ELEXON

RISK OPERATING PLAN 2023/24

Public

Document owner	Document number	Date
Kat Higby	**PAB 264/07A V1.0**	**January 2023**

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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) and other assurance activities it considers should be deployed for each Settlement Risk on the Risk Evaluation Register (RER). 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 2023/24 ROP (effective from **1 April 2023 to 31 March 2024)** has been created based on feedback provided by Market Participants and other interested parties on events that are likely to impact Settlement Risks within the Performance Assurance Operating Period (PAOP), as identified in the RER and the 2023/24 PAB strategy.

This ROP report contains the following:

- A review of the last PAOP;
- Analysis of the ROP inputs;
- High and medium focus risks for 2023/24;
- The planned PAT deployment against each individual Settlement Risk that is in focus; and
- The estimated cost of PAT deployment for the 2023/24 PAOP.

The final version of 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 responsibility for each Settlement Risk recorded 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 recommending additional assurance activities to the PAB, via the Risk Report. This work is also done in collaboration with Technique Owners, led by the Technique Manager, who together with the Risk Owner will make recommendations for PAT deployment.

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.

Executive Summary – High and Medium Focus Risks for 2023/24

After consideration of the key inputs into this ROP (customer feedback, the PAB strategy, risk events identified in the RER and detective PAT results), the following Supplier Volume Allocation (SVA) and Central Volume Allocation (CVA) Settlement Risks have been selected for additional focus in 2023/24.

Elexon proposes to place a high and medium focus and priority on the following Settlement Risks by deploying additional PATs (outside of the regular PAT deployment) and additional assurance activities.

High Focus Risks

Risk	Market	Risk Sub-Category
020	CVA	Metering Equipment installation, programming, maintenance and Commissioning
021	CVA	Retrieval and processing of Metered Data
022	CVA	Notification of change to Metering Equipment
023	CVA	Fault resolution
003	SVA	Metering Equipment installation, programming, maintenance and Commissioning
007	SVA	Retrieval of Metered Data
008	SVA	Processing of Metered Data
017	SVA	Exception management

Medium Focus Risks

Risk	Market	Risk Sub-Category
005	SVA	Fault resolution
016	SVA	Energisation status
018	SVA	Revenue protection

The full rationale and planned activities for these Settlement Risks can be found in the Risk Operating Plan for 2023/24 Focus Risks section of this ROP.

2022/23 in Review

For the 2022/23 PAOP, Elexon and the PAB placed a greater focus on three risk areas. For each individual Settlement Risk identified in each of the three risk areas, the planned actions noted in the 2022/23 ROP aimed to:

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

Progress against the three focus risk areas

Detailed progress against each of the three focus risk areas has been documented in the Q1 QPAR and Q2 QPAR. The Q3 QPAR and the final QPAR of the PAOP will be available on the Elexon website in January and April 2023.

In summary:

Focus Risk Area	Actions taken - Highlights
Supporting the recovery of the market, following the COVID-19 pandemic	• Quarterly reviews of our approach to monitoring Settlement performance have allowed a phased approach to market recovery following reduced industry performance reported since the COVID-19 pandemic. Thresholds of non-compliant estimation have been used to ensure that Elexon and the PAB are focused on the Suppliers with performance that is likely to have the biggest Settlement impact. Elexon has recommended the deployment of the Error and Failure Resolution (EFR) technique where appropriate for the Suppliers that are in focus. • The thresholds of non-compliant estimation have been reduced where appropriate on a quarterly basis in order to encourage improvement of industry performance. • The assurance applied to post-COVID-19 pandemic market recovery has improved industry performance from peak-pandemic levels, however it is not yet reflective of pre-pandemic performance levels.
Provide improved Performance Assurance within the CVA Market	• Established a Settlement Accuracy Taskforce and developed a workflow for the review of relevant indicators and the investigation of potential errors. • Updated and improved the commentary provided in respect of Annual Demand Ratio (ADR) performance within the Trading Operations Report. • Engaged with CVA Registrants in respect of potential Settlement Errors. • Held workshops with CVA stakeholders in order to better understand the processes and challenges that are relevant to the significantly material Settlement Errors that we have seen in the CVA market. • Established a PAB subcommittee to consider a range of processes and perceived challenges that were de-scoped from BSC Issue Group 103 in order to allow for the timely conclusion of the BSC Issue. • We have continued to target Technical Assurance Agent (TAA) inspections where it is indicated that there could be an error on a specific site. • Developed change point analytics for Grid Supply Point (GSP) consumption, which has proven to be an invaluable tool for identifying potential errors.

