

# Quarterly Performance Assurance Report (QPAR)

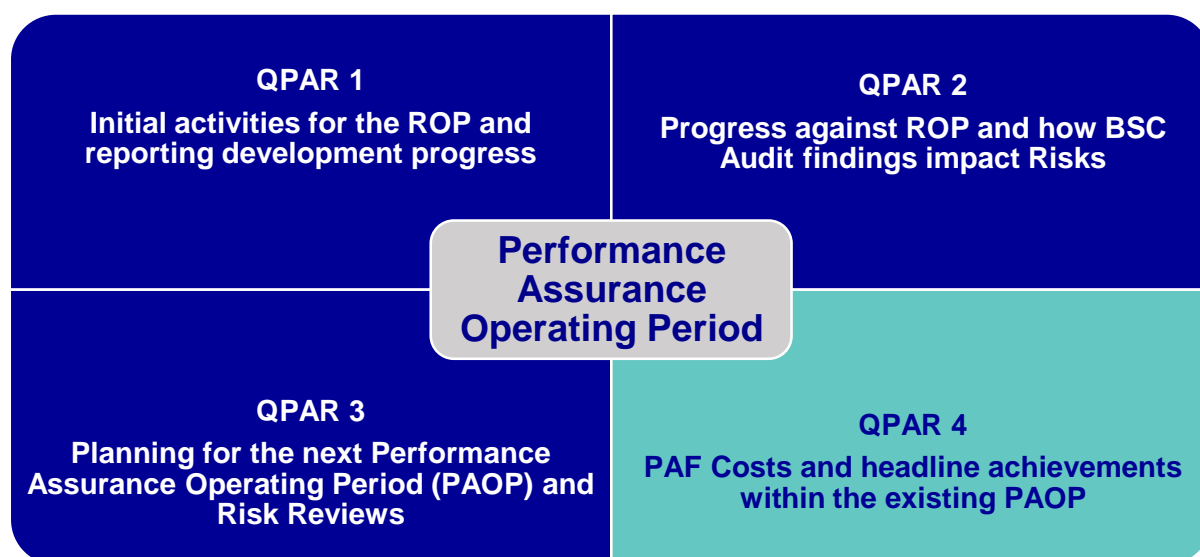
Date of publication	<b>27 April 2023</b>	Quarter	<b>Quarter 4 2022/23</b>
Owner/author	<b>Segun Kehinde</b>	Purpose of paper	<b>Information</b>
Classification	<b>Public</b>	Document version	<b>1.0</b>

## Summary

This is the fourth and final review of Quarterly Performance Assurance Report (QPAR) for the 2022/23 Performance Assurance Operating Period (PAOP), which will inform the industry of the Performance Assurance Framework (PAF) within the existing PAOP and activities that have been undertaken in the quarter as agreed in the [2022/23 Risk Operating Plan \(ROP\)](#).

The progress updates provided within this QPAR includes:

- Updates from the Elexon Risk and Technique Managers;
- Monitoring of focus risk areas; and
- A view of Trading Disputes through a risk dashboard;



## Risk Manager Update

During the fourth quarter of the 2022/23 PAOP, our Risk Team continued to monitor the Settlement Risks that were in focus for 2022/23, using Performance Assurance Techniques (PATs) and additional assurance reporting.

The following key activities were 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 Annualised Advances (AAs) above 500MWh in order to get the instances resolved.

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- **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 actual data, and to support performance recovery through regular communication and the deployment of Error Failure Resolution (EFR).
- **Risk 005** – deployed the Assurance Information Request (AIR) technique, which aims to provide Elexon and industry assurance that Meter faults will be identified and investigated at the earliest opportunity. Where alarm flags are not correctly used, it can lead to faults not being identified and resolved, in turn potentially leading to Settlement Errors.

Additional work that has been undertaken by the Risk Team in quarter four includes:

- The creation of a new ledger, which combines key elements of the Risk Evaluation Register (RER) and the ROP, allowing interested parties to view information relating to the priority and potential impact of each Settlement Risk in one place. The new RER / ROP Ledger is available on the Elexon website [here](#).

In the first quarter of the 2023/24 PAOP, the Risk Team will begin our risk management activities for 2023/24. Further information on these activities can be found within the [Risk Operating Plan](#).

