Performance Thresholds Review

Performance Assurance Board (PAB)

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Summary This Quarterly Performance Thresholds Review recommends maintaining the Non Half Hourly (NHH) performance management threshold and Error and Failure Resolution exit criteria, and reducing those for the Half Hourly (HH) market. It also provides an update on the change of approach to combine performance monitoring of Measurement Classes A and F agreed at the May PAB.

Background

Elexon and the PAB review performance on a quarterly basis (each February, May, August and November). All the threshold review papers to date are public and available on the Elexon website on the PAB webpage. These set out the logic of past reviews and the previous thresholds that the committee has agreed.

Executive Summary

This **November 2022** quarterly review provides:

- Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from December 2022 to February 2023:
  - Half Hourly (HH) Measurement Class C and non-domestic sub 100kW (MCs E and G) – **850MWh**, decreased from 1000MWh last quarter.
  - Non-Half Hourly (NHH) and domestic elective Half Hourly (MC F) – will be maintained at **1,250MWh**
- Recommended EFR exit criteria:
  - HH MC C and non-domestic sub 100kW (MCs E and G) – **425MWh**, decreased from 500MWh last quarter.
  - NHH + MC F – will be maintained at **625MWh**
- An update on the change of approach to our performance standard risk management that was agreed at the May PAB to ensure Suppliers are not discouraged from moving Metering Systems to settle Half Hourly.

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.

This is presented first under the existing reporting split of: HH MC; HH MCs E, F and G; and NHH.

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% *	August 2022	98.47% at R1	52,464MWh	28%
HH MC E, F and G	R1 99%	August 2022	96.19% at R1	29,503MWh	16%
NHH	RF 97%	August 2021	96.14% at RF	103,886MWh	56%
Total				185,853MWh	100%

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

The table below shows data for the same period under the new reporting split: HH MC C; HH MCs E & G; NHH and HH MC F.

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% *	August 2022	98.47% at R1	52,464MWh	28%
HH MC E and G	R1 99%	August 2022	96.33% at R1	26,728MWh	15%
NHH + MC F	RF 97%	August 2021	96.14% at RF	104,355MWh	57%
Total				183,547MWh	100%

In considering how each market impacts the overall volume of non-compliant estimation, Elexon has also assessed how the total volumes in each market have changed between review periods.

The table below sets out the changes in total volume and non-compliant estimations. It highlights that the volume of non-compliant estimation in the Half Hourly market has significantly reduced during this quarter, despite total volumes in this sector increasing during the period. In the Non Half Hourly market, total energy volumes have reduced but non-compliant estimation has increased.

Market area	Volume of total energy (MWh)		Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	August	November		August	November	
MC C	9,242,082	9,418,071	+2%	82,792	52,464	-37%
MC EFG	1,027,459	1,048,432	+2%	35,675	29,503	-17%
NHH	10,569,860	9,331,660	-12%	91,267	103,886	+14%

The table below shows the current volumes of total energy and non-compliant estimation under the new reporting split.

Market area	Volume of total energy (MWh)	Volume of non-compliant estimation of Suppliers under the standard (MWh)
	November	November
MC C	9,418,071	52,464
MC E + G	996,966	26,728
NHH + MC F	9,339,860	104,355

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%
August 2022	98.13%	95.53%	96.50%
November 2022	98.47%	96.19%	96.14%
Difference August 2022 to November 2022	**+0.34%**	**+0.66%**	**-0.36%**
Difference August 2021 to November 2021	**-0.11%**	**+0.01%**	**+0.11%**