Risk Operating Plan

	• Change point analytics have been progressed into production and are being run automatically with outputs being issued directly to the 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. • We have continued to engage with Parties in respect of aged CVA faults in order to ensure that priority is given to the resolution of these faults. • We have continued to monitor and report on the impacts of the Meter stock shortage.
Rising energy prices resulting in an increased number of Supplier of Last Resort (SoLR) events	• 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 2022/23 ROP detailed activities to undertake to mitigate this risk to Settlement as a result of increased SoLR events. In Quarter Two, the domestic price cap was adjusted to account for higher wholesale energy costs. At the beginning of Quarter Three, the Energy Price Guarantee (EPG) scheme was introduced, this limited the amount that Suppliers can charge their customers per kWh, with the remainder being subsidised by the Government. These changes have reduced the risk of more BSC Parties defaulting, and has subsequently reduced the risk of more SoLR events.

Additional Key Achievements

- The Assurance Information Request (AIR) PAT was introduced into The Performance Assurance Framework (PAF) in May 2022. This PAT will be used as a form of assessment and a detective technique to gain an understanding of how a certain process or BSC Party operates.
- The Assurance Performance Annual Timetable (APAT) was amended, bringing forwards the development of the RER and the ROP. This change enables the most up to date detective PAT results to feed into the development of the RER and ROP. As a result, our focus for 2023/24 will be reflective of the results of our detective PATs.
- GSP change point analytics have been produced, which can automatically flag GSP change points, indicating potential GSP errors. This has enabled faster review and investigation of potential GSP errors.
- Approval and implementation of P427[1], which aims to enhance BSC Party incentives in respect of improving their Settlement Performance, and accountability for / contribution to Settlement Errors.
- Development of PowerBI reports, which are collated into risk dashboards, enabling analysts to efficiently gain insight into the prevalence and impact of specific Settlement Risks using PAT data.

[1] Publication of Performance Assurance Parties' impact on Settlement Risk

Recorded Settlement Risks

The Risks recorded in the RER for 2023/24 along with the Risk Owners that are responsible for managing each Risk are listed below:

Risk	Description (The risk that…)	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	Ben Mitchell
32	Manual adjustments to CVA Metered Data are not completed correctly, or at all	
34	The SVAA does not process or transfer the correct data or does not use approved default data.	
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	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	
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	
5	A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved	Jason Jackson
23	A fault with CVA Metering Equipment is not resolved, such that Metered Data is recorded incorrectly or cannot be retrieved	
24	CVA reference data is not created or transferred correctly, or at all	
28	NETSO does not submit or submits incorrect Settlement data	
29	The SAA's calculations and processing are incorrect or use incorrect data	
30	The ECVAA does not carry out processes correctly, such that output files are inaccurate	
31	The FAA does not accurately process Trading Charges or calculate ad-hoc charges correctly, such that Advice Notes are incorrect	
1	SVA Metering Point is registered incorrectly or not at all, such that metered data is not collected or aggregated	Jessica 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	
8	SVA metered data is not processed or transferred correctly, or at all	
18	Revenue protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement	
20	CVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	
17	Exception reports are not sufficiently managed, such that material exceptions are not addressed at all or in a timely manner	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	
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	Mica Thomas
11	Unmetered Supplies volumes are calculated incorrectly or not at all	
12	SVA Metering System technical details are created incorrectly	
15	SVA reference data is not created or transferred correctly, or at all	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	
2	SVA Metering System attributes held in the Supplier Meter Registration Service (SMRS) or by any party in the Supplier Hub are incorrect	
3	SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	Simon Waltho
21	CVA Metered Data is not retrieved, or processed correctly, or at all, by the CDCA	
22	Changes to CVA Metering Equipment are not notified to CDCA	
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	
13	Manual adjustments to Metered Data are not completed correctly, or at all	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	
33	An Interconnector Administrator does not submit, or submits inaccurate BM Unit Metered Volume data	

