Quarterly Performance Thresholds Review

Performance A	ssurance Board (PAB)		
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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 <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 **February 2024** quarterly review provides:
 - Recommended thresholds of non-compliant estimation for focus Suppliers to be applied from March 2024 to May 2024:
 - Half Hourly (HH) Measurement Class (MC) C and non-domestic Sub-100kW (MCs E and G) to be held at 850MWh
 - o Non Half Hourly (NHH) (MC A) and domestic elective Half Hourly (MC F) to be held at **1250MWh**.
 - o NHH Export to be reduced to **300MWh**.
 - Recommended EFR exit criteria:
 - HH MC C and non-domestic Sub-100kW (MCs E and G) to be held at 425MWh.
 - NHH MC A and HH MC F to be held at **625MWh**.
 - NHH Export to be reduced to 150MWh.

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
нн мс с	R1 99% *	Nov-23	96%	44,929	17%
HH MC E and G	R1 99%	Nov-23	90%	24,669	9%
NHH and MC F	RF 97%	Nov-22	79%	179,478	68%
NHH Export	RF 97%	Nov-22	45%	15,775	6%
Total	'	'	,	264,851 MWh	100%

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- * Standard required at SF but assessed at R1 due to risk-based approach
- ** Industry Average calculated as mean Settlement Performance for all Suppliers in this Market Segment
- 3.2 The % of total non-compliant estimation per market segment for each HH sector has reduced by 2% over the past quarter, whilst the NHH & MC F segment has increased by 15%.
- 3.3 The impact of NHH Export volumes has dropped significantly, from 17% of all non-compliant estimation to 6%, and is now substantially less than both HH market segments.
- 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 increased in all Import market sectors, but decreased in NHH Export.

Market area	Volume of total	al energy (MWh)	Difference	Volume of non-compliant estimation of Suppliers under the standard (MWh)		Difference
	November	February		November	February	
MC C	8,898,193	9,467,686	6.4%	36,223	44,929	24.0%
HH MC E and G	923,539	1,058,706	14.6%	22,422	24,669	10.0%
NHH and MC F	8,654,306	10,972,156	26.8%	103,335	179,478	73.7%
NHH Export	45,428	26,055	-42.6%	32,829	15,775	-51.9%

- 3.6 Growth in volume of non-compliant estimation in HH MC C and NHH & MC F outpaced the growth in overall volume, reflecting the worsening overall performance in these areas after two quarters of improvement.
- 3.7 However, the growth in volume of non-compliant estimation in the MC E & G segment was lower than the growth in overall volume.
- 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)	NHH Export
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%	22.94%
February 2024	98.59%	96.67%	95.43%	36.45%
Difference November 2023 to February 2024	-0.09%	0.09%	-0.53%	13.51%
Difference November 2022 to February 2023	-0.06%	0.23%	-0.52%	N/A

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3.9 MC C and NHH & MC F performance both declined, and at a faster rate than in the comparable period in 2022-2023. Performance in MCs E & G improved at a slower rate than in the previous comparable period, but still reached its second-highest level since February 2021.

4. Half Hourly performance considerations for this guarter

- 4.1 The new threshold will apply from March 2024 to May 2024. These reporting months map to the winter months of December 2023 to February 2024 at R1.
- 4.2 MC C is now 17% of the total industry volume of non-compliant estimation, compared to 19% at the November 2023 review. MCs E and G are now 9% compared to 11% in August. However, actual volumes of non-compliant estimation in both market segments have risen.
- 4.3 For MC C, the latest reported daily R1 performance figure (98.48% for Settlement Day 23 December 2023) is down by 0.12% since the last review. The latest daily SF performance (98.19% at Settlement Day 22 January 2024) is up by 0.14% since the last review.
- 4.4 For HH non-domestic Sub-100kW (MCs E and G), the latest daily performance at R1 is 96.00% (down 0.50%). At SF, it is 94.69% (down 0.44%).
- 4.5 Three Suppliers have exited EFR for HH performance since November 2023, whilst one has entered.
- 4.6 Nine of the 18 current HH EFR plans are in escalation.

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

- 5.1 The new threshold will apply from March 2024 to May 2024. These reporting months map to the winter months of December 2022 to February 2023 at RF.
- 5.2 NHH and MC F now account for 68% of total non-compliant Import estimation, compared to 53% at the last review
- 5.3 The latest reported daily RF performance (for Settlement Day 20 December 2022) is 95.50%, up 0.02% from the last review.
- 5.4 Supplier IDs which were subject to the Supplier of Last Resort (SoLR) process now account for 31MWh of non-compliant estimation (0.02% of the total), down from 44MWh of non-compliant estimation (0.04% 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 and MC F performance since November 2023; three have entered.
- 5.6 12 of the 21 current NHH and MC F EFR plans are in escalation.