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

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### Technique Manager Update

During the fourth quarter of the 2022/23 PAOP, the Technique Team resolved 22 Trading Disputes between January 2023 and March 2023, with the corrected materiality equating to approximately £16.6M.

Elexon presented four Qualification applications to the Performance Assurance Board (PAB), all of which were approved. There was one Removal of Qualification and four withdrawals from the BSC.

The Change Team successfully delivered its [February standard release](#) where seven changes were implemented.

The Technique Team also presented the BSC and Technical Assurance of Metering (TAM) Audit scopes for the 2023/24 Audit year to the PAB, both of which were approved.

Looking forward to Quarter 1 of the 2023/24 PAOP, the 2022/23 TAM Audit is now complete and the Technical Assurance (TAA) Annual Report and Elexon Response is on track to be presented to the PAB at its May 2023 meeting.

The 2022/23 BSC Audit will also be completed with the report due shortly after moderation has concluded and for presentation to both the PAB and BSC Panel.

Finally, the approach for the 2023/24 BSC Audit is being presented to the April 2023 PAB meeting.

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### Key Achievements for the 2022/23 Performance Assurance Operating Period

Elexon has made significant progress against its [Risk Operating Plan 2022/23](#). In addition to deploying PATs and delivering assurance activities that were planned, the Risk Team accomplished some of the following key achievements:

- Increased assurance activity in the CVA market resulting in rectification of multiple high volume Settlement errors.
- Delivered the assurance for the Government's Energy Price Guarantee (EPG) to tight deadlines.
- Launched the Settlement Risk rescoring project to improve the ability to forecast Risk materiality.

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- Modification P427<sup>1</sup> was approved, enabling the publication of Risk and performance data.
- Deployed Error and Failure Resolution (EFR) for Settlement performance post Covid-19.
- Started development of the Market-wide Half Hourly Settlement (MHHS) transitional and enduring Assurance arrangements.

### Summary of Costs for Delivering Performance Assurance

The Costs for delivering Performance Assurance for the 2022/23 PAOP:

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

### Forecasted costs for 2023/2024

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

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

The [Risk Evaluation Register \(RER\) 2022/23](#) identified multiple risk events that are subject to Elexon'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 Central Volume Allocation (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 February 2023 meeting, the PAB reviewed its approach to managing the Settlement Performance standards.

The PAB approved recommendations to:

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<sup>1</sup> Publication of Performance Assurance Parties' impact on Settlement Risk'

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

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 2022/23 ROP detailed activities to be undertaken in the 2022/23 PAOP to mitigate the risk to Settlement accuracy 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 (EPG) was introduced; this limited the amount Suppliers could charge per kWh, 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 predicted that Risk 018 (Revenue Protection volumes are not settled) could have become more volatile, however, nothing to suggest this has been brought to Elexon's attention during Quarter 4.

### Providing additional assurance within the CVA Market

Elexon is conducting a consultation on the subject areas that were de-scoped from [Issue 103, "Meter Registrants and Settlement Risk – A New Way."](#) [The consultation survey](#) was included in the Elexon Newscast on 11 April 2023.

This consultation seeks stakeholder opinions on the current controls for preventing Settlement errors. Our objective is to gain a deeper understanding of the challenges leading to undetected Settlement errors. Significant progress has already been achieved through Issue 103. This consultation is the first in a series that we plan to release monthly.

Consultation responses will be assessed internally to identify any issues that need resolution. Possible solutions and BSC Changes will be presented at future PAB meetings as they emerge.

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

Elexon is actively investigating potential errors suggested by ADR at those Grid Supply Points (GSPs) with the highest likelihood of being affected by severe Metering errors, which should be identified and resolved promptly.

Elexon's Settlement Accuracy Taskforce (SATF) continues to analyse relevant indicators such as the Annual Demand Ratio (ADR), Group Correction Factor (GCF), and GSP Metering change points in order to detect potential errors. Additionally, Elexon has updated and enhanced the commentary provided concerning ADR performance in the [Trading Operations Report](#).

- The ADR for all GSP Groups has demonstrated relative stability between September and November 2022 for R2 Settlement dates. However, a minor downward trend has been

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observed in earlier runs, indicating a potential risk for \_J, \_P, and \_L GSP Groups to breach lower tolerance levels. Elexon has not identified any macro factors contributing to this trend.

