

## Quarterly Performance Assurance Report: Quarter 2 2023/24

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Owner/author **Segun Kehinde**

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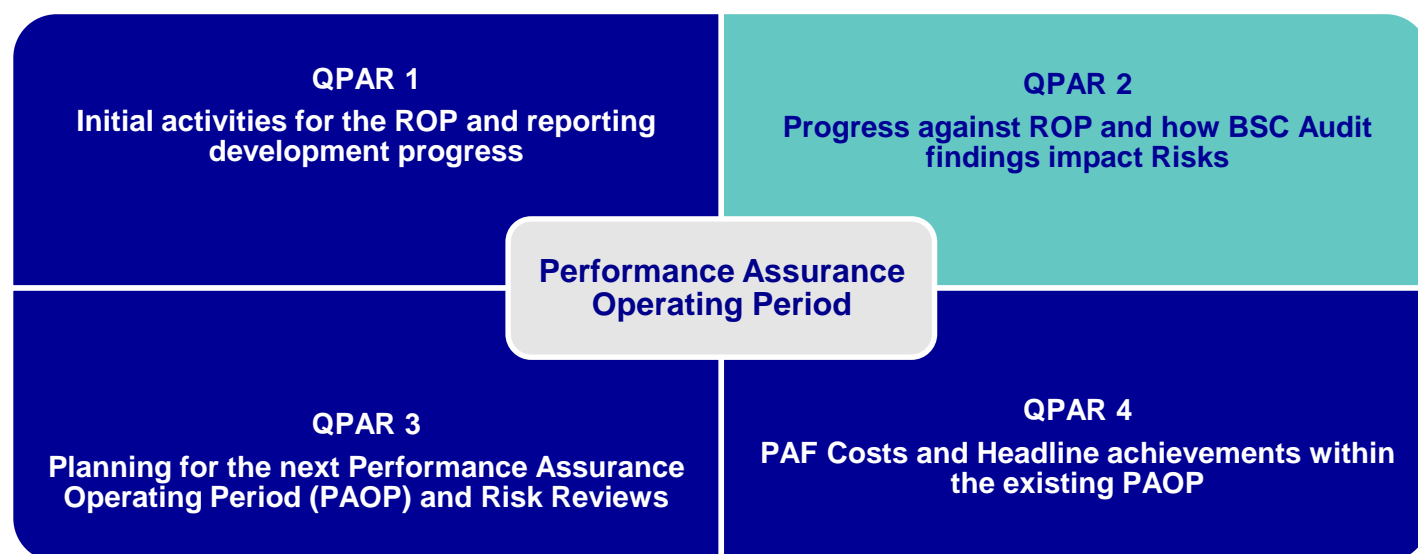
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### Summary

This is the second 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:

- Settlement Risks that in focus for 2023/24;
- Updates from the Elexon Risk and Technique Managers;
- Updates on the progress against the 2023/24 ROP for the Settlement Risks that are in focus;
- Information on how the latest BSC Audit findings have impacted 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 inputs<sup>1</sup> 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

<sup>1</sup> 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

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## Risk Manager Update

During the second quarter of the 2022/23 PAOP, our Risk Team has been focussing on progressing against the new ROP. Highlights of the activities undertaken in Quarter 2 are listed in the progress tables within this report.

Our planned activities against the ROP for Quarters 3 and 4 are as follows:

**CVA Focus Risks:** Checking Meter Alarm Flags on CVA Metering Systems - Elexon will consider deploying an AIR audit that will check that appropriate processes are being followed when Meter Alarm Flags are triggered.

**CVA Focus Risks:** CVA Education Day – Elexon will hold an education day to address issues identified in the BSC and TAM Audits around a lack of understanding of CVA obligations. It will also provide information on planned changes to BSCP03 and BSCP06 to clarify participant responsibilities. It is expected that the Education day will be held in Quarter 3 or 4.

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## Technique Manager Update

The highlights of our PAT deployment activities in Quarter 2 are as follows:

### Breach and Default

- Elexon is currently working on [Issue 106, Review of BSC Credit Cover Arrangements](#). This work should conclude in November, after which the intention is for Elexon to raise a Modification for small changes and improvements to the process as recommended by the Workgroup.
- In the last quarter there has been no ad-hoc urgent BSC Panel meetings. All Section H updates and papers for decision have been presented at the usual monthly Panel meetings.
- Elexon has seen a reduction in Defaults around BSC Parties failing to pay monthly BSC Charges. This is a decrease from those seen in Quarter 1. A lot of this impact is a result of work done by Elexon in this last quarter to speak to the no payers and late payers of these invoices earlier. Defaults of this nature are now being more tightly controlled and monitored before being presented to the Panel.

