes	Disputes investigated												
TAPAP	TAPAP active												
AIR	AIR active												
BSC Audit	New Audit Scope agreed												
	New Audit Approach agreed												
	Previous Audit Issues presented												
	New Audit active												
Technical Audit of Metering	Scope												
	Market Issues												
	Audit active												

## Summary of Costs for delivering Performance Assurance

The estimated cost of delivering the Performance Assurance Framework (PAF) in 2022/23 is **£3,704,300**.

A review of these costs for the last PAOP (2021/22) is shown below

Cost Type	2021/22 Forecast (£k)	2021/22 Actual (£k)
Operational	£1,164	£944
Contractual	£2,638	£2,339
<b>Total</b>	<b>£3,602</b>	<b>£3,299</b>

### Operational and Contractual Cost details

PA Technique	Operational Days 21/22	Operational Costs (£k) 21/22	Contracted Costs (£k) 21/22	Total Costs (£k) 21/22
Qualification	101	£34	£341	£375
Training	1	£1	n/a	£1
Disputes	294	£112	£5	£117
EFR	287	£115	n/a	£115
BSC Audit	195	£78	£1,214	£1,292
TAPAP	69	£32	n/a	£32
TAM	231	£90	£701	£791
Committee Support	500	£210	£0	£210
Risk Management	588	£272	£78	£350
<b>Total</b>	<b>2266</b>	<b>£944</b>	<b>£2,339</b>	<b>£3,283</b>

### Contractual and Operational Cost changes for 2022/23

We derived the 2022/23 contractual costs from the BSC budget forecasts as of February 2022. These figures include RPI and are subject to amendment to reflect contractual changes and changes to indicative costs (e.g. ad hoc and variable expenses).

The decrease in operational costs has largely been driven by a number of vacancies in the Assurance team throughout the PAOP.

### Forecasted costs for 2022/2023

Cost Type	2022/23 Forecast (£k)
Operational	£1,034
Contractual	£2,670
<b>Total</b>	<b>£3,704</b>

Elexon has forecast a small increase in the Operational costs, due to the vacancies now being filled, along with the expectation of additional work that will be required to support and adapt the PAF for the Market-wide Half Hourly Settlement (MHHS) Programme changes. The Contracted costs remain in line with the original 2021/22 budget, noting that some areas have been reduced (such as a reduction in the BSC Audit costs as SVA MOAs will no longer be in scope of BSC Assurance following the implementation of the Retail Energy Code (REC)) and others increased (such as Qualification, in anticipation of more Parties showing interest in joining the marketplace ahead of MHHS).