

Quarterly Performance Assurance Report: Quarter 1 2023/24

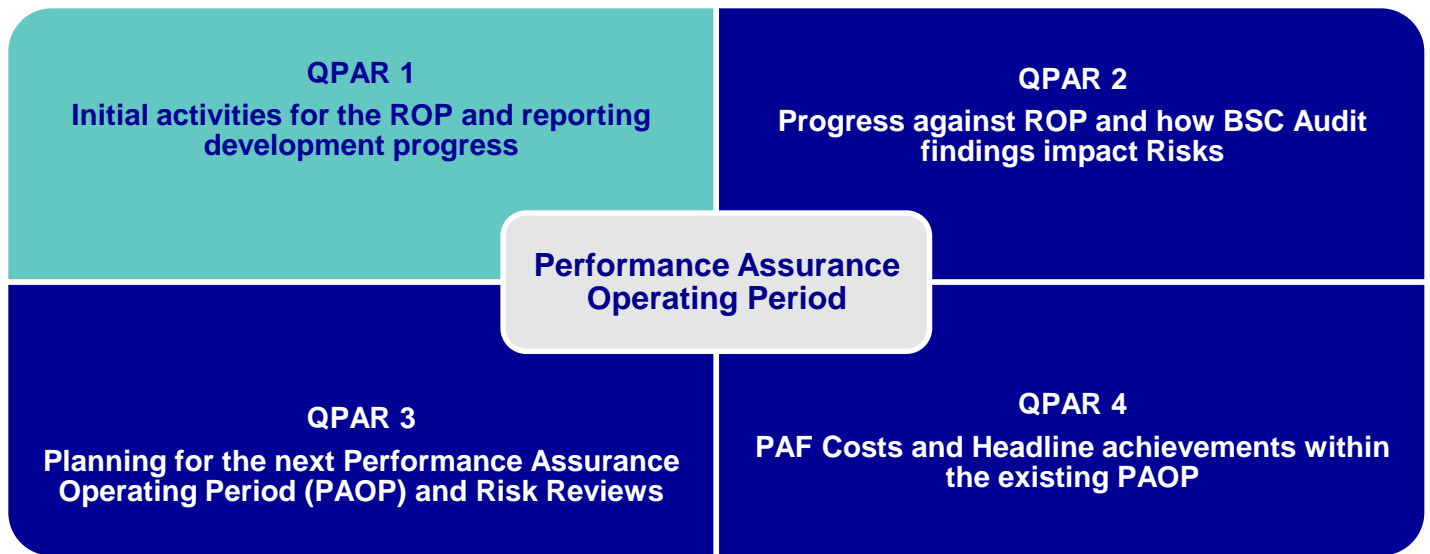
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Summary

This is the first of four Quarterly Performance Assurance Reports (QPARs) for the 2023/24 Performance Assurance Operating Period (PAOP), which will inform the industry of the activities that have been undertaken in each quarter as agreed in the [2023/24 Risk Operating Plan \(ROP\)](#).

The progress updates provided within this QPAR include:

- Updates from the Elexon Risk and Technique Managers;
- Updates on the initial activities that have been undertaken from the 2023/24 ROP for the Settlement Risks that are in focus; and
- Risk-focused Performance Assurance Technique (PAT) updates, where spikes in activity or unexpected technique results are reported



Settlement Risks in focus for 2023/24

The 2023/24 ROP considered key inputs¹ in order to select which Settlement Risks should be in focus for 2023/24.

A high and / or medium focus and priority has been placed by Elexon and the Performance Assurance Board (PAB) on the following Settlement Risks through the deployment of additional PATs (outside of the regular PAT deployment) and additional assurance activities

¹ Customer feedback, the Performance Assurance Board (PAB) strategy, risk events identified in the Risk Evaluation Register (RER) and detective Performance Assurance Technique (PAT) results

High Focus Risks:

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

*Central Volume Allocation (CVA), ** Supplier Volume Allocation (SVA)

Medium Focus Risks:

| Risk | Market | Risk Category | Materiality |
|------|--------|---------------------|-------------|
| 005 | SVA | Fault resolution | High |
| 016 | SVA | Energisation status | Medium |
| 018 | SVA | Revenue protection | Medium |

Risk Manager Update

During the first quarter of the 2022/23 PAOP, our Risk team has been focussing on implementing the new ROP. Highlights of the activities undertaken in Quarter 1 are as follows:

- **Risks 021, 022 and 023** – A Change Proposal (CP) has been raised to address the issues identified by Issue Group 103². The latest BSC Audit results have been reviewed and a PAT deployment plan has been collated for Quarters 2-4 in 2023/24 (as per the agreed 2023/24 ROP);
- **Risk 007** – New Settlement performance Peer Comparison graphs have been published;
- **Risk 008** – Error and Failure (EFR) PAT deployment has been agreed; and
- **Risk 017** – The latest BSC Audit results have been reviewed and a PAT deployment plan has been collated for Quarters 2-4 in 2023/24 (as per the agreed 2023/24 ROP).

