
Performance Assurance Board (PAB)

Meeting number **265**

Venue **Remote / Elexon Offices**

Date of meeting **Thursday 23 February 2023**

Classification **Public**

Attendees and apologies

Attendees	Initial	Role
Douglas Alexander	DA	PAB Chair
Oliver Meggitt	OM	PAB Vice Chair
Mica Thomas	MT	PAB Technical Secretary
Andrew Jones	AJ	PAB Alternate
Alexander Peart	AP	BSC Auditor
James Evans	JE	PAB Member
Clare Hannah	CH	PAB Member
Fungai Madzivadondo	FM	PAB Member
Sean Tierney	ST	PAB Member
Phil Russell	PR	PAB Member
Tom Chevalier	TC	PAB Member
James Murphy	JM	PAB Member
Jon Dixon	JD	PAB Member
Andy Knowles	AK	PAB Member

Apologies

Part I: Public Session

1. Timeline for agreement of MHHS Qualification “Placing Reliance” Policy (PAB265/01)

- 1.1 Elxon and representatives from the MHHS Programme presented a paper which set out a timescale for approval of a “Placing Reliance” policy for System Integration Testing (SIT) and Qualification.
- 1.2 Key Discussions:
- a) A PAB Member supported the need for a policy but asked if the variation of arrangements that could be in place were being considered. Elxon and Market Wide Half Hourly Settlement Programme (MHHS) confirmed this was the case.
 - b) A Member raised as an observation, not a PAB issue, if the policy was put into place that would mean service providers will need to go through testing early, which would disrupt the current schedule. MHHS stated it was looking to do testing on a role by role basis, as it stands and are not expecting software providers to be a sole entity but instead would be undertaking testing with participants that have Code defined roles.
 - c) Another Member agreed with the need for a principle, based on industry discussion in MHHS groups recently and that clarification is required. It was again noted that there are many different ways that organisation use systems and that this will need to be considered in the approach.
 - d) A Member noted that the SIT process sounded very different to the role-by-role basis. They also questioned if this would sit within both the Retail Energy Code (REC) and BSC; combined with the MHHS Programme elements this would mean that there may be three different scopes in regards to SIT testing. Elxon advised that the SIT is an end to end basis but that the SIT equivalence testing for those not undertaking SIT will be based on individual role based testing, and is intended to replicate the same test areas.
 - e) A Member asked if the appendix items will be discussed or if they were just for reference. Elxon advised that these were in place to provide background the PAB members and not for discussion at the meeting. The Member then advised that Appendix A is extremely helpful as it speaks clearly to the reader and provides the information needed.
- 1.3 The PAB:
- a) **COMMENTED** on the paper; and
 - b) **AGREED** the timescales for the development of the “Placing Reliance” policy.

2. Prioritising the PAF Balancing and Settlement Code (BSC) and BSC Procedure changes required for MHHS (PAB265/02)

- 2.1 Elxon presented a paper that set out the BSC Performance Assurance areas that require review prior to the Market Half Hourly Settlement (MHHS) implementation, and the potential design and Code Changes in order of prioritisation.
- 2.2 Key Discussions:
- a) A PAB Member suggested that the Bulk Change of Agent process would not be required until well after migration and could be reduced in priority to the bottom of the list. This change was agreed by all Members.
 - b) A Member asked if the BSC Audit scope will still be able to be amended year on year. Elxon advised that there are minimal code changes expected for BSC Audit and this should not impact current format of the annual scope, and is not expected to change the process of agreeing a scope with the PAB each year.
- 2.3 The PAB:
- a) **APPROVED** the MHHS Performance Assurance review prioritisation order set out in the paper, subject to one minor amendment.

3. MHHS Update

- 3.1 Elxon provided a monthly update on the progress of MHHS.

3.2 The PAB:

a) **NOTED** the monthly MHHS update.