In Quarter 3, 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 2 against these planned activities is detailed below:

### CVA High Focus Risks

Risk	Q2 Update
	<p><b>Audit result assessment</b></p> <p>Elexon's review of the 2022/23 TAM and BSC Audits 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>It was determined that the best approach to resolving issues found in the CVA market was to run focused assurance activities during the 2023/24 PAOP, below gives an update on the activities that have been under taken in Quarter 2:</p> <p><b>Raised a Change Proposal (CP) progression:</b></p> <p>Issue Group 103 'Meter Registrants and Settlement Risk – A New Way' was created to review both the SVA and CVA markets.</p>
020	Following discussion of the above audit result issues, Elexon is progressing a CP to clarify responsibilities and obligations of SVA and CVA market participants, further detail of the CP can be found in the Quarter 1 QPAR.
021	
022	The CP is due to be progressed during Quarter 3 of the PAOP with implementation in due in 2024.
023	<p><b>The Settlement Accuracy Taskforce</b></p> <p>Elexon has continued to run an internal Settlement Accuracy Taskforce (SATF), 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.</p> <p>During Q2, updates were made to the change point detection tool to improve the accuracy of the change points identified. These changes will reduce the number of change points identified by the tool and subsequently allow the SATF to focus their investigations more thoroughly on the change points that are detected.</p> <p>During Q3 the SATF will be focusing on internal improvements to streamline investigation processes and allowing them to widen their breadth of work.</p>

### SVA High Focus Risks

Risk	Q2 Update
003	<p>Elexon has reviewed outputs from both TAA and BSC Audits for 2022/23. The outcomes indicate that the Suppliers lack processes and controls for the reporting and monitoring of faults. Suppliers are still responsible for facilitating their resolution, and an over-reliance on MOAs has been observed in relation to reporting and monitoring of faults. Collaboration between Elexon and REC will be needed going forward to address areas of non-compliance that no longer sit directly with Elexon (previously held in BSCP514) but that still impact parties, other assurance techniques and Settlement.</p> <p>Elexon has initiated cross-code engagement with the REC addressing current issues related to MOA non-compliances. Further meetings will be arranged to delineate areas of collaboration and determine data sharing requirements.</p> <p>Work has commenced on a TAA Obligation Dashboard, scheduled for completion in November 2023. This dashboard will enhance Elexon's assurance activities by:</p>

	<ul style="list-style-type: none"> <li>• Providing a visual representation of TAA non-compliances in relation to BSC obligations; and</li> <li>• Offering Elexon a root cause analysis of TAA outputs, which will be used to guide assurance decisions, including AIR checks and BSC audit papers.</li> </ul> <p>The TAA Specific Sample for 2023/24 is now complete and the results will be assessed. Elexon will provide these results and any subsequent assurance recommendations at the November 2023 PAB meeting.</p>
007	<p>Elexon has started to monitor SVA Export Settlement Performance, and has deployed EFR for poor Settlement Performance with NHH Export Supplies for the first time.</p> <p>Elexon will also be recommending to the BSC Panel that Export Settlement Performance data is made public under the peer comparison technique (following the approval of Modification P427).</p>
008	<p>Performance for the Large EAC/AA instance report measured under the threshold of 165,000 MWh for the first time in August 2023, and again in September 2023. Performance declined in October 2023, however, surpassing the threshold once more.</p> <p>Despite the positive progress made at the beginning of the quarter, the unexpected decrease in market performance seen in October 2023 caused the overall market error to remain at a similar level to that seen at the end of the previous quarter.</p> <p>PAB has agreed that a threshold review will take place in January 2024, potentially lowering the threshold for Suppliers to enter EFR.</p>
017	<p>Elexon has discovered an increase in severity of Risk 17 relating to exceptions reports not being sufficiently managed. More recent analysis has identified the majority of the risk to Settlement was with the Suppliers. In response to the increased Risk, Elexon is considering a Technical Assurance of Performance Assurance Parties (TAPAP) check. With the aim of identifying weaknesses in the monitoring of <a href="#">D0095</a> and <a href="#">D0235</a> data flows.</p> <p>EFR plans are in place to reduce Settlement Error associated with the higher materiality BSC Audit Issues. Issues associated with Risk 017 are acknowledged by Elexon as potential poor performance indicators. Elexon has been offering support to assist Supplier's in making sustainable performance improvements.</p>