Half Hourly performance considerations for this quarter

- The new threshold will apply from December 2022 to February 2023 and these reporting months map to September to November 2022 R1 dates.
- MC C is now 28% of the total volume of non-compliant estimation, compared to 39% at the August review. Sub 100kW is now 16% (15% with MC F excluded), compared to 17% in August.
- There have been a number of dips in HH performance over the past quarter, impacting both the SF and R1 runs. Some of the root causes highlighted by Suppliers were temporary: Change of Agent activity; metering faults at high-volume sites; resourcing issues during the implementation of the Faster Switching programme; the impact of the additional Bank Holiday in September; and the latest October contract rounds. However, some root causes have proved move persistent – particularly the difficulty Suppliers have reported in scheduling and prioritising Meter Operator Agent (MOA) appointments.
- Suppliers have also reported that the rise in energy prices appears to be contributing to more failed data retrieval appointments, where customers are preferring to remain billed on estimates.
- Overall, the latest reported daily R1 performance – 98.45% -- is 0.09% higher than it was three months ago. However, daily performance has not improved beyond the peak of 98.61% it first achieved two months ago.
- Daily SF performance, currently recovering from the impact of the October contract rounds, is at 97.64%. Again, the daily peak achieved three months ago (of 98.09%) has not been improved on.
- Resource limitations during December.

Non Half Hourly considerations for this quarter

- The threshold will apply from December 2022 to February 2023 and these reporting months map to September to November 2021 RF dates for NHH.

- NHH is now 56% (57% with MC F included) of total non-compliant estimation, compared to 44% at the August review.
- The latest reported daily RF performance is 96.10% - down 0.25% from where it was three months ago.
- The next two months of Settlement Days that will go through the RF Run correspond with a ~0.2% drop in R3 performance, after which R3 performance improves again by ~1.3%.
- Root causes highlighted by Suppliers during the last quarter have included: sites where Meter readings have not been obtained since the end of the COVID-19 derogations period; issues following Change of Agent activity; resourcing issues during the implementation of Faster Switching; and lower than expected return-rates from meter reading campaigns (again potentially linked to the energy price rises).
- One Supplier ID currently accounts for 23% of non-compliant estimation and is in the EFR escalation process.
- Supplier and Supplier Agent resource limitations during December.

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

Elexon has considered the following points in order to set the thresholds for the next quarter:

- The current number of Supplier IDs that fall above a number of different potential thresholds for each market area (below);
- The number of parent companies under which those Supplier IDs are grouped (in response to a request from the PAB at the last review);
- 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 a later section below).

HH MC C – 28% of all non-compliant estimation

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

Threshold (MWh)	No of Supplier IDs	No of parent companies	Volume of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
700	15	14	46,101	88%
800	12	12	43,873	84%
850	10	10	42,236	81%
900	8	8	40,513	77%
1000	8	8	40,513	77%

Elexon concluded that reducing the threshold from 1,000MWh to 850MWh would:

- Maintain the coverage of non-compliant estimation above 80%. At the last review, 88% of non-compliant estimation was captured by the threshold of 1,000MWh – however, for the current period this would only cover 77%. Reducing the threshold to 850MWh would keep 81% into focus.
- Ensure the number of Suppliers in focus is at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation. At the August review, 13 Supplier IDs were captured by the agreed threshold. A threshold of 850Wh this quarter would initially capture 10 Supplier IDs – however this is expected to rise to 12, should winter volumes increase in line with the previous year.
- Bring the threshold closer to those in place prior to the pandemic.

HH non-domestic sub-100kW (MCs E and G) – 15% of all non-compliant estimation

Elexon considered the effectiveness of the following thresholds:

Threshold (MWh)	No of Supplier IDs	No of parent companies	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
700	10	10	21,258	80%
800	9	9	20,536	77%
850	9	9	20,536	77%
900	8	8	19,652	74%
1000	5	5	16,821	63%

For reference, the table below provides a view of these thresholds with Measurement Class F included.

Threshold (MWh)	No of Supplier IDs	No of parent companies	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
700	11	10	23,106	78%
800	10	9	22,384	76%
850	10	9	22,384	76%
900	9	8	21,500	73%
1000	6	5	18,630	63%

Elexon concluded that reducing the threshold from 1,000MWh to 850MWh would:

- Maintain the level of market coverage at 77% (equal to that agreed at the August review). If the threshold were to be left at 1,000, this would represent a 14% drop in market coverage.
- Ensure the number of Suppliers in focus is at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation. At the August review, 10 Supplier IDs were in focus under the agreed threshold. A threshold of 850MWh this quarter would keep nine Supplier IDs in focus.
- Bring the threshold closer to those in place prior to the pandemic.
- Ensure a consistent approach for the non-domestic HH market.

