

# Performance Thresholds Review

## Performance Assurance Board (PAB)

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**Summary** This Quarterly Performance Thresholds Review recommends maintaining the performance management threshold and Error and Failure Resolution (EFR) exit criteria for both the Half Hourly (HH) and Non Half Hourly (NHH) markets.

## 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 **February 2023** quarterly review provides:

- Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from March 2023 to May 2023:
  - Half Hourly (HH) Measurement Class C and non-domestic sub 100kW (MCs E and G) – to be held at **850MWh**.
  - Non-Half Hourly (NHH) and domestic elective Half Hourly (MC F) – to be held at **1250MWh**.
- Recommended EFR exit criteria:
  - HH MC C and non-domestic sub 100kW (MCs E and G) – to be held at **425MWh**.
  - NHH + MC F – to be held **625MWh**.

## Performance overview, changes over the last quarter and potential impacts in the next quarter

The volume of non-compliant estimation of Suppliers under the standard is set out below. Notably, the share of the NHH sector has increased by 13% over the past quarter.

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% *	November 2022	98.41% at R1	58,394MWh	21%
HH MC E and G	R1 99%	November 2022	96.42% at R1	27,081MWh	10%
NHH + MC F	RF 97%	November 2021	95.62% at RF	194,763MWh	69%
Total				280,238MWh	100%

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

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 estimation. It highlights that the volume of non-compliant estimation has increased in all three market sectors. Within the HH Measurement Class C and NHH sectors, this has increased at a greater rate than total volume.

Market area	Volume of total energy (MWh)		Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	November	February		November	February	
MC C	9,418,071	9,370,815	-0.5%	52,464	58,394	+11.3%
HH MC E and G	996,966	1,045,614	+4.9%	26,728	27,081	+1.3%
NHH + MC F	9,339,962	12,559,983	+34.5%	104,355	194,763	+86.6%

The following table shows the overall industry-level Settlement Performance for each market sector at the previous review points. Again, this highlights a more pronounced decline in NHH performance than for the same period last year.

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%
February 2023	98.41%	96.42%	95.62%
Difference November 2022 to February 2023	-0.06%	+0.23%	-0.52%
Difference November 2021 to February 2022	-0.05%	-0.3%	-0.12%

### Half Hourly performance considerations for this quarter

- The new threshold will apply from March 2023 to May 2023. These reporting months map to the winter months of December 2022 to February 2023 at R1.
- MC C is now 21% of the total industry volume of non-compliant estimation, compared to 28% at the November review. Sub 100kW is now 10% compared to 15% in November. However, actual volumes in both sectors have increased.
- Suppliers continue to report significant problems scheduling and prioritising Meter Operator Agent (MOA) appointments. A shortage of specialist engineers, particularly within the HV sector, appears to be exacerbating this issue.
- For MC C, the latest reported daily R1 performance figure (98.4% for Settlement Day 19 December 2022) is down by 0.05% since the last review. This reflects some of the seasonal decline seen at SF, through December, now impacting R1 to a lesser degree.
- Daily SF performance, however – now recovered from this December drop – is currently 98.13% (at Settlement Day 18 January 2023). This is up by 0.49% since the last review, and has now surpassed the previous daily peak of 98.09%.

- For HH non-domestic sub-100kW (MCs E and G), the latest daily performance at R1 is 96.61% (up 0.24%) and at SF is 95.71% (up 0.95%).
- No Suppliers have exited EFR for HH performance since October 2022.
- One Supplier is currently in EFR escalation (stage 1) for HH performance.
- The increase in the number of in-focus Suppliers, taking account of winter volumes, was higher than forecast.
- There has been a movement of ~3,000 MSIDs from HH Measurement Class G to NHH over the past quarter (primarily driven by one Supplier) and Elexon has been advised of further planned movement away from this Measurement Class.