### SVA Medium Focus Risks

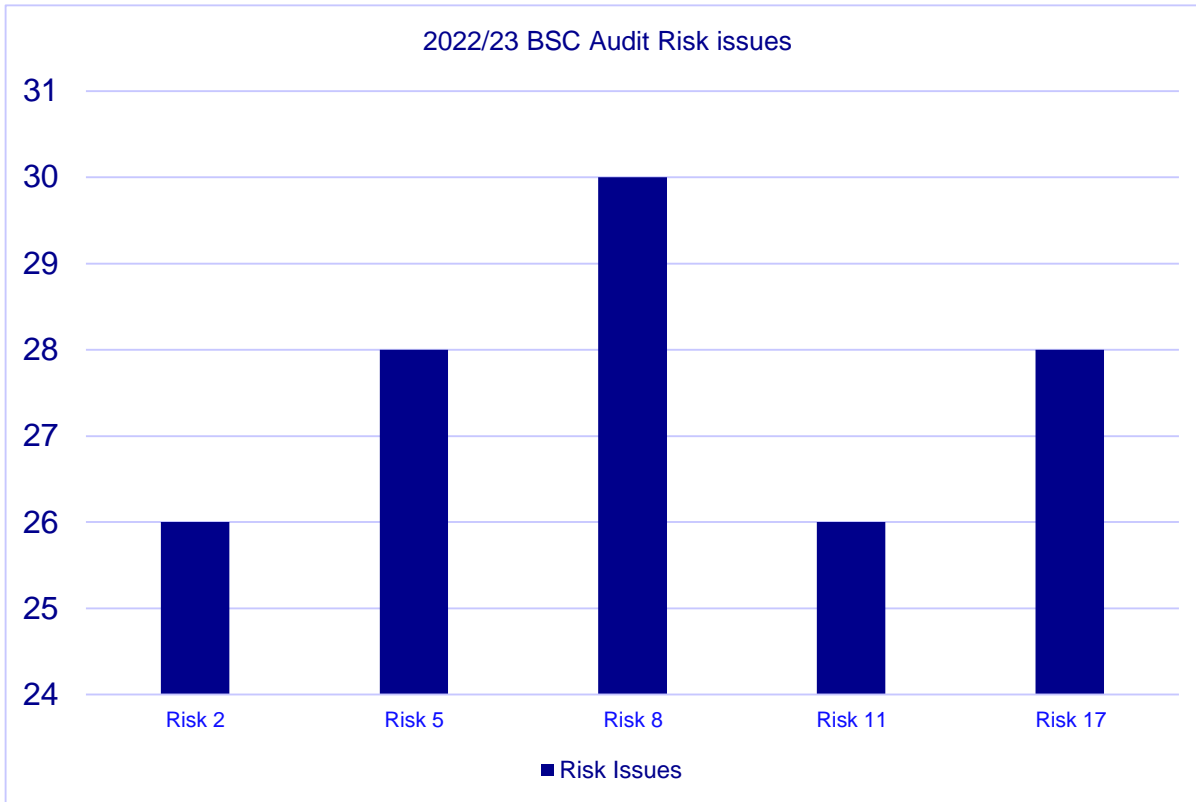
All ROP activities for the Settlement Risks in this category will be initiated in Quarter 2.

Risk	Q2 Update
005	<p>At the May 2023 PAB Meeting, Elexon presented the findings report for the recent <a href="#">Assurance Information Request (AIR) on Risk 005</a>. The PAB responded with questions around some of the Party responses.</p> <p>Elexon held an internal working group meeting in August to review the questions raised by the PAB and the respective BSC Procedure (BSCP) obligations. Elexon held another internal meeting in September to discuss implementing our follow up actions to the relevant BSCPs &amp; explaining whether each point is compliant with the BSC or not.</p> <p>Elexon had concluded that three of our key findings in the AIR were not compliant with the BSC whilst one of our findings were compliant.</p> <p>Elexon will continue to keep the PAB updated regarding all of the actions noted in the Risk report which include:</p> <ul style="list-style-type: none"> <li>• Creating an Issue Group to discuss the relevant AIR check findings and,</li> <li>• Initiating cross-code engagement with REC.</li> </ul>
016	No update – activities to be initiated in Quarter 3.
018	<p>Elexon forecast there will be an increased severity of Risk 18 relating to Revenue Protection. This has resulted in collaborative work with the Retail Energy Code (REC) to identify specific cross code data that provides an insight into the risk posed to Settlement.</p> <p>Elexon has also included an updated work paper within the 2023/24 BSC Audit as this will ensure a better understanding of associated Parties processes around Revenue Protection.</p>

