

ELELEXION

**MHHS – Performance Assurance Working
Group**

Meeting 8

5 June 2023

Agenda

	Agenda Item	Time	Page
1	Performance Reporting	13.00	3-10
2	Break	14.00	11
3	Enduring Qualification		
4	Supplier Charges		
5	Next Steps and AOB		

PERFORMANCE REPORTING

Performance Reporting – Supplier Performance – Key standards

- Based push to achieve 100%:
 - 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
- 100% is based on volumes in CCC Id types which will be set out as accurate or limited within the PARMS BSCP

Performance Reporting - Categories

- Performance to be measured per segment- Advanced, Smart and UMS
 - Helps us to 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

- Export
 - Should we design the reporting and standards to have export including?
 - There will be far more Export sites in future- anything from 800,000 to a million and we want to incentivise performance here too
 - If its included should it be aggregated with the import data or a separate category per segment
 - No clear reason to separate Export from Import when there is a drive in all areas to achieve 100%
 - Quantifiable Export data may be useful for non-Settlement purposes

Performance Reporting – Performance Assurance Board Target setting

- Reporting - A target which is based on whether the data is accurate or limited based on the CCCs set out in the Code as 100% standard and then the process for adjusting this standard to individual Supplier targets set out in the PARMS BSCP
- Moves away from current binary approach of performance to a more granular one which considers types of estimation and age
- All Suppliers will be set a target by the Performance Assurance Board based on current industry performance levels and strategy
- The target will be set at 100% per sector but then this would be adjusted down by for each Supplier based on:
 - % of portfolio settling on better types of estimation (Quality of estimation)
 - % of portfolio settling on more recent types of estimation (Age of estimation)
- Target will be set and monitored primarily at an aggregate level and not GSP level for simplicity. However, GSP level reporting will be available to Suppliers and the PAB setting out level of accurate VS limited data, quality of estimation and age of estimation

Performance Assurance Board Target Setting Illustrative Example

Performance Standard : 100% Actual Data

More than 95% of Supplier X's portfolio estimation using "accurate CCC's"	Between 92% and 95% of Supplier X's portfolio estimation using "accurate CCC's"	Between 92% and 90% of Supplier X's portfolio estimation using "accurate CCC's"
Target reduced by 1%	Target Reduced by 0.5%	Target reduced by 0.2%
Less than 95% of Supplier X's portfolio estimation older than 14 days	Between 92% and 95% of Supplier X's portfolio estimation older than 14 days	Between 92% and 90% of Supplier X's portfolio estimation older than 14 days
Target reduced by 1%	Target Reduced by 0.5%	Target reduced by 0.2%

- If a Supplier's estimation portfolio falls below 90% against any of these criteria there is no reduction to their performance target.
- If a Supplier had an estimation portfolio where over 95% of their estimation was using "accurate CCC's" however 91% of those estimates were older than 14 days, then that Supplier's performance target would be 98.8%.
- The percentages and metrics are not proposals and are simply used as an example to show the principle.
- It is proposed that PAB would set the percentage metrics on an annual basis.

Applicable Settlement Runs

- All Settlement Runs will have performance reporting undertaking based on % accurate VS limited
- 100% standard and PAB target setting will apply from SF, R1 and RF
- It will be reported to help us pick up trends and potential risks but not to feed into performance standards as not all data is available at II
- PAB can then decide which runs require most focus if prioritization is required

When will this apply from?

- Performance reporting will apply from M15
- Existing approach and metrics on legacy stopping from M11 and M12
- Anything prior will be unfair view as MSIDs will be split across two sets of arrangements
- Will require further discussion with MHHSP on migration risks to determine best reporting and monitoring approach for Settlement performance during migration period

Process

- Code will refer to 100% standard and then refer to process in PARMS BSCP
- BSCP will set out:
 - CCC Id allocations to accurate and limited and to quality of estimation ratings and the process for changing these
 - Process for setting and reviewing age of estimation criteria
 - Process for setting Supplier targets
 - Process for reviewing Supplier targets and setting an annual timetable for review- a minimum of one review per year will be required
- Other documentation will set out the specific metrics for:
 - Age of estimation
 - Supplier target metrics
 - Timetable for review

BREAK

ENDURING QUALIFICATION

Enduring Qualification

Red-lining BSCP537 shared for comment prior to meeting.

- Overview of comments received
- Next steps

SUPPLIER CHARGES

Supplier Charges

Summary document shared for comment prior to meeting.

Overview of comments received

- To clarify that Supplier Charges will be used to push suppliers to work towards 100%, but the threshold at which supplier charges are applied may be a different value which will be set by PAB.- Agreed and amended
- Text to be added to clarify that Supplier charges to be applied at R1 and RF. - Agreed and amended and noted that the ability to provide Non-Smart actual by SF is challenging.
- Text to be added to clarify the settlement period quality indicators stand for ie 'E1', 'E2' and references to Traditional meters.- Agreed and amended.
- CCC table within the appendix is integral to the framework, and to be reflected in the text- Agreed and amended.

Supplier Charges – Redistribution

Redistribution of Charges

- Framework re-distributes charges to the above average suppliers which means that a Supplier needs to be above the average only.
- Is it possible that it will lower the overall average making Supplier Charges an ineffective technique?

Discussion

- Is there a risk that it would be potentially "enabling mediocrity" rather than pushing up standards?

To be considered:

- This is a complimentary technique to others like EFR
- Will reward the best performance (unlike the current approach)
- Incentivises Suppliers to consider all estimation
- Incentivises the best estimation methods to be used
- GSP Group Correction Factors also an incentive

Supplier Charges – Calculation Template

Formulas

- Noted that the document is silent on the formulas.
- Outline of Supplier Charges calculation template.

Supplier Charges – Modelling Scenarios. To seek views and additional scenarios

All to be run with a range of different base changes to help us determine which base charges should be options the can PAB can choose from:

- As is scenario (close to current model- we may need to make assumptions on which CCCs are most aligned to current estimation or ask Helix for test data and their assumptions or DCs for their view of the data)
- Smart sector with loss of DCC at R1 for both a few days and a whole month
- A large Supplier has an issue which results in poor performance (to test this scenario with a performance of around 50% and the worst case of 0% on actual/ accurate data)
- A large change of Supplier event with no Meter History passed on meaning that default data is used
- SDS only - Look at a range of Smart Meter penetration scenarios and the impact each has on charges
- Poor performing GSP Groups
- Two Suppliers merge into one Id. One had good performance the other poor. What impact does this have on charges?
- Seasonal volumes and the impact of those on charges

Are there any other scenarios we should include?

AOB