### **Non Half Hourly considerations for this quarter**

- The new threshold will apply from March 2023 to May 2023 and these reporting months map to the winter months of December 2021 to February 2022 at RF.
- NHH is now 69% of total non-compliant estimation, compared to 57% at the November review.
- The latest reported daily RF performance (for Settlement Day 16 December 2021) is 95.74% – down 0.36% from where it was three months ago, but does appear to be stabilising.
- The next three months of Settlement Days that will go through the RF Run correspond with a 0.49% improvement in R3 performance.
- Four Supplier IDs which were subject to the Supplier of Last Resort (SoLR) process have come in focus for EFR assessment over the last quarter. Combined, they account for 19,322MWh of non-compliant estimation (10% of the NHH sector). Although the MSIDs have been largely migrated to the gaining Suppliers' own Supplier IDs, those Suppliers have advised that they have limited ability to address issues on the old IDs that are preventing processing of the closing Change of Supplier reading. Elexon is reviewing its approach to this issue in light of the current impact at RF and will provide an update at the March 2023 PAB meeting.
- No Suppliers have exited EFR for NHH performance since August 2022.
- Two Suppliers are currently in EFR escalation for NHH performance. One of these Suppliers currently accounts for 23% of non-compliant estimation and is in stage 3 escalation. The Supplier has now agreed performance improvement milestones for the next three quarters with the PAB.
- The increase in the number of in-focus Suppliers, taking account of winter volumes, was higher than forecast.

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### **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;
- 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 – 21% of all non-compliant estimation

Elxon 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
500	19	19	54,648	94%
550	16	16	53,127	91%
600-800 (no change in coverage)	14	14	51,959	89%
850	14	14	51,959	89%
1000	12	12	50,074	86%

Elxon concluded that holding the threshold at 850MWh would:

- Still see an increase in the coverage of non-compliant estimation from 81% to 89%.
- 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 November review, Elxon estimated that, factoring in winter volumes, the number of Suppliers in focus could increase to 12. This has already been exceeded by 2.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

## HH non-domestic sub-100kW (MCs E and G) – 10% of all non-compliant estimation

Elxon 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
500	13	13	23,318	86%
600	12	12	22,773	84%
700	10	10	21,499	79%
750	9	9	20,767	77%
850	8	8	19,996	74%
1000	8	8	19,996	74%

Elxon concluded that holding the threshold at 850MWh would:

- See a small drop in the level of market coverage, from 77% to 74%.
- 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. Holding the threshold at 850MWh would see a small drop from 9, to 8 Suppliers.
- Ensure a consistent approach for the non-domestic HH market.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

## NHH and MC F Performance – 69% of all non-compliant estimation

Elxon 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	26	16	182,900	94%
1,000	23	14	180,070	92%
1,100	21	13	178,037	91%
1,250	20	13	176,880	91%
1,500	19	13	175,487	90%

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

- Still increase the level of market coverage (from 87% to 91%);
- 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 November review, Elxon estimated that, factoring in winter volumes, the number of Suppliers in focus could increase to 18. This has already been exceeded by 2.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

## 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 Elxon and the PAB's focus to be on the Suppliers that have the largest impact on industry performance whilst guarding against the potential of Suppliers exiting EFR and then re-entering soon afterwards when the thresholds change.

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

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

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

For both sectors, due to the high level of coverage provided by the existing thresholds, and to ensure the number of EFR plans remains at a manageable level, Elxon expects to again hold those thresholds at the next review. This is with the expectation that, when performance for the spring period is assessed in August, there may then be an opportunity to reduce the thresholds further.

However, if performance does significantly improve over the next quarter (particularly in response to EFR escalation activity) and there is a corresponding increase in the number of Suppliers exiting the EFR technique, an earlier adjustment could be considered.

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## 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
March 2023	December 2022 at R1 for HH December 2021 at RF for NHH	March 2023	April 2023
April 2023	January 2023 at R1 for HH January 2022 at RF for NHH	April 2023	May 2023
May 2023	February 2023 at R1 for HH February 2022 at RF for NHH	May 2023	June 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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