### Performance Assurance Technique Updates

## BSC Audit Activity

The highest number of SVA Settlement Risks findings highlighted in the 2022/23 BSC Audit are as follows:



The BSC Audit 2022/23 identified a significant increase in Settlement impacting risks. While the volume of testing performed increased, material findings increased disproportionately. Elexon has increased collaboration between the Risk Owners, MEM Technique Owners and the EFR Technique Owner to agree an EFR deployment process. Audit issues are being proactively managed by Elexon and EFR activities will help to reduce the number of issues found in future BSC Audits. Elexon continues to monitor Risks with increased findings as focus Risks, part of the 2023/24 Risk Operating Plan.

## Trading Disputes

Twenty new Disputes were raised in Quarter 2. This was slightly above the approximate quarterly average, based on the last five years of data, of 15. The increase was due to similar parties raising Trading Disputes. However, the increase was expected as training on Trading Disputes were provided to parties in the previous quarter. The increased volume of Trading Disputes raised is anticipated to continue in the next reporting period.

The Settlement Risks associated to SVA Trading Disputes raised in Quarter 2 were:



There were two Trading Disputes raised unrelated to SVA. These were National Grid raised Disputes.

Between July and October 2023, the Trading Disputes team resolved 24 Trading Disputes, with the corrected materiality equating to approximately **£450k**.

### Recommendations

We invite the PAB to:

- a) **NOTE** the updates provided in the Quarterly Performance Assurance Report;
- b) **NOTE** the 2023/24 planned assurance activities including the deployment of PATs in Attachment A.

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### For more information, please contact:

Segun Kehinde, Risk & Technique Analyst

[segun.kehinde@elexon.co.uk](mailto:segun.kehinde@elexon.co.uk)

020 7380 4201

## PAB273/06: Quarterly Performance Assurance Report (QPAR) Attachment A – Risk Operating Plan (ROP) for Focus Risks

### Risk Operating Plan for Central Volume Allocation (CVA) Focus Risks

Risk	Ongoing Performance Assurance Technique (PAT) deployment (to be continued in 2023/24)	Additional PAT deployment to be considered for 2023/24	Additional assurance activities for 2023/24
020	Trading Disputes, Technical Assurance of Metering (TAM), BSC Audit, Error and Failure Resolution (EFR) (applied following the BSC Audit)	<ul style="list-style-type: none"> <li>TAM Specific Sample on Metering Equipment installed or commissioned within the last 12 months</li> </ul>	<ul style="list-style-type: none"> <li>The continuation of Issue Group 103, which meets on a monthly basis to review existing controls for CVA Settlement Error prevention.</li> <li>Continue to work through the areas identified for review by the Performance Assurance Board (PAB), Meter Registrants and Settlement Risk sub group via industry consultation with Assurance actions and BSC Changes being submitted to the PAB and Issue 103 Workgroup respectively</li> <li>Continue to monitor and report on the impacts of the Meter shortage via industry consultation</li> <li>Continue to review Gris Supply Point (GSP) change points identified by our automated monitoring, investigating potential issues and working with Registrants to explain changes in import or export at GSPs</li> <li>Seek to gain assurance that the Meter Outstation alarm processes are being operated effectively in both the CVA and Supplier Volume Allocation (SVA) markets via the application of various PATs in respect of PAP processes and via contract management in</li> </ul>
021	Trading Disputes, BSC Audit, EFR (applied following the BSC Audit)	<ul style="list-style-type: none"> <li>Assurance Information Request (AIR) and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place to validate Settlement data, resulting in:                             <ul style="list-style-type: none"> <li>Technical Assurance of Performance Assurance Parties (TAPAP), Education and / or change to add BSC requirements for Registrants to validate data</li> </ul> </li> </ul>	
022	Trading Disputes, TAM, BSC Audit, EFR (applied following the BSC Audit)	<ul style="list-style-type: none"> <li>AIR and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place to be notified of work being carried out by a third party or where they don't own the site, resulting in:                             <ul style="list-style-type: none"> <li>TAPAP, Education and / or change to add BSC requirements regarding the notification of work being carried out on site.</li> </ul> </li> </ul>	