A detailed breakdown of the activities that have been undertaken in quarter one is available in the “Progress against the ROP 2023/24 Focus Risks” section below.

In Quarter 2, our Risk Team will continue to progress the assurance activities initiated in Quarter 1, as well as initiating the following risk assurance activities:

- **Risk 020** - Review the results of the Technical Assurance of Metering (TAM) specific sample, which has been deployed against this risk;
- **Risk 003** – Review the outputs of detective PATs and liaise with the Retail Energy Code (REC) to discuss future risk management activities; and
- **Risks 005, 016 and 018** – Initiate ROP activities for medium focus risks.

Our project, which will re-score the current Settlement Risks as well as continue to create user-friendly risk dashboards is currently on hold and will re-commence in September 2023.

² <https://www.elexon.co.uk/smg-issue/issue-103/>

Technique Manager Update

The highlights of our PAT deployment activities in Quarter 1 are as follows:

- **EFR** - Elexon has begun to deploy EFR for issues recorded during the 2022/23 BSC Audit;
- **Peer Comparison** - In May 2023 the PAB noted quarterly Peer Comparison data, which was also approved for circulation to Suppliers and the wider Industry. An investigation into the reporting for this PAT has been initiated to determine whether it is still fit for purpose; and
- **Breach and Default** - In the last quarter there have been no ad-hoc urgent Panel meetings called. All Section H updates or papers for decisions have been presented at the usual monthly meetings. However, we've seen more defaults around BSC Parties failing to pay monthly BSC Charges. These are Parties (mainly Suppliers) that registered as a BSC Party and did nothing further as they were never granted an electricity supply license. Most of these defaults have had expulsion agreed and commenced due to having no customers, no amounts traded and no imbalance charges.

In Quarter 2, our Technique Team will continue to run techniques in order to manage risks in line with the ROP.

Progress against the ROP 2023/24 Focus Risks

The 2023/24 planned assurance activities, including the deployment of PATs is included in **Attachment A** of this document.

Our progress in Quarter 1 against these planned activities is detailed below:

CVA High Focus Risks

| Risk | Q1 Update |
|------|--|
| | <p>Audit result assessment</p> <p>Elexon has reviewed the results of the 2022/23 TAM and BSC Audits, which found a lack of understanding around BSC obligations in the CVA market and ineffective communication between Market Participants, exacerbated by the manual nature of many of the processes.</p> <p>Many Registrants of CVA Metering Systems were not monitoring metered data for error and were often unaware of onsite work with the potential to affect Settlement Metering Equipment. Where errors were detected, resolution was often delayed due to insufficient knowledge of the investigation and resolution processes set out in BSCPs 02³ and 06⁴.</p> <p>Raised a Change Proposal (CP) progression:</p> |
| 020 | Issue Group 103 'Meter Registrants and Settlement Risk – A New Way' was created to review both the SVA and CVA markets. |
| 021 | |
| 022 | Following discussion of the above audit result issues, Elexon has progressed a CP to: |
| 023 | <ul style="list-style-type: none">• Update BSCP03⁵ and BSCP06 to clarify what monitoring of data participants should undertake to detect potential metering error; what actions should be taken to investigate potential metering error; and what actions are to be taken to rectify the Settlement Impact of any metering errors detected;• Introduce an explicit obligation for CVA Registrants to have a formal agreement in place at sites where they are not the owner or do not have primary operational responsibility (for example, a Substation operated by the Transmission System Operator) to ensure they are notified of works that may affect a Metering System for which they are the Registrant; and• Update BSCP38⁶ to require that Market Participants with obligations related to Half Hourly (HH) Metering Systems provide both a primary and escalation contact for Technical Assurance of Metering (TAM) activity and (for CVA Registrants only) the approval of estimated data. |

³ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-02-proving-test-requirements-for-central-volume-allocation-metering-systems>

⁴ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-06-cva-meter-operations-for-metering-systems-registered-in-cmrs>

⁵ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-03-data-estimation-and-substitution-for-central-volume-allocation>

⁶ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp-38-authorisations>

| | |
|--|---|
| | <p>The Settlement Accuracy Taskforce</p> <p>Elexon has continued to run an internal Settlement Accuracy Task force, which continues to investigate change points that are identified by the change point detection tool and reach out to Registrants to identify unexpected change to metered data. Approximately 12 change points are raised and investigated every month.</p> <p>Future 2023/24 Assurance Activities</p> <p>As a result of the above assurance activities detecting a variety of CVA issues, Elexon will be perusing different PATs to deploy over the 2023/24 PAOP to those agreed in the 2023/24 ROP. This will include:</p> <ul style="list-style-type: none"> • The deployment of the Error Failure Resolution (EFR) PAT to monitor and improve processes; • Further Education being developed to increase the knowledge of CVA processes; and • A new customer solution being explored to aid CVA Market Participants in running their processes. |
|--|---|