Available Risk Management Tools

Performance Assurance Techniques

There are 17 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		Non-standard - Triggered by the PAB or PAP
Bulk Change of Agent (BCoA)		Non-standard - Triggered by Supplier
Education		Non-standard - Fully flexible – triggered by the PAB
Performance Monitoring & Reporting	Detective	Mandatory - Applicable to all relevant parties as per the BSC
Material Error Monitoring (MEM)		Standard - Fully flexible – triggered by the PAB
Technical Assurance of Metering Systems (TAM)		Standard - Partly flexible – the PAB manages scope
BSC Audit (BSCA)		Standard - Partly flexible – the PAB manages scope
Technical Assurance of PAPs (TAPAP)		Non-standard - Fully flexible – triggered by the PAB
Assurance Information Request (AIR)		Non-standard - Fully flexible – triggered by the PAB
Peer Comparison	Incentive	Standard - Partly flexible – the PAB decides Serials
Removal of Qualification		Non-standard - Fully flexible – triggered by the PAB
Breach and Default		Non-standard - Fully flexible – triggered by the PAB
Supplier Charges	Remedial	Mandatory - Applicable to all relevant parties as per the BSC
Error and Failure Resolution (EFR)		Non-standard - Fully flexible – triggered by the PAB
Trading Disputes		Non-standard - Partly flexible – deployed for errors meeting BSC criteria
Change Mechanisms		Non-standard - Fully flexible, triggered by the PAB

Mandatory PATs - PATs which the PAB is required to deploy to PAPs 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 an informal request, a formal RFI (Request for Information) or using the AIR technique as appropriate.

Risk Assessment and Monitoring Dashboards

As part of our Settlement 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 all Settlement Risks. These will provide insight into Party performance against noted risk factors for each Settlement Risk. We aim to use this reporting to inform recommendations made to the PAB.

The 2023/24 ROP Inputs

In order to create this ROP, the Risk Manager has considered four inputs in order to ascertain the most appropriate focus for 2023/24. The selected focus areas that are proposed in this ROP are based on:

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

Events identified in the RER

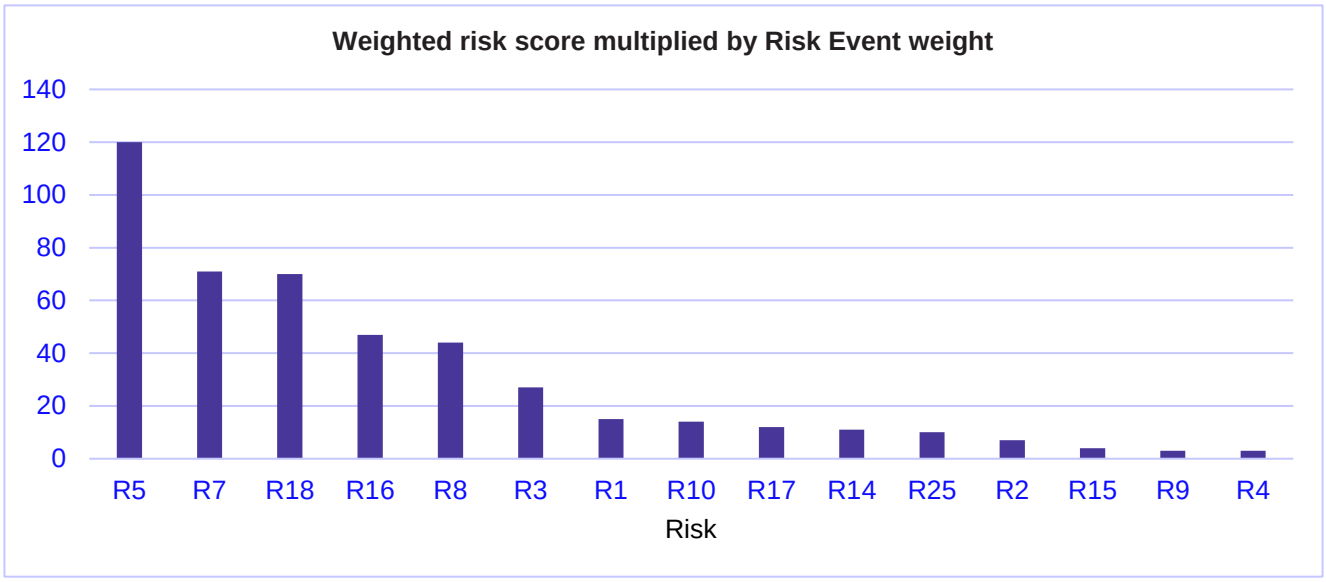
The 2023/24 RER focuses on events that may happen during the 2023/24 PAOP, and the Settlement Risks that would be impacted if such events were to occur. There were five risk events that were identified:

- Reduced supply of gas
- Metering Systems shortage
- Market performance decline
- CVA Market errors
- The transition to Market-Wide Half Hourly Settlement (MHHS)

Customer Feedback

SVA and CVA Market Participants and other interested parties have been asked to complete an assurance survey in order to suggest which events (as identified in the RER) and Settlement Risks affected by each event will have the most impact on their operations, and therefore their ability to meet BSC obligations in 2023/24.

The weighted score[2] for each Settlement Risk calculated based on this assurance survey is as follows:



[2] In order to obtain a weighted score for each Settlement Risk, risk events and risks were scored based on how impactful they were rated by participants that completed the survey. The score of each risk was multiplied by the score of the event that it was associated with.

Risk Operating Plan

The 2023/24 Performance Assurance Board (PAB) Strategy and Risk appetite

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.

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.

The areas of priority of the PAB for 2023/24 are proposed based on discussions and concerns raised at PAB meetings throughout 2022/23 and at the PAB Strategy Day, which was held in October 2022. PAB priorities will evolve over the year depending on market conditions, industry focus and feedback from BSC Parties.

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

Priority area	Summary
CVA Market Assurance	Following the identification and correction of significant CVA Metering errors, which have financially impacted many BSC Parties, 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 performance recovery	Market performance, which remains below standard across the market following the COVID-19 pandemic, should be improved as a priority in line with the required performance standards.
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 is impacting the operations of BSC Parties and Settlement Risks relating to new connections, Meter faults and the collection of actual data for use in Settlement.

Audit Results

We have analysed the results of the TAM and BSC audits in order to ensure we place sufficient focus on Settlement Risks that the most significant non-compliances have been reported against.

BSC Audit:

Risks have been allocated a priority for the purposes of this ROP, based on their weighted score under the BSC Audit technique, which is as follows:

Risk	Risk Title (the risk that…)	Priority based on weighted score
017	Exception reports are not sufficiently managed, such that material exceptions are not addressed at all or in a timely manner	1
008	SVA metered data is not processed or transferred correctly, or at all	2
032	Manual adjustments to CVA Metered Data are not completed correctly, or at all	3
003	SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	4

Risk Operating Plan

TAM Audit

In order to assess the significance of the findings of the TAA, we have compared year-on-year audit results for the last five years:

Audit Year	Number of Inspection Visits	Category 1 non-compliances[3]				Category 2 non-compliances[4]			
		Risk 012	Risk 003	Risk 004	Risk 005	Risk 012	Risk 003	Risk 004	Risk 005
2018-2019	1297	0.08%	1.54%	0.00%	0.00%	0.04%	1.93%	0.02%	0.02%
2019-2020	956	0.31%	2.30%	0.00%	0.00%	0.04%	2.01%	0.02%	0.01%
2020-2021									
2021-2022	273	0.00%	1.47%	0.00%	0.00%	0.05%	1.68%	0.05%	0.01%
2022-2023	407	0.00%	3.93%	0.00%	0.00%	0.03%	3.03%	0.01%	0.00%

[3] The percentage of Inspection Visits that resulted in a Category 1 non-compliance (A non-compliance has been identified from an Inspection Visit, which is deemed to be currently affecting the quality of data for Settlement purposes)
[4] The percentage of Inspection Visits that resulted in a Category 2 non-compliance (A non-compliance has been identified from an Inspection Visit, which is deemed to be have the potential to affect the quality of data for Settlement purposes)

Risk Operating Plan for 2023/24 Focus Risks

After consideration of the all ROP inputs listed in the previous section, we are proposing three Settlement Risk focus types for 2023/24, these are;-

1. **CVA high focus risks (high focus and priority)**
2. **SVA high focus risks (high focus and priority)**
3. **SVA medium focus risks (medium focus and priority)**

The impact and rationale for each Settlement Risk selected for focus is set out in the following sections. For each Settlement Risk, we have noted additional PATs and assurance activities that will be considered for deployment in 2023/24.

