ELEXON

SUPPLIER PERFORMANCE STANDARDS

MHHS

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Section 1: Introduction

This document sets out the principles for which Performance Standards and targets will be based following go live of the MHHS arrangements. Due to the 100% performance standard it will be imperative that the PAB and BSCCo take corrective action practically and on a risk based approach.

Below is set out the principles by which BSCCo will report Settlement Performance to the PAB and how the PAB may use those reports to set appropriate performance targets for Supplier's based on their performance.

It aims to give an illustrative example of the key data inputs and methodology used to allow the PAB to apply Performance Assurance Techniques flexibly and in order to incentivise more favourable behaviours.

It also briefly details what changes may be required to BSC in order to give effect to these principles and methodologies.

Section 2: Principles

Principle 1 – The standards are based on a requirement to achieve 100% of Accurate data which will be set out in the Code

Benefits:

- Incentivises Suppliers to achieve the best possible performance rather than quoted standard which can lead to manipulation of portfolio and a higher degree of estimation. This will need to be set out in the Code as a requirement
- There will be an understanding that 100% will be hard to achieve on an enduring basis and there will be a process for Performance Assurance Board to set appropriate performance thresholds beneath this based on industry data – more flexible than a set standard
- Having a 100% a standard will help us to highlight good sustained performance rather than achieving a set target only highlighting those benefits
- Previous targets seen as "arbitrary" and this allows a more flexible approach
- Allows more performance assurance activity to take place in areas that were previously considered compliant and out of scope- there many complex issues within the allowable 3% of estimated energy in NHH. This allows Elexon and the PAB to support in dealing with these challenges
- Suppliers should be working with their agents to set up process for MHHS that achieve the highest performance standards possible

Important to note:

- Whilst the Performance Standard to achieve 100% is aligned to the Supplier Charges approach for Supplier Performance, both will be set out in the BSC separately. The Supplier Charges approach will act as an ongoing financial incentive to ensure Suppliers put in place systems, processes and contracts to obtain and process the latest available accurate Metered Data. The Supplier Standard will be used as a mechanism for Elexon and the PAB to monitor and take action to address issues at an industry or individual Supplier level which may not be addressed via Supplier Charges alone
- Accurate data does not align to actual data but to the highest quality types of data for the Metering System (see Principle 4)
- Whilst the Code Standard is 100% of accurate data, the PAB will apply performance thresholds to undertake action beneath this based on reviewing the industry level and Supplier level reporting against the standard (see Principle 5)

Principle 2: Performance to be measured per segment: Advanced, Smart and UMS with the ability to report separately for Import and Export

Benefits:

- Enables Elexon and the PAB understand if there are particular issue with in sector
- Enable reporting to continue in other sectors if there are issues which impacting the reporting of another one (eg DCC problems)
- Helps focus in on particular issue in a Supplier's segment that could be causing industry issues, which may have been hidden by the other sectors in its reporting
- Enables industry guidance/events to be more easily tracked to reporting
- Enables thresholds to be set more proportionally against specific sector performance

Important to note:

- The Supplier Standard will be applied separately to each market segment
- The Supplier standard for each segment will include Import and Export in aggregate but with the ability to report each separately
- The Standard will apply to each GSP Group separately. The PAB can then determine whether to take action based on an aggregate or GSP Group basis dependent on where issues with data manifest

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Principle 3: Will report on all Settlement Runs but SF will be indicative reporting only with the standards applying from R1 and to all subsequent Settlement Runs.

Benefit:

- Ensures all data is available. From this the PAB can then choose which Settlement Runs require action when reviewing the data

Principle 4: 100% standard would be based on CCCs designated as either Accurate VS Limited CCCs

Benefits:

- Aligns with Supplier Charges principles
- Enables Suppliers to replicate the data within their own systems and forecast improvements
- Ensures Standard is incentivising the right behaviours to obtain the best possible Metered Data available

Principle 5: PAB thresholds will be applied to enable action to be taken based on the current industry position and risks

Benefits:

- Acknowledges that 100% is extremely hard to achieve
- Enables Elexon and the PAB's effort to be focussed in the areas most impacting Settlement

The Definition of Accurate Data

The term Actual is defined by being a single time period that contains a valid value that has been collected from a Metering System or generated using specific estimation methodologies. These are flagged by the Data Services with A, A1, A2, A3 as per the appropriate MHHS Method Statement.

For the purposes of the supplier Standards, this definition has been expanded to account for the 'best' data that each meter category as to not unduly penalise Suppliers for their Customers' choices. The BSC will not refer to this as Actual data but Accurate data to avoid confusion with the true meaning. This means for each category be it Smart, AMR, Traditional (or their opted out equivalents) or Unmetered Supplies there will be estimation flags that are treated as Accurate data which will allow the accurate comparison of Performance within each metering category. The best flag a Smart meter can have is 'A', an Opted out Smart meter could only reach 'E2' with a traditional meter only able to achieve 'E6T'.

