Quarterly Performance Thresholds Review

ssurance Board (PAB)			
30 November 2023	Paper number	PAB274/05	
Simon Waltho	Purpose of paper	Attachment B	
Public	Document version	1.0	
	30 November 2023 Simon Waltho	30 November 2023 Paper number Simon Waltho Purpose of paper	30 November 2023 Paper number PAB274/05 Simon Waltho Purpose of paper Attachment B

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 <u>Elexon website</u> 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 **November 2023** quarterly review provides:
 - Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from December 2023 to February 2023:
 - Half Hourly (HH) Measurement Class (MC) C and non-domestic Sub-100kW (MCs E and G) to be held at 850MWh.
 - Non Half Hourly (NHH), (MC A) and domestic elective Half Hourly (MC F) to be held at 1250MWh.
 - NHH Export to be set at **1250MWh**.
 - Recommended EFR exit criteria:
 - HH MC C and non-domestic Sub-100kW (MCs E and G) to be held at 425MWh.
 - \circ NHH + MC F to be held at **625MWh**.
 - Non Half Hourly (NHH) Export to be set at 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:

Market Area	Settlement Run and standard	Settlement month	Industry Average	Volume of non- compliant estimation	% of Total (exc. NHH Export)	% of Total
HH MC C	R1 99% *	August 2023	96%	36,223 MWh	22%	19%
HH MC E and G	R1 99%	August 2023	90%	22,422 MWh	14%	11%
NHH and MC F	RF 97%	August 2022	76%	103,335 MWh	64%	53%
NHH Export	RF 97%	August 2022	45%	32,829 MWh		17%

otal	194,809 MWh	100%	100%
------	-------------	------	------

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

- 3.2 When NHH Export volumes are excluded, the % of impact per market area for each HH sector has reduced by 1% over the past quarter, whilst the NHH sector has increased by 2%.
- 3.3 NHH Export volumes, included for the first time, accounted for 17% of all non-compliant estimation. This is comparable to HH MC C Import and greater than HH MCs E & G Import.
- 3.4 In considering how each market segment impacts the overall volume of non-compliant estimation, Elexon has also assessed how the total volumes in each Import market segment have changed between review periods.
- 3.5 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 Import market sectors.

. Market area	Volume of tota	al energy (MWh)	Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	August	November		August	November	
MC C	8,914,189	8,898,193	-0.2%	39,932	36,223	-9.3%
HH MC E and G	933,834	923,539	-1.1%	24,184	22,422	-7.3%
NHH and MC F	9,544,311	8,654,306	-9.3%	106,044	103,335	-2.6%

- 3.6 The volume of non-compliant estimation in both HH segments has decreased at a significantly greater rate than overall volume, reversing the trend observed in the previous quarter.
- 3.7 However, the drop in volume of non-compliant estimation in the NHH and MC F segments was lower than the drop in overall volume, a reverse of the trend seen in the past two quarters.
- 3.8 The following table shows the overall industry-level Settlement Performance for each Import market segment at the previous review points.

Review Point	HH (R1)	HH MC E and G (R1)	NHH and MC F (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%
November 2023	98.68%	96.58%	95.96%
Difference August 2023 to November 2023	0.08%	0.17%	0.03%
Difference August 2022 to November 2022	0.34%	0.66%	-0.36%

3.9 MC C and MCs E and G posted improvements in performance after holding steady and declining over the previous quarter respectively, although both improved more slowly than in the comparable period in 2022. Performance in MCs E & G reached the second-highest level since February 2021.

3.10 Improvement in NHH and MC F continues to be incremental (down to 0.03% from 0.04% in the previous quarter) but does contrast with a decline in the previous comparable period.

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 When NHH Export volumes are excluded, MC C is now 22% of the total industry volume of non-compliant estimation, compared to 23% at the August review. MCs E and G are now 14% compared to 15% in August. Actual volumes of non-compliant estimation declined in both market segments have fallen.
- 4.3 When NHH Export volumes are included, MC C is 19% of the total volume and MCs E and G, 11%.
- 4.4 Elexon continues to investigate the impacts to performance of Suppliers' problems scheduling and prioritising Meter Operator Agent (MOA) appointments. An update on these investigations is provided in the November 2023 Risk Report.
- 4.5 Elexon is also working to see if Suppliers' concerns that a significant proportion of the meters installed in MCs E and G metering estate may never have been capable of returning remote data can be substantiated. Elexon will provide an update to the PAB through the Risk Report once these investigations are complete.
- 4.6 For MC C, the latest reported daily R1 performance figure (98.60% for Settlement Day 4 October 2023) is down by 0.04% since the last review. The latest daily SF performance (98.05% at Settlement Day 31 October 2023) is up by 0.04% since the last review.
- 4.7 For HH non-domestic Sub-100kW (MCs E and G), the latest daily performance at R1 is 96.50% (down 0.05%). At SF, it is 95.13% (up 0.26%).
- 4.8 Three Suppliers have exited EFR for HH performance since August 2023, whilst two have entered.
- 4.9 Eight Suppliers are currently in EFR escalation for HH performance.

5. Non Half Hourly and MC F considerations for this quarter

- 5.1 The new threshold will apply from December 2023 to January 2024. These reporting months map to the autumn months of September 2022 to November 2022 at RF.
- 5.2 NHH and MC F now account for 64% of total non-compliant Import estimation, compared to 62% at the August review. When NHH Export volumes are included, they account for 53%.
- 5.3 The latest reported daily RF performance (for Settlement Day 3 October 2022) is 95.48%, down 0.73% from the last review.
- 5.4 Supplier IDs which were subject to the Supplier of Last Resort (SoLR) process now account for 44MWh of noncompliant estimation (0.04% of the total), down from 455MWh of non-compliant estimation (0.43% 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 2023; one has entered.
- 5.6 Eight Suppliers are currently in EFR escalation for NHH performance. One of these Suppliers currently accounts for 25% of non-compliant estimation and is in stage 3 escalation.

