

# Quarterly Performance Assurance Report

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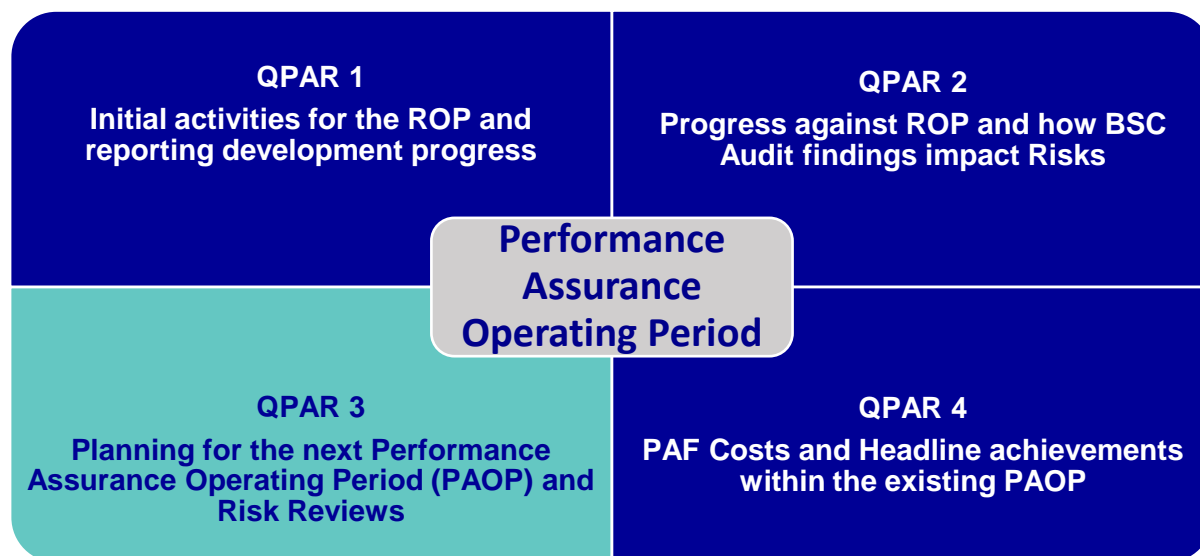
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## Summary

This is the third of four Quarterly Performance Assurance Reports (QPARs) for the 2022/23 Performance Assurance Operating Period (PAOP), which inform the industry of the activities that have been undertaken in each quarter as agreed in the [2022/23 Risk Operating Plan \(ROP\)](#). This report focuses on the additional and non-Business As Usual (BAU) Assurance activities to ensure no duplication of work.

The progress updates provided within this QPAR include:

- Updates from the Elexon Risk and Technique Managers;
- Monitoring of focus risk areas;
- Additional risk updates; and
- A view of the BSC and Technical Assurance of Metering (TAM) audits through risk dashboards;



## Risk Manager Update

During the third quarter of the 2022/23 PAOP, our Risk Team has continued to monitor the Settlement Risks that are in focus for this year, using Performance Assurance Techniques and additional assurance reporting.

The following activities have been undertaken in order to support the management of our focus risks:

- **Risk 008** – continued, focused communication with Suppliers that have instances of large Estimated Annual Consumptions (EACs) and Annual Advances (AAs) in order to get the instances resolved;
- **Risk 007** – as industry performance has not recovered to pre-pandemic levels, we continue to work with Suppliers to understand the root causes of not being able to obtain and settle on actual data, and to support performance recovery through regular communication with Suppliers that are in focus and the deployment of the Error and Failure Resolution (EFR) technique; and

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- **Central Volume Allocation (CVA) focus risks** – continued assurance has been provided, aiming to identify errors in the CVA market through additional reporting and physical inspections of Metering Systems.

Additional activities that have been undertaken by the Risk Team in quarter three include:

- The creation of new dashboards, which will help us to manage Settlement Risks more effectively.
- The formulation of the Risk Operating Plan (ROP) for the 2023/24 PAOP, which will be reviewed by the PAB on 26 January 2023, and will be available for industry consultation following the PAB meeting.

