

COVID-19 ESTIMATION DEROGATIONS AND ASSOCIATED MONITORING

MEETING NAME	BSC Panel
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Purpose of paper	For information
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Classification	Public
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Summary	This paper provides the Panel with an update on the management and monitoring of Settlement Risk relating to derogations introduced to ease the burden on BSC Parties and Party Agents in response to COVID-19 and the associated lockdown.
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1. Background

- 1.1 At the April Panel meeting Elexon provided the Panel with an update on key activities and actions taken in response to COVID-19 and the associated lockdown, in particular to ease the burden on BSC Parties and Party Agents. Details of all our COVID-19 actions are contained within the Elexon report and on our [website](#).
- 1.2 This paper provides an update to the Panel on additional derogations put in place by the Performance Assurance Board (PAB) at its last meeting to address end of lock down scenarios and on the reporting in place to enable Elexon and the PAB to monitor take up of the derogations.

2. Recap – previous PAB decisions

- 2.1 On 3 April 2020, the PAB approved temporary derogations to NHHDCs and HHDCs from the following requirements:
 - The requirement (in BSCP502 Appendix 4.2 and 4.12) that HHDCs can only estimate data for Import Metering Systems using an EAC provided by the Supplier if other estimation methods higher in the order of precedence are unavailable;
 - The requirement (in Annex S-2 and BSCP504 4.12.1.3) that an NHHDC cannot use an EAC provided on a D0052 in preference to a calculated EAC; and
 - The requirement that a Deemed Meter Advance may only be calculated in the circumstances specified in BSCP504 4.5.2(a)–(p)
- 2.2 The derogations are intended to address the fact that, during the lockdown period, sites which are estimating are not reflecting changes in customers' demand caused by restrictions imposed via the Government's coronavirus regulations.

3. Further PAB decisions

- 3.1 At its most recent meeting, the PAB approved some additional derogations aimed at improving Settlement accuracy whilst COVID-19 restrictions are in place and to facilitate a smooth exit from subsequent period(s) of lockdown.

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- 3.2 The further derogations, approved in accordance with the PAB's powers set out in BSCP537 'Qualification Process for SVA Parties, SVA Party Agents and CVA Meter Operators'¹, allow:
- Suppliers to submit new consumption estimates, either at the end of the lockdown period, or at a point where the Supplier recognises that the site has resumed operation. This is so the estimated consumption reflects the actual consumption at the property, as businesses start to become operational again.
 - Data Collectors a grace period from their obligations to undertake site inspections during a lockdown and for three months following a lockdown. This is so field staff can focus on obtaining meter readings and performing meter fault investigations.
- 3.3 The PAB also agreed that the BSC Auditor will take a pragmatic approach when assessing compliance with the Long Term Vacant (LTV) process in its assessments for the 2020/2021 audit period and a grace period should be applied during a lockdown and for three months following a lockdown.
- 3.4 Guidance notes have been updated and published on the ELEXON website to reflect these decisions.

4. Monitoring and reporting

- 4.1 We have introduced a variety of monitoring approaches to help us to understand how lockdown restrictions are impacting settlement. In addition, we are reassessing all Settlement Risks listed in the Risk Evaluation Register (RER) and the focus applied to specific Risk or Risk events within the Risk Operating Plan (ROP) 2020/2021 in light of the COVID-19 lockdown.
- 4.2 In April, we presented new reporting to the PAB via the Risk Report that has been developed in recognition of the inherent risk that Suppliers may not follow a robust, evidence based approach when applying the derogations and making adjustments to estimated data.
- 4.3 All monitoring will be provided on a monthly basis to the PAB via the confidential Risk Report, with a public version temporarily being published on the Elexon website. The PAB also requested that it be informed immediately, outside of normal meeting timescales, if reporting identifies areas of concern that require PAB action (e.g. to unwind any inappropriate use of the derogations).
- 4.4 To date, the reporting has not revealed any areas of concern.
- 4.5 Monitoring includes:

a) Market Level Reporting: Monitoring GSP Group Correction Factors (GSPGCFs)

GSPGCFs are used to address differences between:

- the net energy measured going from/to a GSP Group and
- the actual and estimates submitted by Supplier Agents to the Supplier Volume Allocation Agent (SVAA).