6. Non Half Hourly Export considerations for this quarter

- 6.1 The new threshold will apply from March 2024 to May 2024. These reporting months map to the winter months of December 2022 to February 2023 at RF.
- Due to the way in which NHH Export volumes are profiled, overall volume will drop significantly during these months. As the bulk of NHH Export sites are solar PV generation, profiling assigns the majority of volume to summer months.
- 6.3 For this reason, Elexon recommends that the thresholds for the winter months are set at around one quarter of the level suggested by the November data, this being the approximate proportionate difference between overall November volumes and overall December, January and February volumes in the past two years for which RF data is available.
- 6.4 NHH Export is 6% of total non-compliant estimation, down from 17%.
- 6.5 The latest reported daily RF performance is 53.43%, up 23.66% from the last review.
- 6.6 No Suppliers have exited EFR for NHH Export performance since November 2023; two have entered.
- 6.7 Four Suppliers currently account for 84% of non-compliant estimation.
- 6.8 One of the three current NHH Export EFR plans is in EFR escalation.

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

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- 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 – 17% 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	42,578	95%	95%
600	12	12	40,894	91%	92%
700	9	9	38,911	87%	88%
850	8	8	38,103	85%	86%
1000	8	8	38,103	85%	86%

- 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, increasing coverage of non-compliant estimation from 83% to 86% when existing EFR plans are taken into account.
 - Allow 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) – 9% of all non-compliant estimation

9.1 Elexon 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	Coverage including Current EFR Plans
500	12	12	20,890	85%	85%
600	11	11	20,317	82%	85%
700	10	10	19,644	80%	82%
850	7	7	17,332	70%	82%
1000	5	5	15,568	63%	78%

- 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, increasing coverage of non-compliant estimation from 72% to 82% when existing EFR plans are taken into account.
 - Maintain a consistent approach for the non-domestic HH market.
 - Allow Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

10. NHH and MC F Performance – 68% 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 (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
900	23	20	171,476	96%	96%

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1,000	23	20	171,476	96%	96%
1,100	23	20	171,476	96%	96%
1,250	21	18	169,133	94%	95%
1,500	20	17	167,729	93%	95%

- 10.2 Elexon concluded that maintaining the threshold at 1,250MWh would:
 - Maintain a high level of market coverage, up from 92% to 95% when existing EFR pans are included.
 - Allow Suppliers currently in EFR to focus on achieving the existing exit threshold, before reducing this further.

11. NHH Export Performance – 6% of all non-compliant estimation

11.1 Elexon considered the effectiveness of the following thresholds for the NHH Export 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	Coverage including Current EFR Plans
900	4	4	13,203	84%	84%
1000	4	4	13,203	84%	84%
1100	4	4	13,203	84%	84%
1250	4	4	13,203	84%	84%
1500	3	3	11,807	75%	75%

- 11.2 Based on volumes, Elexon concluded that maintaining the threshold at 1,250MWh would:
 - Provide a high level of market coverage (84% compared to 89% at the last review).
 - Maintain a consistent approach for the NHH Import and Export markets.
- 11.3 Following point 6.3 above, Elexon therefore recommends a threshold of 300MWh, with a corresponding Export threshold of 150MWh.

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 May 2024

- 13.1 The next assessment of the threshold review will consider analysis for the Settlement Days in February 2024 at R1 for HH and February 2023 at RF for NHH. The threshold will apply for Settlement Days from March to May 2024 at R1 for HH and March to May 2023 at RF for NHH.
- Due to the high level of coverage provided by the existing thresholds, Elexon expects to hold the existing Import thresholds at the next review.
- 13.3 Due to the likely increase in overall volumes in the NHH Export market segment over the next quarter resulting from the way in which volumes are profiled, Elexon expects to raise the Export threshold 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:

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Reporting Month	Settlement Dates	Suppliers considered for EFR entry	Suppliers considered for EFR exit
March 2023	December 2023 at R1 for HH December 2022 at RF for NHH	April 2024	March 2023
April 2024	January 2024 at R1 for HH December 2023 at RF for NHH	May 2024	April 2024
May 2024	February 2024 at R1 for HH February 2023 at RF for NHH	June 2024	May 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.

15. Provision of an Indicative Date for Return to Compliant Performance

- 15.1 All Suppliers with performance below the standards set out in the BSC should be striving to improve above this level and providing updates to their Operational Support Manager (OSM) on the work they are undertaking to do this.
- 15.2 Elexon and the PAB recognises the challenges Parties face in forecasting future performance and in ordinary circumstances will not ask Parties to commit to EFR milestones beyond the next quarter.
- 15.3 However, it is important that Parties are able to show that their plan's ultimate aim is to achieve *at least* a compliant level performance.
- 15.4 For this reason, Elexon recommends that the PAB require Parties to provide an indicative date of when they expect to achieve a compliant level of performance in cases where their current EFR milestones do not encompass this.

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