In quarter four, the Risk Team will continue to monitor the risk areas that are currently in focus as well as planning our risk management activities for 2023/24.

If you have any questions regarding Risk, please contact [Risk@elxon.co.uk](mailto:Risk@elxon.co.uk)

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### Technique Manager Update

During the third quarter of the 2022/23 PAOP, the Technique Team continued to progress the BSC and TAM audits for the 2022/23 audit year. The Technical Assurance Agent (TAA) completed its Supplier Volume Allocation (SVA) main sample and desktop audit sample and continues to progress its Central Volume Allocation (CVA) specific sample audit.

The Technique Team resolved 26 Trading Disputes between October and December 2022, with the corrected materiality equating to approximately £545,000.

The [BSC Change process training videos](#) were updated on the website during Q3. Elxon continues to review training material to ensure that it is up to date.

Elxon presented three Qualification Applicants to PAB, all of which were approved. There was one Surrender of Qualification, one Removal of Qualification and one withdrawal from the BSC.

In Q4, the Technique Team will be developing its BSC and TAM audit scopes for the 2023/24 audit cycle in line with the 2023/24 ROP.

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### Progress against the Risk Operating Plan (ROP) 2022/23

The [Risk Evaluation Register \(RER\) 2022/23](#) identified multiple risk events that are subject to Elxon's assurance processes during the 2022/23 PAOP. The ROP 2022/23, through analysis and consultation, highlighted three areas of focus for the year:

- Post-COVID-19 pandemic market recovery
- Rising energy prices resulting in an increased number of Supplier of Last Resort (SoLR) events
- Providing additional Performance Assurance within the CVA Market

The sections below detail the activities that have been undertaken against these risk areas over the last quarter in order to monitor and minimise the risk to Settlement.

#### Post-COVID-19 pandemic market recovery

At its November meeting, the Performance Assurance Board (PAB) reviewed its approach to managing the Settlement Performance standards.

The PAB approved recommendations to:

- Reduce the threshold at which Half Hourly (HH) Suppliers are considered for entry into the EFR technique to 850MWh of non-compliant estimation.
- Reduce the threshold for HH Suppliers to exit the EFR technique to 425MWh of non-compliant estimation.
- Maintain the existing EFR entry (1,250MWh) and exit (625MWh) thresholds for Non Half Hourly (NHH) Suppliers.

In addition, the PAB gave final approval to the changed approach to monitoring Measurement Class F (domestic elective Half Hourly) for EFR purposes. The change merges Measurement Class F volumes with Measurement

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Class A (Non-Half Hourly) volumes, when assessing performance against the NHH obligation to settle 97% of energy on Annualised Advances (AA) at the RF Settlement Run. The assessment of sub-100kW HH performance at the R1 run now focuses solely on the non-domestic Measurement Classes, E and G. This change is effective from the September 2022 (sub 100Kw) and September 2021 (NHH) reporting periods.

Further details of the current approach to monitoring the Settlement performance standards and expected future changes can be found [here](#).

### Rising energy prices

A rise in gas and electricity prices during the 2021/22 PAOP resulted in an increase in Supplier Defaults and, subsequently, an increase in SoLR events. The ROP detailed activities to undertake in the 2022/23 PAOP to mitigate this risk to Settlement as a result of increased SoLR events. Quarter 2 saw the domestic price cap adjusted to account for higher wholesale energy costs. At the beginning of Quarter 3, the Energy Price Guarantee was introduced, this limited the amount Suppliers can charge their customers per kWh of electricity to 34.0p with the remainder being subsidised by the government. These changes have reduced the risk of more parties defaulting and subsequently reduced the number of SoLR events.

Although the changes detailed above have mitigated excessively high customer bills, electricity bills have still increased for the end consumer. Elexon is considering other risks to Settlement as a result of this and is engaging with industry to further understand the problem. We predict that Risk 018 (Revenue Protection volumes are not settled) could now become more volatile.

### Providing additional assurance within the CVA Market

Elexon held workshops with CVA stakeholders in order to better understand processes and challenges relevant to the high materiality Settlement Errors we have seen in the CVA market, as well as PAB subcommittee meetings that considered how to improve a range of processes and perceived challenges.

