

Error and Failure Resolution (EFR) Approach for the 2024/2025 Performance Assurance Operating Period (PAOP)

Performance Assurance Board (PAB)

Date of meeting **25 April 2024**

Paper number **PAB279/08**

Owner/author **Simon Waltho**

Purpose of paper **Information**

Classification **Public**

Document version **1.0**

Summary **The PAB is invited to note and comment on Elexon's approach for the deployment of the EFR Performance Assurance Technique (PAT) for the 2024/2025 PAOP**

1. Background & General Principles

- 1.1 EFR is a remedial PAT that Elexon and/or the PAB deploy as needed to ensure Parties and Party Agents address non-compliances with the provisions of the Balancing and Settlement Code (BSC, or "the Code").
- 1.2 In particular, EFR is deployed:
 - a) In cases where Elexon and/or the PAB judge that a Party or Party Agent requires Elexon's support in order to meet its obligations under the Code; and/or
 - b) To provide additional visibility and accountability around a Party or Party Agent's plans where Elexon and/or the PAB judge that continuing non-compliance poses a significant risk to the accuracy of Settlement and therefore to the interests of all participants in the energy market.
- 1.3 This paper sets out the broad principles by which Elexon intend to manage the deployment and escalation of EFR Plans during the 2024/2025 PAOP.
- 1.4 This paper is supplementary to [BSCP538¹](#) and the relevant Guidance Notes and is not an exhaustive guide to the Technique. Parties and Party Agents seeking greater understanding of the process should contact their Operational Support Manager (OSM) who will arrange training as needed.

2. Settlement Performance EFR Plans

- 2.1 Elexon and the PAB deploy EFR for Suppliers based on their Settlement Performance in the following market segments:
 - a) Non Half Hourly (NHH) Measurement Class (MC) A and Half Hourly (HH) MC F Import (together as "NHH");
 - b) HH MCs E & G Import ("Sub 100kW");
 - c) HH MC C Import ("HH"); and
 - d) NHH MC A Export ("NHH Export").
- 2.2 **All** Suppliers whose volume of monthly non-compliant estimation falls below the levels set at the appropriate Quarterly Threshold Review will be considered for EFR per the timetable agreed each quarter with the PAB and made available to Suppliers on the Elexon website.

¹ BSCP538: Error and Failure Resolution

- 2.3 However, **all Suppliers below the 97% NHH and NHH Export standard at RF, the 99% HH standard at SF and the 99% Sub 100kW standard at R1 should be striving to improve performance above these levels. Any Supplier with performance below these standards must provide regular updates to its OSM on the work it is undertaking to rectify this non-compliance.**
- 2.4 As such, **any Supplier with performance below the standards set out in the Code may be considered for EFR where Elexon or the PAB judge this appropriate.** Such considerations may include, but are not limited to:
- a) Performance that is persistently below the standards set out in the Code, with little or no evidence that a Supplier is making sustained improvement towards those standards;
 - b) An increase in total volumes at earlier Settlement Runs, such that the current level of Settlement Performance is likely to result in a Supplier coming into focus for EFR if improvements are not made; and/or
 - c) An apparent or perceived lack of understanding of Settlement obligations and processes, including those of Party Agents, and of the potential impact of poor Settlement performance on other Parties.
- 2.5 Suppliers in EFR are required to provide a plan that:
- a) Sets out the total volume of Metering Systems (MSIDs) and % energy for the Supplier ID portfolio that are not settling on actual data at SF and R1 (for HH and Sub 100 Plans) or R3 and RF (for NHH and NHH Export Plans);
 - b) Identifies the underlying root cause(s) for this and details the specific actions the Supplier will take to address these and prevent their re-occurrence (including a milestone date by which these actions will be completed);
 - c) Provides the forecast improvement to Settlement Performance resulting from these actions each month up to the date at which the Supplier will become Compliant.
- 2.6 Plans should be signed off by an individual with sufficient authority to allocate resource necessary for the plan to succeed
- 2.7 Suppliers that achieve the exit thresholds set out in the Quarterly Threshold Review will be considered for exit from the EFR process, but should not interpret this as a guarantee that they will do so. **Elexon and the PAB will not allow a party to exit EFR until they are assured that the exit threshold has been achieved as part of a sustainable progression toward compliant levels of performance.**
- 2.8 Suppliers, as Signatories to the BSC, acknowledge that the Performance Standards are a **minimum** level of performance. For the avoidance of doubt, the only way for Suppliers to guarantee exit from a Settlement Performance EFR plan is to consistently achieve a level of performance that meets or exceeds these standards.