6. Non Half Hourly Export considerations for this quarter

- 6.1 The new threshold will apply from December 2023 to January 2024. These reporting months map to the autumn months of September 2022 to November 2022 at RF.
- 6.2 NHH Export is 17% of total non-compliant estimation.
- 6.3 The latest reported daily RF performance is 29.77%.
- 6.4 One Supplier has entered EFR since August 2023. This Supplier has been invited to attend the December 2023 PAB meeting due to concerns with its overall Settlement performance.
- 6.5 Three Suppliers currently account for 89% of non-compliant estimation.

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

- 7.1 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).

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

8.1 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	Coverage including Current EFR Plans
500	15	15	33,350	92%	92%
600	13	13	32,249	89%	91%
700	11	11	30,896	85%	85%
850	8	8	28,649	79%	83%
1000	7	7	27,712	77%	80%

8.2 Elexon 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 89% to 83% when existing EFR plans are taken into account.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

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

Threshold (MWh)	No of Supplier IDs	No of parent companies	Vol of non- compliant energy (MWh)	Coverage of non- compliant energy in this market	Coverage including Current EFR Plans
500	11	11	18,015	80%	80%
600	10	10	17,489	78%	78%
700	9	9	16,800	75%	75%
850	5	5	13,750	61%	72%
1000	5	5	13,750	61%	72%

9.1 Elexon considered the effectiveness of the following thresholds:

- 9.2 Elexon 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 73% to 72% when existing EFR plans are taken into account.
 - 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.

10. NHH and MC F Performance – 53% of all non-compliant estimation

10.1 Elexon considered the effectiveness of the following thresholds for the NHH and non-domestic elective HH market:

Threshold No of Supplier No of parent (MWh) IDs companies	Vol of non- compliant energy (MWh)	Coverage of non- compliant energy in this market	Coverage including Current EFR Plans
--	--	--	--

900	20	18	95,885	93%	93%
1,000	19	17	94,919	92%	93%
1,100	18	16	93,845	91%	92%
1,250	16	14	91,485	89%	92%
1,500	14	13	88,728	86%	92%

10.2 Elexon concluded that maintaining the threshold at 1,250MWh would:

- Maintain a high level of market coverage, up from 91% to 92% when existing EFR pans are included.
- Allow a period for Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

11. NHH Export Performance – 17% of all non-compliant estimation

11.1 Elexon 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	4	4	30,290	92%
1000	4	4	30,290	92%
1100	3	3	29,224	89%
1250	3	3	29,224	89%
1500	3	3	29,224	89%

- 11.2 Elexon concluded that setting the threshold at 1,250MWh would:
 - Provide a high level of market coverage.
 - Establish a consistent approach for the NHH Import and Export markets.

12. Review of EFR exit requirement and EFR exit recommendation

- 12.1 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.
- 12.2 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.
- 12.3 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).

13. Likely changes as a result of the next threshold review in February 2023

- 13.1 The assessment of the threshold review in February will consider analysis for the Settlement Days in November 2023 at R1 for HH and November 2022 at RF for NHH. The threshold will apply for Settlement Days from December 2023 to February 2023 at R1 for HH and December 2022 to February 2022 at RF for NHH.
- 13.2 Elexon do not believe it would be appropriate for coverage in the HH market segments to be reduced any further, and so expects to reduce either or both of the HH thresholds should performance continue to improve at a comparable rate over the next quarter.
- 13.3 Alternatively, the PAB is invited to consider whether it is open to revisiting the proposal to merge reporting for MCs C, E and G first presented in the <u>May 2022 Quarterly Threshold Review</u>.

- 13.4 As outlined in the earlier paper, this would simplify the approach for HH Suppliers, Elexon and the PAB. It would also allow for a marked increase in the coverage of non-compliant HH estimation whilst keeping the number of EFR plans at a manageable level.
- 13.5 Based on November's data, a threshold of 900MWh would encompass all bar one of the Suppliers currently in EFR for either or both of the existing HH Market Segments, together with two additional Suppliers that are not yet in Focus.
- 13.6 These Suppliers account for 88% of overall non-domestic HH estimation below the threshold, a level of coverage similar level to the domestic and NHH Export segments. Coverage of MC C would increase from 83% to 88% and MCs E and G from 72% to 79%.
- 13.7 Elexon would need to ensure that Suppliers did not use the higher volumes in MC C to mask poor performance in MCs E & G. Elexon notes that EFR is currently deployed for a number of Suppliers with a level of non-compliant estimation below the existing thresholds where Elexon and the PAB have determined this is appropriate.
- 13.8 If the PAB agrees to re-consider this approach a full proposal will be included in the February 2023 Review, including feedback from Parties likely to be affected.
- 13.9 Due to the high level of coverage provided by the existing NHH thresholds, Elexon expects to hold the existing thresholds at the next review.

14. EFR Considerations

14.1 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
December 2023	September 2023 at R1 for HH September 2022 at RF for NHH	January 2024	December 2023
January 2024	October 2023 at R1 for HH October 2022 at RF for NHH	February 2024	January 2024
February 2024	February 2024November 2023 at R1 for HH November 2022 at RF for NHH		February 2024

- 14.2 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.
- 14.3 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 indicating further significant underperformance is likely.

For more information, please contact:

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