SVA High Focus Risks

| Risk | Q1 Update |
|------|---|
| 003 | No update – activities to be initiated in Quarter 2. |
| 007 | <p>From May 2023 onwards, monthly Peer Comparison data for Settlement Performance has been made available on the Elexon website (https://www.elexon.co.uk/data/peer-comparison-graphs/).</p> <p>Elexon has continued to manage individual BSC Party performance through:</p> <ul style="list-style-type: none"> • The deployment of the EFR PAT; and • Quarterly reviews of the performance thresholds, which ensure that appropriate focus is placed on BSC Parties that have significant volumes of non-compliant estimation. |
| 008 | <p>In September 2022, a targeted communications exercise was commenced to encourage Suppliers to rectify Large Estimated Annual Consumption / Annualise Advances (EAC/AA) Instances above 500MWh. Elexon used the Supplier Energy Allocation Error (SEAE) Graphs, Materiality Reports and overall Market Level error to determine if this communications exercise was effective.</p> <p>At the April 2023 PAB Meeting, Elexon proposed to the PAB that EFR was deployed where a Supplier was in breach of its Large EAC/AA materiality threshold for three consecutive months, to continue to address the market level of error.</p> <p>While the market level of error has dropped significantly from a height of 344,219MWh to 165,085MWh, at its July 2023 PAB Meeting, Elexon will be recommending Parties above their own individual thresholds for three consecutive months be entered into EFR for the Large EAC/AA process.</p> |
| 017 | <p>We have seen an increase in severity of Risk 17 that exception reports are not sufficiently managed, outlined in the BSC Audit report which can be found on the Elexon website. In response to this, Elexon has taken extra steps to incorporate both the Risk 17 dashboard output and the Audit observations within the EFR planning.</p> <p>Further analysis is also planned to align performance level reporting with Risk 17 issues observed within the Audit. This will ensure that issues associated with Risk 17 are acknowledged as potential performance indicators and support with assisting Parties in making sustainable performance improvements.</p> |

SVA Medium Focus Risks

All ROP activities for the Settlement Risks in this category will be initiated in Quarter 2.

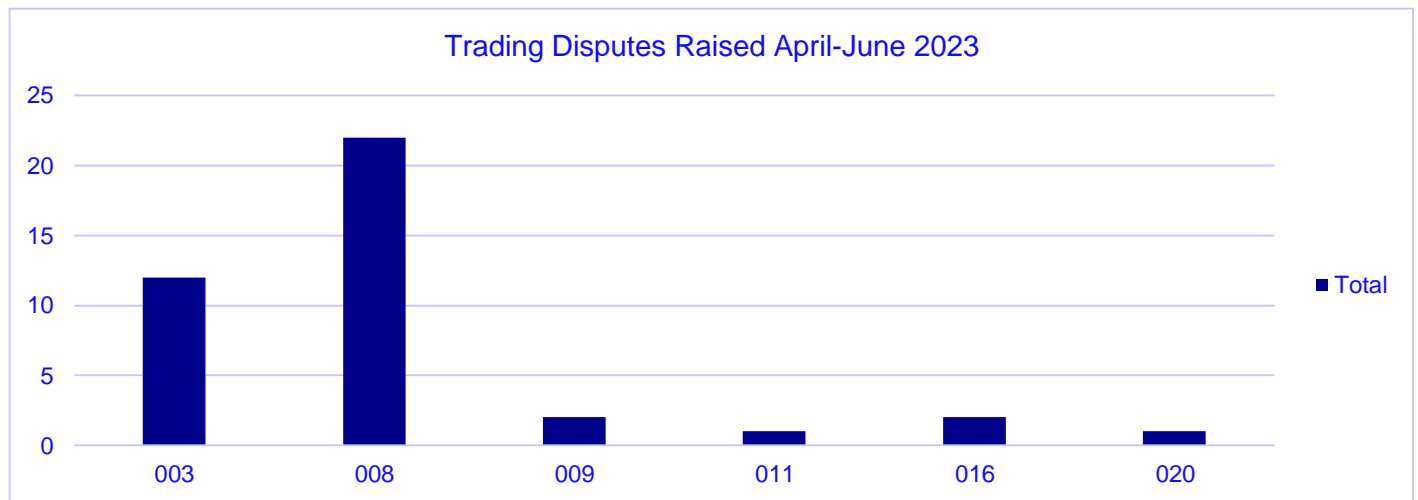
Performance Assurance Technique Updates

A spike in usual Trading Disputes activity

The number of new disputes this quarter (40) is abnormally large, with the average for a quarter for the last five years being approximately 15 Disputes raised. This increase appeared in late May 23 to early June 23, and has several

factors contributing to it. A single Party raised a large batch of 12, the TAA Audit found eight category 1 non compliances, and a proportion of the remaining 20 Disputes are from Parties that Elexon has directly provided recent Trading Disputes training to, or are related to the Large EAC/AA communications exercise Elexon has been undertaking.

The Settlement Risks associated to the SVA Trading Disputes that have been raised and in Quarter 1 are as follows:



Between April and June 2023, the Trading Disputes team resolved 28 Trading Disputes, with the corrected materiality equating to approximately **£741k**.