3. EFR Plans for BSC Audit Issues

- 3.1 Elexon can deploy EFR for any BSC Party or Party Agent where the BSC Auditor has identified a material non-compliance with the Code.
- 3.2 In general, Parties and Party Agents should expect that Elexon will deploy EFR for all High or Medium BSC Audit Issues, and for any Low BSC Audit Issues that have:
- a) persisted for more than one PAOP; and/or
 - b) pertain to one of the current Focus Risks as set out in the Risk Operating Plan (ROP).
- 3.3 However, **all Parties and Party Agents with Material Audit Issues should be striving to resolve these as soon as possible, and in any case before their next BSC Audit. Updates must be provided regularly to their OSM on the work they are undertaking to do this.**
- 3.4 As such, **any Party or Party Agent with open Material BSC Audit Issues may be considered for EFR where Elexon or the PAB judge this appropriate.** Such considerations may include, but are not limited to:
- a) Persistent non-Compliance with the provisions of the Code, with little or no evidence of sustained improvement towards Compliance; and/or
 - b) An apparent or perceived lack of understanding of Settlement obligations and processes, and of the potential impact of poor Settlement performance on other Parties.
- 3.5 Parties and Party Agents in EFR are required to provide a plan that:

- a) Sets out the current extent of their non-compliance;
 - b) Identifies the underlying root cause(s) for this and details the specific actions the Party or Party Agent will take to address these and prevent their re-occurrence (including a milestone date by which these actions will be completed);
 - c) Provides the forecast improvement resulting from these actions including the date by which the Party or Party Agent will become Compliant.
- 3.6 Plans should be signed off by an individual with sufficient authority to allocate resource necessary for the plan to succeed
- 3.7 Parties and Party Agents will be considered for exit upon successful completion of their milestones and the outcome of the subsequent BSC Audit.

4. EFR Plans for Erroneously Large EAC/AA Volumes

- 4.1 Elexon will continue to deploy EFR for Suppliers with unacceptably large EAC/AA volumes according to the process set out in [Newscast 963](#) and described on the [Elexon website](#).

5. Other EFR Plans

- 5.1 Elexon and the PAB may choose to deploy EFR for any BSC Party or Party Agent based on the outcome of any other Performance Assurance Technique or on relevant information received from any other source or process.
- 5.2 In such cases, EFR will be deployed in a manner broadly consistent with the principles outlined in Sections 1.2, 2.2 and 3.4, above.
- 5.3 Elexon and the PAB will set out the requirements for such a Plan at the point at which EFR is deployed; these will be broadly consistent with the principles set out in Sections 2.5, 2.6, 3.5 and 3.6, above.
- 5.4 Elexon and the PAB will set out the conditions under which a Party or Party Agent will be considered for exit from such a Plan at the point at which EFR is deployed; at a minimum, these will require evidence of sustainable progression toward compliant levels of performance.

6. Escalation of EFR Plans

- 6.1 Parties and Party Agents that fail to meet their forecast milestones will be considered for escalation to the PAB.
- 6.2 Failure by a Party or Party Agent to provide any of the following within the timescales detailed in BSCP538 and/or as specified by Elexon or the PAB will be considered a missed milestone for the purposes of the escalation process:
- a) a credible, adequately resourced plan to return to Compliance within a reasonable timeframe; and/or
 - b) where required, supporting evidence that milestones have been achieved.
- 6.3 In general, Parties and Party Agents in escalation will be required to meet with:
- a) the EFR Technique Owner within Elexon's Performance Assurance Product following their first missed milestone;
 - b) Elexon's Head of Assurance following their second missed milestone; and
 - c) the PAB following their third missed milestone and any subsequent missed milestones.
- 6.4 Parties and Party Agents will be considered for escalation directly to the PAB where Elexon or the PAB judge that they are insufficiently engaged with the process, or that their non-compliance is likely to cause significant impact to other market participants.
- 6.5 In particular, Settlement Performance EFR plans will **always** be fast-tracked to the PAB where the most recent monthly Settlement Performance data for the relevant market segment shows the Supplier is responsible for:
- a) more than 20% of overall non-compliant estimation;
 - b) a proportion of overall non-compliant estimation more than 10% greater than their share of overall volume; and/or
 - c) more than 20,000 MWh of non-compliant estimation.

- 6.6 At each stage of the escalation process, the Party or Party Agent will be required to provide a revised EFR plan, expanded to include:
- a) Details of the underlying root cause(s) for the Party or Party Agent's failure to reach the expected milestones set out in the original Plan;
 - b) Details of the actions they will take to address these and prevent their re-occurrence; and
 - c) **Either** confirmation that the milestones in the original Plan will be met **or** a revised set of milestones up to the date by which the Party or Party Agent will become Compliant.
- 6.7 The EFR Technique Owner, Head of Assurance, or PAB will either:
- a) accept the revised plan;
 - b) accept the revised plan in part and set additional milestones as they judge necessary; or
 - c) reject the revised plan and move to the next stage of the escalation process.
- 6.8 When rejecting a plan, the PAB may also decide to escalate a Party to the BSC Panel and/or to begin the [Breach and Default](#) (for BSC Parties) or [Removal of Qualification](#) (for Party Agents) process.

7. Recommendations

- 7.1 We invite the PAB to:
- a) **NOTE**; and
 - b) **COMMENT** on the approach to EFR outlined in the paper.

For more information, please contact:

Simon Waltho, Risk & Technique Analyst

simon.waltho@elexon.co.uk

020 7380 4203