On an ongoing basis, the PAB will determine which of the listed additional PATs will be deployed in 2023/24 based on Elexon's Settlement Risk monitoring and recommendations.

The additional PATs and assurance activities that will be deployed against Settlement Risks will aim to:

- Improve industry performance;
- Reduce the impact and volatility;
- Enhance monitoring in order to allow the risk to be assessed more effectively; and / or
- Improve the existing controls with the deployment of additional assurance activities and PATs, aiming to reduce the impact of the risks.

CVA Focus Risks

Both Elexon and the PAB consider that CVA assurance and controls should remain a priority in 2023/24 due to the significant material impact of recent errors on Settlement and BSC Parties. Elexon proposes that high focus is placed on the following CVA risks:

Risk	Risk Sub-Category	Impact (Mwh)	Upper Impact (Mwh)	Focus Risk Rationale
020	Metering Equipment installation, programming, maintenance and Commissioning	25.8k	58.9k	• Two ROP inputs (the RER and the PAB strategy) have identified CVA market errors as a significant risk. • Significant Settlement Errors may occur as a result of failure of any these CVA risks. A high focus is required in order to identify and resolve existing errors and to prevent further errors from occurring. The resolution of significant errors in Settlement can financially impact multiple Market Participants through the rectification of historic under- or over-payment of imbalance changes that have been based on incorrect data.
021	Retrieval and processing of Metered Data	1.2m	2.6m	
022	Notification of change to Metering Equipment	62k	436.0k	
023	Fault resolution	1m	2.1m	
	TOTAL	**2.28m**	**5.19m**	

Risk Operating Plan for CVA Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2023/24)	Additional PAT deployment to be considered for 2023/24	Additional assurance activities for 2023/24
020	Trading Disputes, TAM, BSC Audit, EFR (applied following the BSC Audit)	• TAM Specific Sample on Metering Equipment installed by Independent Connection Providers (ICPs)	• The continuation of Issue Group 103, which meets on a monthly basis to review existing controls for CVA Settlement Error prevention. • Continue to work through the areas identified for review by the PAB Meter Registrants and Settlement Risk sub group via industry consultation with Assurance actions and BSC Changes being submitted to the PAB and Issue 103 Workgroup respectively • Continue to monitor and report on the impacts of the Meter shortage via industry consultation • Continue to review GSP change points identified by our automated monitoring, investigating potential issues and working with Registrants to explain changes in import or export at GSPs • Seek to gain assurance that the Meter Outstation alarm processes are being operated effectively in both the CVA and SVA markets via the application of various PATs in respect of PAP processes and via contract management in respect of CDCA processes • Continue to develop monitoring and reporting to provide greater insight into CVA performance and with a view to identifying potential errors earlier
021	Trading Disputes, BSC Audit, EFR (applied following the BSC Audit)	• AIR and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place to validate Settlement data, resulting in: - TAPAP, Education and / or change to add BSC requirements for Registrants to validate data	
022	Trading Disputes, TAM, BSC Audit, EFR (applied following the BSC Audit)	• AIR and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place to be notified of work being carried out by a third party or where they don't own the site, resulting in: - TAPAP, Education and / or change to add BSC requirements regarding the notification of work being carried out on site.	
023	Trading Disputes, BSC Audit, EFR (applied following the BSC Audit)	• AIR and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place identify and report faults, resulting in: - TAPAP, Education and / or change to add BSC requirements for Registrants to identify and report faults	

The Settlement Risks listed above have been identified as requiring a high focus and require the deployment of additional PATs in order to assist in their immediate management. The ongoing Issue Group 103 discussions will place an element of focus on all CVA risks in 2023/24 as the group continue to discuss and make recommendations on how the CVA market as a whole can be more effectively assured going forwards.

