

Quarterly Performance Thresholds Review

Performance Assurance Board (PAB)

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Owner/author **Simon Waltho**

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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 for the upcoming quarter.

1. Background

1.1 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.

2. Executive Summary

2.1 This **August 2023** quarterly review provides:

- Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from September 2023 to November 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 % of the impact per market area for each HH sector has increased by 4% over the past quarter, whilst the NHH sector has reduced by 8%.

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% *	May 2023	93% at R1	39,932 MWh	23%
HH MC E and G	R1 99%	May 2023	90% at R1	24,184 MWh	15%
NHH + MC F	RF 97%	May 2022	79% at RF	106,044 MWh	62%
Total				170,160 MWh	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, Exelon 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 increased in both HH market sectors.
- 3.4 In MC C, the volume of non-compliant estimation has increased at more than twice the rate of overall volume. More concerning is the increase in Sub-100kW, which has worsened despite a drop in overall volume. As noted elsewhere in the Risk Report, performance in the Sub-100kW Sector will be discussed at the 2023 PAB Strategy Day.
- 3.5 The volume of non-compliant estimation in the NHH sector continues to drop at a higher rate than overall volume, but the gap has narrowed from 20.2% at the May review to 7.1% in August, indicating any improvement is slowing.

Market area	Volume of total energy (MWh)		Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	May	August		May	August	
MC C	8,774,999	8,914,189	1.6%	38,444	39,932	3.9%
HH MC E and G	1,011,793	933,834	-7.7%	22,242	24,184	8.7%
NHH + MC F	11,802,687	9,544,311	-19.1%	143,638	106,044	-26.2%

- 3.6 The following table shows the overall industry-level Settlement Performance for each market sector at the previous review points.
- 3.7 Static performance at MC C contrasts with a decline in previous comparable period. In Sub-100kW, a drop of 0.40% contrasts with an improvement of 0.19% between May and August 2022. NHH performance has improved, but by a smaller amount.

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%
August 2023	98.60%	96.41%	95.93%
Difference May 2023 to August 2023	0.00%	-0.40%	0.04%
Difference May 2022 to August 2022	-0.26%	0.19%	0.25%

4. Half Hourly performance considerations for this quarter

- 4.1 The new threshold will apply from September 2023 to November 2023. These reporting months map to the summer months of June 2023 to August 2023 at R1.
- 4.2 MC C is now 23% of the total industry volume of non-compliant estimation, compared to 19% at the May review. Sub-100kW is now 15% compared to 11% in May. Actual volumes in MC C increased, but declined in Sub-100kW.

- 4.3 Suppliers have made further reports of problems scheduling and prioritising Meter Operator Agent (MOA) appointments, noting that the shortage of specialist engineers remains an issue.
- 4.4 In the Sub-100kW non-domestic sector, several Suppliers have raised concerns that a significant proportion of the metering estate may never have been capable of returning remote data.
- 4.5 Elexon is investigating these concerns and notes that a sector-wide issue of this type is consistent with the much closer relationship between overall market share and share of non-compliant observed in this sector when compared to MC C and NHH. Further discussion of Performance in the Sub-100kW non-domestic sector has been added to the Agenda for the 2023 PAB Strategy Day.
- 4.6 For MC C, the latest reported daily R1 performance figure (98.64% for Settlement Day 5 July 2023) is down by 0.01% since the last review. The latest daily SF performance (98.01% at Settlement Day 1 August 2023) is up by 0.21% since the last review.
- 4.7 For HH non-domestic Sub-100kW (MCs E and G), the latest daily performance at R1 is 96.45% (down 0.56%). At SF, it is 94.87% (down 0.20%).
- 4.8 Five Suppliers have exited EFR for HH performance since May 2022, whilst two have entered.
- 4.9 Five Suppliers are currently in EFR escalation for HH performance.

5. Non Half Hourly considerations for this quarter

- 5.1 The new threshold will apply from September 2023 to November 2023. These reporting months map to the summer months of June 2022 to August 2022 at RF.
- 5.2 NHH is now 62% of total non-compliant estimation, compared to 70% at the May review.
- 5.3 The latest reported daily RF performance (for Settlement Day 3 July 2022) is 96.21%, up 0.61% from the last review.
- 5.4 Supplier IDs which were subject to the Supplier of Last Resort (SoLR) process now account for 455MWh of non-compliant estimation (0.43% of the total), down from 2,432MWh of non-compliant estimation (1.69% of the NHH total) at the last review as MSIDs continue to move onto active MPIDs.
- 5.5 No Suppliers have exited EFR for NHH performance since August 2022. Two have entered EFR since May 2022.
- 5.6 Three Suppliers are currently in EFR escalation for NHH performance. One of these Suppliers currently accounts for 27% 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 – 23% 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	-36,798	92%
600	14	14	-36,220	91%
700	11	11	-34,355	86%
850	9	9	-32,835	82%

1000	7	7	-32,835	82%
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7.2 Elxon concluded that holding the threshold at 850MWh would:

- Maintain coverage of non-compliant estimation at 89%, as four of the five MPIDs that would be brought into focus by reducing the threshold to 600MWh 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) – 15% 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	10	10	19,004	79%
600	10	10	19,004	79%
700	8	8	17,674	73%
850	8	8	17,674	73%
1000	5	5	15,001	62%

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

- 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, despite a slight reduction in coverage of non-compliant estimation from 75% to 73%
- 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 – 79% 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	17	15	96,845	91%
1,000	17	15	96,845	91%
1,100	16	14	95,837	90%
1,250	16	14	95,837	90%
1,500	12	12	90,419	85%

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

- Slightly increase the level of market coverage, from 89% to 91%, as the additional MPID that would be brought into focus by reducing the threshold to 900 or 1000MWh is already in EFR, as is another MPID with a non-compliant volume below 900MWh.
- 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 Elexon 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 remains 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 November 2023

- 11.1 The assessment of the threshold review in November will consider analysis for the Settlement Days in August 2023 at R1 for HH and August 2022 at RF for NHH. The threshold will apply for Settlement Days from September 2023 to November 2023 at R1 for HH and September 2022 to November 2022 at RF for NHH.
- 11.2 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 existing thresholds at the next review.
- 11.3 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:

Reporting Month	Settlement Dates	Suppliers considered for EFR entry	Suppliers considered for EFR exit
September 2023	June 2023 at R1 for HH June 2022 at RF for NHH	October 2023	September 2023
October 2023	July 2023 at R1 for HH July 2022 at RF for NHH	November 2023	October 2023
November 2023	August 2023 at R1 for HH August 2022 at RF for NHH	December 2023	November 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.

For more information, please contact:

Simon Waltho, Risk and Technique Analyst
simon.waltho@elexon.co.uk
0207 380 4203