

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.

1. Background

- 1.1 Elxon 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 Elxon website on the PAB webpage. These set out the logic of past reviews and the previous thresholds that the committee has agreed.

2. Executive Summary

- 2.1 This **May 2023** quarterly review provides:

- Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from June 2023 to August 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**.

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

- 3.1 The volume of non-compliant estimation of Suppliers under the standard is set out below. The share for each sector has remained consistent over the past quarter: MC C has fallen by 2% whilst the Sub 100 and NHH sectors have both risen by 1%.

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% *	February 2023	98.60% at R1	38,444MWh	19%
HH MC E and G	R1 99%	February 2023	96.81% at R1	22,242MWh	11%
NHH + MC F	RF 97%	February 2022	95.89% at RF	143,638MWh	70%
Total				204,324MWh	100%

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

- 3.2 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.
- 3.3 The table below sets out the changes in total volume and non-compliant estimation. It highlights that the volume of non-compliant estimation has decreased in all three market sectors, and 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
	February	May		February	May	
MC C	9,370,815	8,774,999	-6.4%	58,394	38,444	-34.2%
HH MC E and G	1,045,614	1,011,793	-3.2%	27,081	22,242	-17.9%
NHH + MC F	12,559,983	11,802,687	-6.0%	194,763	143,638	-26.2%

- 3.4 The following table shows the overall industry-level Settlement Performance for each market sector at the previous review points. This shows a stronger recovery across all three sectors than for the same period in 2022.

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%
May 2023	98.60%	96.81%	95.89%
Difference February 2023 to May 2023	+0.19%	+0.39%	+0.27%
Difference February 2022 to May 2022	+0.17%	+0.23%	+0.14%

4. Half Hourly performance considerations for this quarter

- 4.1 The new threshold will apply from June 2023 to August 2023. These reporting months map to the spring months of March 2023 to May 2023 at R1.
- 4.2 MC C is now 19% of the total industry volume of non-compliant estimation, compared to 21% at the February review. Sub 100kW is now 11% compared to 10% in November. However, actual volumes in both sectors have decreased.
- 4.3 Suppliers have not made further reports of problems scheduling and prioritising Meter Operator Agent (MOA) appointments. However, this does not in itself indicate that the underlying causes of these problems (such as the shortage of specialist engineers) has been addressed.
- 4.4 For MC C, the latest reported daily R1 performance figure (98.65% for Settlement Day 14 March 2022) is up by 0.25% since the last review. The latest daily SF performance (97.80% at Settlement Day 12 April 2023) is down by 0.33% since the last review. This is the result of problems with a large number of agent appointments at a single Supplier and does not represent an overall industry trend.
- 4.5 For HH non-domestic sub-100kW (MCs E and G), the latest daily performance at R1 is 97.01% 96.61% (up 0.40%). At SF, it is 95.07% (down 0.64%).

- 4.6 No Suppliers have exited EFR for HH performance since October 2022, although two are to be considered for exit in May 2023.
- 4.7 One Supplier is currently in EFR escalation (stage 1) for HH performance.

5. Non Half Hourly considerations for this quarter

- 5.1 The new threshold will apply from June 2023 to August 2023. These reporting months map to the spring months of March 2022 to May 2022 at RF.
- 5.2 NHH is now 70% of total non-compliant estimation, compared to 69% at the February review.
- 5.3 The latest reported daily RF performance (for Settlement Day 10 March 2022) is 95.60%, up 0.06% from the last review. However, the three months that will be considered at RF during the next quarter correspond with a 0.41% decline in R3 performance.
- 5.4 Supplier IDs which were subject to the Supplier of Last Resort (SoLR) process now account for 2,432MWh of non-compliant estimation (1.69% of the total), down from 23,336MWh of non-compliant estimation (11.98% of the NHH total) at the last review. This is because dates at which the bulk of MSIDs were moved onto active MPIDs have now passed RF, rather than an improvement in performance on these MPIDs.
- 5.5 Given the decline in R3 performance, and taking into account the reduced impact from MPIDs subject to SoLR events, the NHH Sector should – at best – be considered to be stabilising rather than improving.
- 5.6 No Suppliers have exited EFR for NHH performance since August 2022.
- 5.7 Two Suppliers are currently in EFR escalation for NHH performance. One of these Suppliers currently accounts for 30% of non-compliant estimation and is in stage 3 escalation.

6. Recommendations for the threshold for Focus Suppliers and EFR for the next quarter

- 6.1 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).

7. HH MC C – 19% of all non-compliant estimation

- 7.1 Elexon 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	15	15	35,249	92%
600	13	13	34,310	89%
700	12	12	33,672	88%
850	10	10	32,232	84%
1000	9	9	31,326	82%

- 7.2 Elexon concluded that holding the threshold at 850MWh would:
- Maintain coverage of non-compliant estimation at 89%, as three of the five MPIDs that would be brought into focus by reducing the threshold to 500MWh are already in EFR.
 - Ensure the number of Suppliers in focus continued at a level that enables us to obtain a good level of oversight of the Suppliers with the highest volumes of non-compliant estimation, for the same reason.
 - Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

8. HH non-domestic sub-100kW (MCs E and G) – 11% of all non-compliant estimation

8.1 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	11	11	18,059	81%
600	10	10	17,540	79%
700	8	8	16,182	73%
850	6	6	14,597	66%
1000	5	5	13,712	62%

8.2 Elxon concluded that holding the threshold at 850MWh would:

- Increase the level of market coverage, from 74% to 75%, as three of the five MPIDs that would be brought into focus by reducing the threshold to 500MWh are already in EFR
- 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, for the same reason
- Maintain 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.

9. NHH and MC F Performance – 70% of all non-compliant estimation

9.1 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	21	17	134,379	94%
1,000	19	17	132,446	92%
1,100	16	15	129,322	90%
1,250	15	14	128,163	89%
1,500	14	13	126,798	88%

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

- Slightly reduce the level of market coverage, from 91% 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.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

10. Review of EFR exit requirement and EFR exit recommendation

10.1 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.

10.2 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.

- 10.3 In line with the approach to the performance thresholds, Elexon 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).

11. Likely changes as a result of the next threshold review in August 2023

- 11.1 The assessment of the threshold review in August will consider analysis for the Settlement Days in May 2023 at R1 for HH and May 2022 at RF for NHH. The threshold will apply for Settlement Days from June 2023 to August 2023 at R1 for HH and June 2022 to August 2022 at RF for NHH.
- 11.2 For both HH sectors, Elexon expects that improvements in overall Settlement Performance may, together with a reduction in overall volumes, present an opportunity to reduce the thresholds further when performance for the spring period is assessed in August.
- 11.3 Due to the high level of coverage provided by the existing threshold, and to ensure the number of EFR plans remains at a manageable level, Elexon expects to again hold the NHH threshold at the next review.
- 11.4 However, if performance does significantly improve over the next quarter and there is a corresponding increase in the number of Suppliers exiting the EFR technique, an adjustment could be considered.

12. EFR Considerations

- 12.1 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
June 2023	March 2023 at R1 for HH March 2022 at RF for NHH	June 2023	July 2023
July 2023	April 2023 at R1 for HH April 2022 at RF for NHH	July 2023	August 2023
August 2023	May 2023 at R1 for HH May 2022 at RF for NHH	August 2023	September 2023

- 12.2 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.
- 12.3 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 further significant underperformance is likely.

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