SVA High Focus Risks

The following SVA risks have been selected for a high focus in 2023/24:

Risk	Risk Sub-Category	Impact	Upper Impact	Focus Risk Rationale
003	Metering Equipment installation, programming, maintenance and Commissioning	3.2M	6.9M	• There has been an increase in Category 1 non-compliances identified by the TAA in 2022/23 relating to Risk 003 • The BSC Audit technique has identified an increase in material error due to the management around the process of Commissioning, including the sending of relevant data flows • Risk 003 is predicted to be impacted by two risk events on the RER and is considered to be the sixth most impactful on BSC Party operations based on feedback from our assurance survey.
007	Retrieval of Metered Data	1.2M	2.3M	• Industry performance remains lower than pre-pandemic levels in all areas of the market. Elexon and the PAB consider the recovery of market performance to be a top priority in 2023/24. • Risk 007 is impacted by the ongoing Meter stock shortage, where faulty Meters cannot be replaced, resulting in data being estimated for Settlement purposes. • Risk 007 in predicted to be impacted by four risk events on the RER is considered to be the second most impactful on BSC Party operations based on feedback from our assurance survey
008	Processing of Metered Data	157k	211.2k	• The average number of Suppliers with material instances of large EAC/AAs that are above their applicable threshold has increased in 2022/23. • The BSC Audit technique has identified Risk 008 as having the second highest weighted score. • Risk 008 is predicted to be impacted by three risk events on the RER and is considered to be the fifth most impactful on BSC Party operations based on feedback from our assurance survey
017	Exception management	5k	38k	• The results of the BSC Audit show that Risk 017 has the highest weighted score and notes and increase in material error, which was due to the management of D0095 (Non Half Hourly Data Aggregation Exception Report) and D0235 (Half Hourly Aggregation Exception Report) exceptions. • Risk 017 is predicted to be affected by two risk events listed on the RER.
	TOTAL	**4.56M**	**9.44M**	

Risk Operating Plan for SVA High Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2023/24)	Additional PAT deployment to be considered for 2023/24	Additional assurance activities for 2022/23
003	BSC Audit, EFR (applied following the BSC Audit), Trading Disputes, Technical Assurance of Metering (TAM)	Elexon will review data from the PATs that are currently being deployed before recommending further PAT deployment	• Granular root cause analysis of Category 1 non-compliances identified by the TAA and BSC audit issues. • Monthly monitoring using PATs outputs and the risk dashboard information. • Continuation of Issue Group 99[5].
007	PARMS, EFR (applied for performance)	Peer comparison – Risk 007 performance data will be publish following the approval of Modification P427	• Quarterly performance threshold reviews. • Monthly engagement with Parties that have the lowest performance to understand and help to resolve issues. • EFR exceptions to be reported to the PAB on a monthly basis. • Continue to monitor and report on the impacts of the Meter shortage via industry consultation
008	Material Error Monitoring (MEM), BSC Audit	EFR	• Monthly monitoring and focused communication with Suppliers to resolve instances of erroneously large Estimated Annual Consumption/Annualised Advances (EAC/AAs). • Collaboration between the Risk Owner, MEM Technique Owner and EFR Technique Owner to agree an EFR deployment processes for Suppliers that are in breach of their materiality threshold.
017	BSC Audit	EFR	• Monthly monitoring using risk dashboard information. • Monitor the results of the BSC Audit. • Recommend deployment of the EFR technique should outstanding BSC Audit issues not be rectified.

SVA Medium Focus Risks

The following Settlement Risks have been selected for medium focus in 2023/24 based on our assessment of the ROP inputs.

Settlement Risk 005 was considered the most impactful on the operations of BSC Parties based on the results of our assurance survey. The majority of the controls for the Settlement Risk are the responsibility of MOAs, which are now governed by the Retail Energy Code (REC).

Settlement Risks 018 and 016 were considered the third and fourth most impactful on our assurance survey.