4. **BSC Audit Scope 2023/2024 (PAB265/03)**

4.1 Elexon presented the BSC Audit Scope for 2023/2024.

4.2 Key Discussions:

- a) A PAB Member raised a query with the work papers listed under Risk 5, asking if this this would look at the use of third party data from Supplier data requests. Elexon advised that this would not be reflected in the work paper title, however it will review the work paper and ensure that this is covered.
- b) A PAB Member asked if there were any work papers which covered investigations into HHDC manual download capabilities. Elexon confirmed it would look into this and come back to confirm how this will be covered.
- c) A PAB Member asked if the Trading Disputes section of the Audit included the controls around ensuring unauthorised items are not input into Settlement following a dispute with a large correction factor. Elexon confirmed it would check the existing work papers to see how this is covered.
- d) A PAB Member asked if there was enough monitoring over central systems, noting their concerns of frequent communications from Elexon regarding Central Systems issues or outages. Due to migration activity there has been a lot of conversations but these were not included within the scope. Elexon confirmed KPMG had a minimum set of standards that they are required to achieve as part of their assurance service.
- e) A PAB Member asked if the audit report could clarify which areas were not included in the scope of testing, and how this impacted the Risk rating. Elexon advised this will be discussed with KPMG so that the scope and Annual Report align.

4.3 The PAB:

- a) **COMMENTED** on the BSC Audit Scope 2023/24; and
- b) **DEFERRED** the BSC Audit scope document for use in the 2023/24 Audit cycle.

5. **Update on the Risk documentation and scoring project (Verbal)**

5.1 Elexon provided an update on the Risk documentation and scoring project and proposed changes to the Risk Documents and Dashboard monitoring.

Update on the risk documentation work steam

5.2 Elexon presented a prototype of the proposed Risk Evaluation Register (RER) / Risk Operating Plan (ROP) ledger which is intended to replace the existing RER summary page and ROP ledger.

5.3 Key Discussions:

- a) A PAB Member advised that the proposal for the new RER / ROP ledger was what they were seeking as both a PAB Member and a Performance Assurance Party (PAP); the Member highlighted that the current document proposal is intuitive and clear.
- b) Another PAB Member noted that affected PAPs may be involved in different parts of Settlement Risks, such as those responsible for risk factors and those responsible for controls. Elexon explained that a PAP may not be responsible for a risk factor, but may still undergo an audit if they are responsible for a control.
- c) Elexon agreed to meet with some of the PAB Members outside of the meeting to further discuss the contents of the proposed RER / ROP Ledger. The PAB Chair asked how issues with risk factors that have now migrated to the REC can be managed. Elexon advised that the Supplier obligations within the BSC allows for Elexon to raise an issue against a Settlement Risk to the Supplier, even if the associated Meter Operator Agent (MOA) Settlement Risk factors may have migrated to the REC.
- d) A Member suggested that if a Settlement Risk was categorised as 'high' focus, and there were some processes that are governed by the REC, it would be good practice for both the BSC and REC PABs to align and work on the same processes. Elexon agreed and noted that there is often crossovers between Codes and work that is undertaken.

- e) Elexon advised that it will be reviewing the methodology of the Settlement Risk materiality calculations. The PAB confirmed it was happy for the materiality to be set as high, medium and low until a review of the scoring had been completed.

Risk scoring project

5.4 Elexon presented the plan to update the Settlement Risk scoring.

5.5 Key Discussions:

- a) The PAB Chair requested a date that the Risk scoring project milestones would be provided to the PAB. Elexon agreed to bring the timescales to the March 2023 PAB meeting.
- b) A Member advised that the proposal covers the issues historically raised. The Member felt the Settlement Risk population needed defining, and that it was not clear how the failure rate was sourced. Elexon gave an explanation to the Risk population and failure rate and ultimately agreed with the Member that further clarity and data sources should be defined in the review. Elexon advised that the project will involve Elexon Subject Matter Experts (SMEs) and industry experts to understand the Settlement Risk information and the best way to utilise the data to calculate Risk materiality.

5.6 The PAB:

- a) **NOTED** the update on the risk documentation and scoring project.

5.7 Actions:

Number	Description	Owner	Relevant Discussions
265/01	Elexon to provide PAB with timescales for the rescoring project	JED	5.5 (a)

Quarterly Performance Threshold Review (Public session):

5.8 There was a Discussion around the quarterly threshold review for February 2023.

5.9 Key Discussions:

- a) A PAB member asked what Elexon and the PAB could do differently in the event that industry performance does not improve over the next quarter. Elexon agreed to assess industry performance over the next quarters, including looking at data from earlier Settlement Runs and will come back to the PAB with a proposal of any additional action that can be taken outside of the current processes.