## PAB273/06: Quarterly Performance Assurance Report (QPAR) Attachment A – Risk Operating Plan (ROP) for Focus Risks

023	Trading Disputes, BSC Audit, EFR (applied following the BSC Audit)	<ul style="list-style-type: none"> <li>AIR and / or revisions to BSC Audit work papers aimed at understanding the provisions that Registrants have in place identify and report faults, resulting in:             <ul style="list-style-type: none"> <li>TAPAP, Education and / or change to add BSC requirements for Registrants to identify and report faults</li> </ul> </li> </ul>	<p>respect of Central Data Collection Agent (CDCA) processes</p> <ul style="list-style-type: none"> <li>Continue to develop monitoring and reporting to provide greater insight into CVA performance and with a view to identifying potential errors earlier</li> </ul>
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### Risk Operating Plan for SVA High Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2023/24)	Additional PAT deployment to be considered for 2023/24	Additional assurance activities for 2023/24
003	BSC Audit, EFR (applied following the BSC Audit), Trading Disputes, Technical Assurance of Metering (TAM)	Elexon will review data from the PATs that are currently being deployed before recommending further PAT deployment	<ul style="list-style-type: none"> <li>Granular root cause analysis of Category 1 non-compliances identified by the TAA and BSC audit issues. For a complete view of performance against this Settlement Risk, cross-code engagement will be required to obtain performance data of SVA Metering Equipment Managers (MEMs).</li> <li>Monthly monitoring using PATs outputs and the risk dashboard information in order to monitor performance against this risk. Cross-code engagement will be required for remediation of issues that are recorded.</li> <li>Continuation of Issue Group 99<sup>1</sup>.</li> </ul>
007	PARMS, EFR (applied for performance)	Peer comparison – Risk 007 performance data will be publish following the approval of Modification P427	<ul style="list-style-type: none"> <li>Quarterly performance threshold reviews.</li> <li>Monthly engagement with Parties that have the lowest performance to understand and help to resolve issues.</li> <li>EFR exceptions to be reported to the PAB on a monthly basis.</li> <li>Continue to monitor and report on the impacts of the Meter shortage via industry consultation</li> </ul>
008	Material Error Monitoring (MEM), BSC Audit	EFR	<ul style="list-style-type: none"> <li>Monthly monitoring and focused communication with Suppliers to resolve instances of erroneously large Estimated Annual Consumption/Annualised Advances (EAC/AAs).</li> </ul>

<sup>1</sup> Review the use of the D0215 flow and its associated processes



## PAB273/06: Quarterly Performance Assurance Report (QPAR) Attachment A – Risk Operating Plan (ROP) for Focus Risks

			<ul style="list-style-type: none"> <li>• Collaboration between the Risk Owner, Material Error Monitoring (MEM) Technique Owner and EFR Technique Owner to agree an EFR deployment processes for Suppliers that are in breach of their materiality threshold.</li> <li>• EFR will only be deployed against Suppliers where they continue to be in breach of the materiality threshold following six months of consistent communication from Elexon.</li> </ul>
017	BSC Audit	EFR	<ul style="list-style-type: none"> <li>• Monthly monitoring using risk dashboard information.</li> <li>• Monitor the results of the BSC Audit.</li> <li>• Recommend deployment of the EFR technique should outstanding BSC Audit issues not be rectified.</li> </ul>

### SVA Medium Focus Risks

Risk	Ongoing PAT deployment (to be continued in 2023/24)	Additional PAT deployment for 2023/24	Additional assurance activities for 2023/24
005	BSC Audit, EFR, Trading Disputes, TAM	Review the outcome of the 2022/23 AIR for DCs on outstation alarms to determine whether additional PATs are required.	<ul style="list-style-type: none"> <li>• Regular Risk monitoring using available data</li> <li>• Meter shortage monitoring</li> <li>• Cross-code engagement</li> </ul>
016	MEM, BSC Audit	None – the existing PAT deployment is to be continued	<ul style="list-style-type: none"> <li>• Increase the frequency of MEM reporting (from quarterly to monthly) and review results to better understand the impact of the Settlement Risk</li> </ul>
018	Trading Disputes, BSC Audit	None – the existing PAT deployment is to be continued	<ul style="list-style-type: none"> <li>• Engage with the Retail Energy Code (REC) and attend Revenue Protection Association (RPA)</li> <li>• Review the current error identification and correction method within Settlement</li> </ul>