We will deploy the PATs and additional assurance activities listed below in order to:

- Improve the existing controls within the Settlement Risk; and
- Enhance our monitoring in order to better understand the impact of the Settlement Risk

[5] Review the use of the D0215 flow and its associated processes

Risk Operating Plan

Risk	Risk Sub-Category	Impact	Upper Impact	Ongoing PAT deployment (to be continued in 2023/24)	Additional PAT deployment for 2023/24	Additional assurance activities for 2023/24
005	Fault resolution	604.8k	1.07M	BSC Audit, EFR, Trading Disputes, TAM	Review the outcome of the 2022/23 AIR for DCs on outstation alarms to determine whether additional PATs are required.	• Regular Risk monitoring using available data • Meter shortage monitoring • Cross-code engagement
016	Energisation status	251.2k	433.6k	MEM, BSC Audit	None – the existing PAT deployment is to be continued	• Increase the frequency of MEM reporting (from quarterly to monthly) and review results to better understand the impact of the Settlement Risk
018	Revenue protection	114.4k	202k	Trading Disputes, BSC Audit	None – the existing PAT deployment is to be continued	• Engage with the REC and attend RPA • Review the current error identification and correction method within Settlement
	TOTAL	**1m**	**1.7M**			

All other Settlement Risks identified on the RER will be managed through monitoring of their regulator PAT deployment. Should this monitoring indicate that additional focus is required, Elexon will make changes to the focus Settlement Risks through within-period revisions to this ROP.

Additional assurance areas of focus

Risk re-scoring activity and dashboards

Elexon is undertaking a review of Settlement Risk re-scoring activity. This review is running concurrently with a project to create new risk dashboards, which will enable analysts to manage Settlement Risks more efficiently. Elexon has been reviewing the data sources that are considered in the annual scoring and is considering other useful sources of information. This re-scoring activity will continue through the 2023/24 PAOP and may include interim updates to the 2023/24 RER as required.

Market-Wide Half Hourly Settlement (MHHS)

Assurance resource will be required in 2023/24 to continue to prepare for the transition to MHHS as we continue to consider how the market will be assured post-implementation. Within assurance, our focus will be on ensuring that all Settlement Risks are captured and are able to be managed effectively both within the transition period and in the long term.

Summary of Costs for delivering Performance Assurance

The estimated cost of delivering the Performance Assurance Framework (PAF) in 2023/24 is **£3,417,312**.

A review of these costs for the last PAOP (2022/23) is shown below

Cost Type	2022/23 Forecast (£k)	2022/23 Actual (£k)
Operational	£1,034	£883
Contractual	£2,670	£2,141
Total	**£3,704**	**£3,024**

The actual costs for 2022/23 were significantly lower than forecast due to two key factors. The Operational costs were lower due to vacancies occurring during the PAOP, which took longer than expected to be filled. The lower Contractual costs was mostly driven by a significant drop in the number of Qualifications throughout the period, combined with some smaller cost savings against other contracted areas.

Operational and Contractual Cost details

PA Technique	Operational Days 22/23	Operational Costs (£k) 22/23	Contracted Costs (£k) 22/23	Total Costs (£k) 22/23
Qualification	102	£32	£69	£101
Training	4	£2	n/a	£2
Disputes	292	£114	n/a	£114
EFR	181	£82	n/a	£82
BSC Audit	205	£76	£1,097	£1,173
TAPAP	10	£5	n/a	£5
TAM	217	£81	£897	£978
AIR	2	£1	n/a	£1
Committee Support	500	£236	£0	£236
Risk Management	575	£254	£78	£332
Total	**2088**	**£883**	**£2,141**	**£3,024**

Contractual and Operational Cost changes for 2023/24

We derived the 2023/24 contractual costs from the BSC proposed budget forecasts as of January 2023. This budget will be approved by the Elexon Board by the end of March 2023. 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).

Forecasted costs for 2023/2024

Cost Type	2023/24 Forecast (£k)
Operational	£958
Contractual	£2,459
Total	**£3,417**

The 2023/24 Forecasted costs are lower than the 2022/23 Forecasts, but higher than the Actual costs. This has been driven by an expectation for the number of Qualification activities to remain low (due to few people expressing an interest in entering the market at present), combined with maintaining cost and resource savings where we can but ensure we maintain focus on the right areas. The work being done to develop the Performance Assurance arrangements for MHHS no longer sits within the BAU Assurance budget, and is covered by our Helix programme. It is

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also worth noting there is a proposed increase in the TAM budget as we seek to enhance our monitoring of the CVA market.

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