The PAB will have the authority to amend the estimation categories applicable for Supplier Performance Standards following consultation with the industry.

The Performance monitoring system must therefore access the Industry Standing Data to obtain the MHHS CCC definitions are set up to reflect the estimation categories as referenced in the Advanced, SMART and Unmetered Data Services Method Statements

Accurate and Limited data will be measured in MWh and applied as a % of Accurate Data/ Total Volume.

PAB Thresholds

The PAB thresholds would then be applied against the Supplier Standards and would consider:

- Volume of Limited data
- Estimation Quality of Limited Data (based on the CCC estimation hierarchy) - Volume of each CCC Id of Limited data calculated against total volume and a threshold applied based on PAB agreed proportion
- Where applicable, age of estimation

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Supplier Performance Standards
The below breaks down the key principles of this methodology to illustrate how a Supplier's performance target may be set in practice.

Performance Standard for Suppliers: Suppliers are required to provide accurate data (100% accuracy). However, there will be flexible thresholds set based on industry performance levels, and corrective action may be taken if suppliers don't meet these thresholds.

Weighting for Limited CCCs: Suppliers with data settled against limited CCCs will have their accuracy target adjusted based on the accuracy of those limited CCCs. More accurate limited CCCs will result in lower performance targets for the supplier, and less accurate CCCs will result in higher performance targets.

Average Age of Estimation: Suppliers settling against limited CCCs for a long time may face higher performance targets to encourage them to use more reliable estimation techniques or rectify any issues.

Weighting based on Market Share: Suppliers' performance targets will be influenced by their market share of energy settled against limited CCCs. Lower market share in limited CCCs will lead to reduced performance targets, while higher market share will lead to higher performance targets

Expected Code Changes

Section S of the Code will be updated to set out clear Supplier Performance targets of 100% Accurate Metered Data for each of the Advanced, Smart and Unmetered market segments for both Import and Export data.

The Code will set out that Accurate Metered Data is aligned with categories of CCC Ids which will be approved by the PAB following industry consultation and reviewed on at least an annual basis.

The Code will note that these standards are distinct from the Supplier Charges obligations and that the PAB will be able to apply the Performance Assurance Techniques for under-performance against the standard. It will also note that the PAB will apply risk threshold beneath the target as set out in BSCP X (most appropriate BSCP to be confirmed).

Expected BSCP Changes

A BSCP will set out:

- The annual process for consultation and approval of the CCCs considered Accurate and Limited and how these should be published
- The process for PAB consulting on and setting thresholds beneath the standards on an at least annual basis (the expectation is this will be on a quarterly basis)

Additional Documentation Required

Additional documentation will set out:

- The agreed Supplier Performance Standard PAB thresholds
- The annual timetables for consultations on the CCCs and thresholds

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Start of MHHS Supplier Performance Standards and Reporting

- The Supplier standards and reporting against the will apply from the start of migration (M11-M12).
- Elexon and the PAB will determine whether to apply thresholds on a Quarterly basis from this time with the expectation that thresholds will not be applied until there is sufficient volumes within the MHHS arrangements and the data instead highlighting any significant issues which require investigation.
- Once it is determined that thresholds should be applied the process set out in the BSCP will be followed to determine the initial appropriate thresholds using the latest performance data available.

System and Reporting Requirements

- A system is required that can obtain the relevant data required from the Helix Data Acquisition Hub to run a view of each Suppliers performance against the Accurate Metered Data/Total set out for each HH period to the level of granularity set out in this document
- The system will also be required to obtain the relevant data required from the Helix Data Acquisition Hub to run queries to pull a view of a Suppliers performance against each of the threshold metrics and with a potential of split by relevant Data Service: noted in the section on PAB Thresholds. The system should be capable of accepting regular changes to the parameters for the thresholds applied. Where the age of estimation is applied as a threshold factor the system will also be required to review the estimation time span for each Metering System within a CCC category and then to determine the median timespan for each Supplier and at industry level for each of the CCC categories.
- The system should be capable of producing alerts to Elexon on a daily basis if an individual Supplier or industry Performance data (both the percentage of Accurate Data and against each of the threshold categories) has changed to a significant degree.
- The System will be required to produce Performance Reporting with the ability to choose the level of granularity within the report and with the ability to set the timespan of the report. This reporting should use the latest data available from the Data Acquisition Hub. The system should be able to produce regular, set reporting ranges and have the ability to send reports directly to Suppliers based on contact details provided at frequencies requested by each Supplier.

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