### Investigating Potential Issues Indicated by the Annual Demand Ratio (ADR)

Elexon continues to investigate potential errors indicated by ADR on those GSPs that are most likely to be driven by serious metering errors, which should be identified and resolved as soon as possible.

Elexon's Settlement Accuracy Taskforce continued to review relevant indicators such as Annual Demand Ratio (ADR), Group Correction Factor (GCF) and Grid Supply Point (GSP) Metering change points, investigating potential errors. We also updated and improved the commentary provided in respect of ADR performance within the Trading Operations Report

Elexon's Settlement Accuracy Task Force also reviews all GSP change points identified by our GSP change point analytics tool and assigns actions as appropriate:

- Data Checks
- Registration Checks
- Communication

In respect of investigating potential errors on site, we continued to target TAA inspections where it is indicated that there could be an error.

A change point analytic tool, which has proven to be invaluable for identifying potential errors, has been progressed into production and is being run automatically with outputs being issued directly to Elexon's Settlement Accuracy Taskforce for review. Where we are unable to determine the cause for a change point the data is shared with Registrants to investigate further.

To date Elexon has investigated 148 out of 163 change points identified via our automated monitoring across 90 GSPs. 224 Inspection Visits of GSP Metering have now been completed by the Technical Assurance Agent (TAA), with a further 85 scheduled and 14 remaining to be scheduled before the end of March 2023.

Up to date information regarding potential issues and Elexon's investigations is available along with the latest view of ADR data at R2 within the Trading Operations Report.

Going forward Elexon will be communicating GSP change points to the Registrant, CVA MOA and Transmission Owner associated with the relevant GSP as soon as possible after the change point is identified.

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Further details on the actions assigned by Elexon to progress investigations have been published on our website and can be found on the [Trading Operations Report to this page](#).

### Impacts of the Meter Shortage on CVA Risk

Elexon is aware of the continued impacts of supply chain challenges and component availability on the availability of Metering Equipment. Elexon continues to engage with CVA MOAs in order to better understand these impacts. An increase in the time taken to resolve CVA faults has been noted, we believe this is being driven in part by the availability of Metering Equipment required in order to resolve faults.

The latest view of the impacts of the Meter shortage according to Request for Information (RFI) responses is available on Elexon's website - [Monitoring of the meter stock shortage, driven by global materials availability and supply chain challenges](#).

RFI responses from CVA MOAs indicate that the Meter shortage continues to have an impact on operations but this is expected to improve over the next six and twelve months.

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### Additional Risk Updates

#### Risk 008 – Processing Metered data - Large EAC/AA Material Error Monitoring (MEM)

In September 2022, a targeted communications exercise was commenced to encourage Suppliers to rectify large EAC/AA Instances above 500MWh. Elexon used the Supplier Energy Allocation Error (SEAE) Graphs, Materiality Reports and overall Market Level error to determine if this communications exercise was effective. While initially we saw a drop in error levels, this reduction has now plateaued, and alternate methods will need to be employed in order to improve performance. Elexon is now considering the deployment of EFR for Parties that have been unable to resolve their instances.

#### Risk Evaluation Register (RER)

The Risk Evaluation Register (RER) was circulated for consultation in October 2022, inviting BSC Parties and other interested parties to provide comments and feedback during the consultation period, which closed on 30 November 2022.

BSC Performance Assurance Parties (PAPs) and other interested parties were invited to complete the consultation to comment on which events (as identified in the RER) and Risks affected by each event, will most impact their operations in 2023/24 and subsequently hinder their ability to meet BSC obligations.

The feedback collated from the 2023/24 RER consultation will be used to create the ROP for 2023/24.

Elexon received nine responses from a variety of industry participants. For anonymised details of the responses received please find them [here](#).

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### Risk dashboards

This section of the QPAR highlights a selection of the Settlement Risk dashboards that are used for internal monitoring of the Risks. Since the Q2 QPAR, Elexon reviewed their project plan and decided to develop some of the dashboards in a different format. Page 6 gives examples of the new format; a collated view of the Settlement Risks from the perspective of the Performance Assurance Techniques (PATs).