NHH and MC F Performance – 57% of all non-compliant estimation

Elexon considered the effectiveness of the following thresholds for the NHH and non-domestic elective HH market:

Threshold (MWh)	No of Supplier IDs	No of parent companies	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
900	19	12	95,525	92%
1,000	16	11	92,686	89%
1,250	14	10	90,465	87%

For reference, the table below provides a view of the same thresholds with Measurement Class F excluded.

Threshold (MWh)	No of Supplier IDs	No of parent companies	Vol of non-compliant energy (MWh)	Coverage of non-compliant energy in this market
900	19	12	95,089	92%
1,000	16	11	92,250	89%
1,250	14	10	90,032	87%

Elexon concluded that maintaining the threshold at 1,250MWh would:

- Still increase the level of market coverage (from 84% agreed in August to 87%);

- Ensure the number of Suppliers in focus is at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation. It is notable that one Supplier ID currently accounts for 23% of non-compliant estimation in this market. At the August review, 13 Supplier IDs were in focus. This now increases to 14, with the potential that higher winter volumes could increase this to 18.

Review of EFR exit requirement and EFR exit recommendation

In October 2020, the PAB agreed that Suppliers were no longer required to maintain a performance average above the relevant standard for three months to exit EFR and agreed that 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 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.

In line with the approach to the performance thresholds, Elexon recommends that the exit criteria for the next quarter for all market sectors are half of the volume of non-compliant estimation of the entry trigger (425MWh for HH and 625MWh for NHH).

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

In the May review, Elexon noted that we had received feedback from some Suppliers that they were reluctant to move sites to HH from NHH, due to the impact on their NHH performance. This was because on transferring sites with working smart or Advanced Meters to HH Settlement, the remaining NHH portfolio would have less energy settled with an AA at RF. 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.

The PAB approved the following change to address this:

- The current NHH volumes (MC A) should be merged with MC F to monitor the 97% NHH performance standard at RF.

The PAB also approved the following timeline of activities to implement the 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 for Suppliers and PAB (OSMs will agree with Suppliers the frequency of any parallel reporting)
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)

Elexon has now completed the first five activities.

Following a review of parallel reporting, Elexon has determined that the change will not initially lead to any additional Suppliers falling in focus for EFR assessment, or any Suppliers already in EFR meeting the exit threshold.

One Supplier has however noted that it expects some short term impact on the upcoming milestones in its NHH performance EFR plan, due to historic issues with some of the earlier sites it migrated to Measurement Class F. It has therefore requested to re-baseline its EFR plan in line with agreed approach.

Further to this change in approach, Suppliers have noted to Elexon that they have accelerated their migration of NHH MSIDs to MC F. Since the May review, the MSID count for MC F has increased from 109,000 to 248,000.

Likely changes as a result of the next threshold review in February 2023

The assessment of the threshold review in February will consider analysis for the Settlement Days in November 2022 at R1 for HH and November 2021 at RF for NHH. The threshold will apply for Settlement Days from December 2022 to February 2023 at R1 for HH and December 2021 to February 22 at RF for NHH.

For the HH market, given the slower progress at SF over the past quarter and expected increased volumes for the winter period, Elexon expects to maintain the new threshold of 850MWh at the next review.

For NHH, given the current decline in performance, the concentration of non-compliant estimation associated with a small number of focus Suppliers, and an expected increase in focus Suppliers due to higher winter volumes, Elexon expects to maintain the threshold of 1,250MWh threshold into the following quarter. However, if NHH performance improves and winter volumes do not result in a significant increase in focus Suppliers, a further reduction to the threshold will be considered at the next review.

EFR Considerations

The following assessment timetable for EFR entry or exit will be applied for the upcoming quarter:

PAB Reporting Month	Relevant Settlement Dates for Reporting	EFR Exit Criteria assessed	Focused Suppliers assessed for EFR entry
December 2022	September 2021 at R1 for HH September 2020 at RF for NHH	December 2022	January 2023
January 2023	October 2022 at R1 for HH October 2021 at RF for NHH	January 2023	February 2023
February 2023	November 2022 at R1 for HH November 2021 at RF for NHH	February 2023	March 2023

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.

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