The GSPGCFs adjust Non Half Hourly (NHH) Suppliers' to account for these differences in order to balance Settlements. Therefore, unless errors made by Suppliers net each other off, any substantial adjustments introduced by Suppliers incorrectly adjusting estimates are likely to result in significant changes to the GSPGCFs.

¹ Section 2.7 of BSCP537, under derogation process, states 'Where an urgent and unforeseen market event requires a temporary market-wide dispensation the PAB may vary this process'. BSC Section Z1.4 lays out PAB's function which is to manage Settlement Risk; and Section Z 5.1.4 states that PAB shall have regard for 'efficient, equitable and accurate allocation of energy between Suppliers'.

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We already have regular monitoring in place to check changes to the GSPGCFs which works to identify the source of any potential errors. Details are published monthly in the Trading Operations Report.

We are also putting in place additional analysis in the Risk Report comparing Suppliers' energy volumes prior to and after GSPGCFs being applied. This analysis will help to determine the volumes of any errors introduced on a nett basis (although it is possible that differences between the corrected and uncorrected volumes may be attributable to other errors such as inaccuracies introduced as a result of the use of profiling and errors and approximations in the calculation of Line Loss Factors).

b) Market level reporting: SVAA data analysis

We have put in place monitoring in the Risk Report to look at volume movements pre and post the COVID-19 restrictions for the NHH, HH >100kW Metering Systems and HH <100kW Metering Systems markets.

This analysis does not identify errors but does highlight changes to energy volumes submitted to the SVAA whilst restrictions are in place. An example of this reporting is set out in Appendix 1.

c) Supplier level monitoring: SVAA data

We also have a view of this information at Supplier Id level to enable us to identify the Suppliers that have seen the biggest changes to their volumes. We will use this as a prompt to investigate any adjustments made and to ask Suppliers for evidence of the rationale used in making changes if we believe it is appropriate to do so.

d) Data Collector submissions

We are developing additional monitoring using data submitted by Data Collectors, who will be logging all volume adjustments received from Suppliers, to give further insight and clarity on the actions carried out by parties applying the derogations.

e) Retrospective checking

All of the guidance notes published remind parties of the need to maintain auditable records of any use of the COVID-19 estimation derogations as they may be subject to an audit by Elexon (using a Technical Assurance of Performance Assurance Parties check) or by the BSC Auditor. We are also reiterating this message via discussions between parties and their Operational Support Managers.

5. Recommendations

5.1 We invite you to:

- a) **NOTE** the update provided.

Appendices

Appendix 1 – Market level reporting: SVAA data analysis

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Appendix 1

Market level reporting: SVAA data analysis

	PRE-COVID (9 March - 15 March)			POST-COVID (23 March - 29 March)						
	Actual Volume total weekly average pre COVID-19	Estimated Volume total weekly average pre COVID-19	Total Volume weekly average pre COVID-19	Current Actual Volume total weekly average	Current Estimated Volume total weekly average	Current Total volume weekly average	Volume difference week on week	Difference in proportion of Total Volume week on week (%)	Volume difference between pre COVID-19 and latest data	Difference in proportion of Total Volume from Pre COVID to Current (%)
NHH (MWh)	37,432.34	364,393.99	401,826.33	64,972.57	319,271.41	384,243.98	-23,973.47	-5.87%	-17,582.35	-4.38%
HH (MWh)	327,217.18	6,897.16	334,114.34	258,494.60	14,934.14	273,428.74	-45,785.61	-14.34%	-60,685.60	-18.16%
Sub 100kW (MWh)	37,721.68	2,050.41	39,772.09	25,140.17	2,953.27	28,093.44	-8,508.51	-23.25%	-11,678.65	-29.36%
Total (MWh)	402,371.20	373,341.56	775,712.76	348,607.35	337,158.82	685,766.16	-78,267.59	-10.24%	-89,946.60	-11.60%