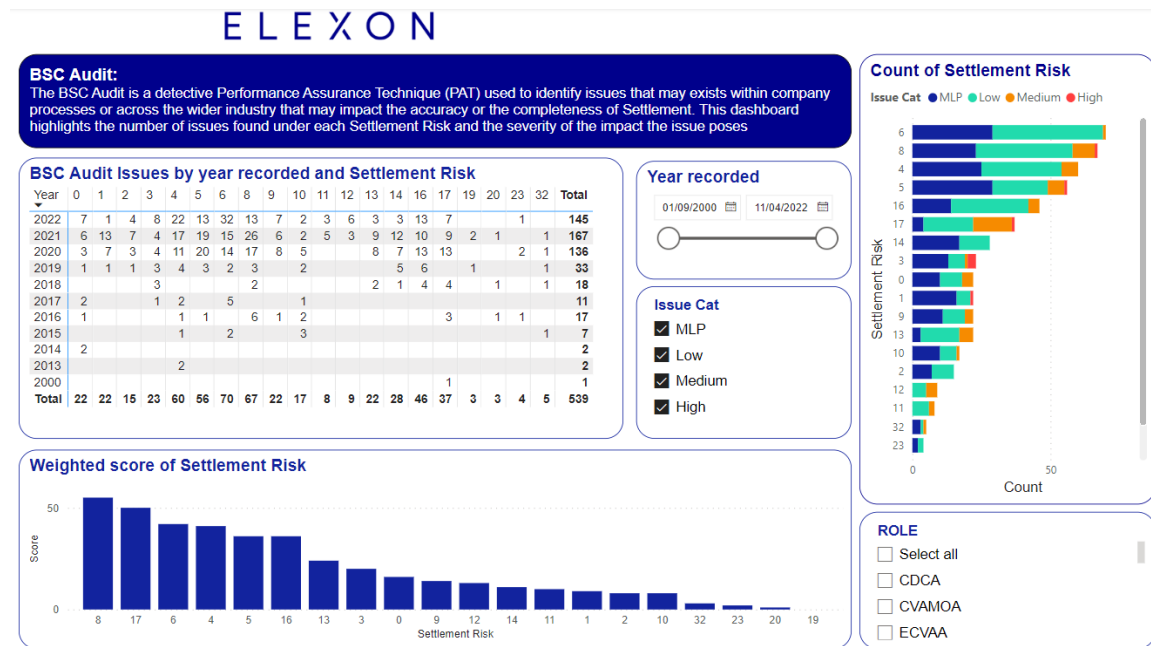
#### BSC Audit

The BSC Audit dashboard identifies the most prevalent Settlement Risks identified through the Audit Issues. This view shows all open Issues from 2000/01 PAOP until the most recent PAOP 2022/23.

The "Count of Settlement Risk" graph to the right of the extract highlights that Settlement Risk 006 "Incorrect Meter detail transfer on change of agent" has the highest number of Audit Issues associated to it, but this graph does not account for severity of Issues. The "Weights score of Settlement Risk" graph at the bottom of the extract shows that Risk 008 "Metered Data is not processed or transferred" and Risk 017 "exception reports not managed correctly" have a higher weighting when scoring with consideration to severity.

These graphs help Elexon to compare the Settlement Risks and guide the focus of further Assurance activities.

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### TAM Audit

The TAM Audit dashboard identifies volatile Settlement Risks in a similar manner to the BSC Audit dashboard. However, this dashboard explores the different of Category 1 non-compliances (a non-compliance has been identified which is deemed to be currently affecting the quality of data for Settlement purposes) and the Settlement Risks they affect.

The “Non-Compliance Count by Risk” graph shows that Risk 003 “Metering Equipment Installations are incorrect” contributes largely to the Issues identified in the Audit, this is unsurprising due to the nature of the Audit. This other graphs delve deeper into the different Category 1 non-compliances and how long they have been open, what GSP group they exist in and when they were discovered.