- The impact of COVID-19 on the energy market, including increased domestic consumption due to remote work and travel restrictions, is gradually waning as all GSP Groups remain within tolerance and the majority show a trend of maintaining this status.
- As of 4 April 2023, the TAA has completed Audits for 303 Metering System Identifiers (MSIDs), spanning 258 GSPs, during the 2022/23 Audit Year. This follows the previous audits of 103 MSIDs across 70 GSPs in the combined 2020/21 and 2021/22 Audit Years. The 2023/24 TAA Audit will encompass the remaining 66 MSIDs (58 GSPs). For reference, there are 366 total GSPs in Great Britain and 472 associated MSIDs.
- Elexon continues to investigate GSP energy volume change points identified through its change point analytics model and shares this information with Registrants to undertake their own investigations. A comprehensive reporting dashboard, including the number of change points assessed by Elexon and Registrant engagement levels, is currently under development. We plan for this to be available by the May 2023 Trading Dispute Committee (TDC) meeting.

### Impacts of the Meter Shortage on CVA Risk

Elexon is aware of the ongoing impact of supply chain issues and component availability on Metering Equipment supplies. We continue to collaborate with CVA Meter Operator Agents (MOAs) and other stakeholders to better comprehend these effects. The most recent CVA fault log data shows an increase in the time required to address CVA faults, which may be partially due to the availability of Metering Equipment needed for resolving faults.

The 2022/23 [BSC Audit Report](#) might offer further insights into the performance of Registrants and CVA MOAs regarding fault resolution.

The latest perspective on the consequences of the Meter shortage, based on Request for Information (RFI) responses, can be found on Elexon's website in the article ["Further update on monitoring of the meter stock shortage, driven by global materials availability and supply chain challenges."](#)

RFI responses from CVA MOAs suggest a reduced impact as there has been a decrease in medium and high impact responses for recent operations and forecasts. RFI responses also indicate that CVA MOAs expect the situation to improve over the next six and twelve months.

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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 its project plan and decided to develop some of the dashboards in a different format. Below is an example of the new format; a collated view of the Settlement Risks from the perspective of the PATs.

### Trading Disputes

The Trading Disputes dashboard identifies which Settlement Risks are most likely to be the root cause of a Trading Dispute. This view shows all Trading Disputes from the 2015/16 PAOP until the most recent PAOP, 2022/23.

The bar graph extract titled "Count of Settlement Risks" highlights that Settlement Risk 003 ('Metering Equipment installation, programming, maintenance and Commissioning') has the highest number of Trading Disputes associated with it. The bar graph extract titled "Materiality of Correctable Error by Settlement Risk", shows that Settlement Risk 020 ('CVA Metering Equipment installation, programming, maintenance and Commissioning') has the highest correctable materiality when the materiality of all associated accepted Trading Disputes are summed.

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## ELEXON

### Trading Disputes:

The Trading Disputes process is a Performance Assurance Technique (PAT) provides a mechanism for correcting identified Settlement errors. This dashboard highlights the materiality of the Trading Disputes, split by the associated Settlement Risk and year.

### Number of Trading Disputes raised by year and Settlement Risk

Year	0	1	3	4	5	6	7	8	9	10	12	13	16	19	20	21	22	23	26	28
2023		1	12					2	1	2		1								
March			5					1							1					
February		1	4						1		1									
January			3					1		1										
2022			29					6	3			1	1		1					1
December			10					1												
November			2																	
October			7					3												1
September			1													1				
August												1								
June			4						1											
May			1					1												
April			2					1	1											
March			1						1			1								
January				1																
2021		1	34	2	1	2	2	8	3		1		2	1	2			1	1	
2020		1	28	4	3		5	2	7		7	1	2			2				
2019		1	27	1	5		9	14	1		5		6	2	2		1	1		5
2018		2	13	1		1	28	4		6				1		2		1		2
2017		2	18	1	2		25	3	1	5		4	1	1						5
2016			8				5	1		1		1		1				1		1
2015		2																		
Total		2	8	169	8	12	2	17	90	23	1	27	2	17	5	7	4	1	4	14

### Materiality of Correctable Error by Settlement Risk



**£98.61M**

Materiality of Correctable Error

### Date Raised

08/01/2016 28/02/2023

### Status

- ☒ Select all
- ☒ (Blank)
- ☒ Awaiting closure
- ☒ Dispute closed by ELEXON
- ☒ Dispute closed by TDC

### Count of Settlement Risks

