

## Technical Assurance Agent (TAA) Annual Report – Elexon Response

### BSC Panel

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Summary **This paper provides Elexon’s response to the Technical Assurance Agent (TAA) annual report, outlining recommendations in response to the key audit findings.**

### 1. Introduction

- 1.1 Elexon acknowledges the suggestions made by the TAA in their Annual Report. With regards to the Supplier Volume Allocation (SVA) market, Elexon has identified several areas where further investigation and analysis is warranted.
- 1.2 With regards to the Central Volume Allocation (CVA) market, Elexon believes that the outcomes of Targeted Inspections in particular call for more significant changes to the way in which the Technical Assurance of Metering (TAM) technique is deployed. As a result, Elexon has outlined suggested changes to the TAM Audit Scope for the 2022-23 Performance Assurance Operating Period (PAOP) in Section 3, below.

### 2. SVA Main Sample Inspection Visits & Desktop Audits

- 2.1 Elexon is pleased to note a slight decline in the rates of both Category 1<sup>1</sup> and Category 2<sup>2</sup> Non-compliance, whilst acknowledging that it is possible that the former can be attributed to the reduced sample size compared to previous audit years.
- 2.2 Perhaps more notable is the increase in the proportion of audits for which no Non-compliance has been recorded. As the overall rate of non-compliance has remained relatively consistent, this suggests **either** that some participants are performing worse than others **or** that participant performance is becoming more inconsistent.
- 2.3 Establishing which of these scenarios is the case is challenging as the SVA Main Sample is based on the size of the overall Meter population and not of participants’ portfolios. However, the first scenario would fit with observed trends in the outcomes from the BSC Audit; accordingly, this may be a fruitful area to discuss as Elexon facilitates greater co-operation between the two audits over the coming PAOP.
- 2.4 Elexon notes that, of the TAA observations relating to the SVA market, five relate to a failure to provide information requested during the audit process, namely:
  - Supplier failure to complete the initial confirmation for Desktop Audits;
  - The increase in the lack of Certificates and Commissioning documents available for audit;
  - HHDC, MOA and Supplier failure to provide D0268 data;
  - MOA failure to provide an Overall Accuracy calculation and supporting evidence for it; and
  - Failure to provide 3 days of Settlement data.

<sup>1</sup> A Category 1 Non-compliance is one deemed to be currently affecting the quality of data for Settlement purposes

<sup>2</sup> A Category 2 Non-compliance is one deemed to have the potential to affect the quality of data for Settlement purposes

- 2.5 As the audit data itself does not distinguish between cases where information is unavailable, available but not provided, or provided incorrectly, Elexon will carry out root-cause analysis of related Non-compliances in order to determine how best to support specific participants in providing this information.
- 2.6 Together with participant feedback collected during user experience sessions for the revised version of the online Technical Assurance Agent Management Tool (TAAMT), these issues do suggest that participant knowledge around the TAM Audit process may have declined following two years of reduced and sporadic audit activity.
- 2.7 Accordingly, Elexon will offer to carry out some short refresher training sessions on a role-by-role basis, in conjunction with completing a review of the associated Guidance Notes. Elexon will also directly contact any participants who appear to be having difficulty completing specific parts of the process, such as completing the initial confirmation of Desktop Audits, to ensure that they understand how to comply with their obligations.

### 3. CVA Main Sample & Targeted Inspection Visits

- 3.1 Elexon has acknowledged in recent TAM Audit Scope papers that the small size of the CVA Metering population does not lend itself to statistical sampling methods. This has been borne out by the CVA Main Sample consistently returning low rates of Non-compliance during a period in which CVA Metering errors have materially impacted Settlement by more than £100M.
- 3.2 At its March 2022 meeting, the PAB approved recommendations for an increased CVA Main Sample of ~121 Inspection Visits supplemented by ~45 CVA Targeted Inspection Visits to be scheduled on the advice of Elexon’s Settlement Accuracy Task Force (formerly the ADR Response Group).
- 3.3 In line with the findings of the Annual Report, and following discussion of the Settlement impact of CVA Metering errors at the PAB’s April 2022 meeting, Elexon recommends that the approach to TAM in the CVA market approach be revised to focus on high-risk sites whilst it continues to improve methods for detecting Settlement error in the CVA market.
- 3.4 Elexon proposes that the CVA Main Sample of ~121 audits be replaced with a Specific Sample comprising the 322 Grid Supply Point (GSP) Meter System Identifiers (MSIDs) that have not received a Targeted or Main Sample Inspection Visit in the last two PAOPs, starting with MSIDs in those GSP Groups currently showing an anomaly in the Annual Demand Ratio.
- 3.5 These visits would then be supplemented by Targeted Inspections of **any** CVA Metering where either Elexon’s data modelling or intelligence received from participants indicates an error may be present.
- 3.6 Available evidence suggests that this will be the quickest way to identify and resolve high-materiality CVA Metering errors. As can be seen from Figure 1.1, more CVA Category 1 Non-compliances are recorded against GSP Metering than against other kind of CVA Metering:

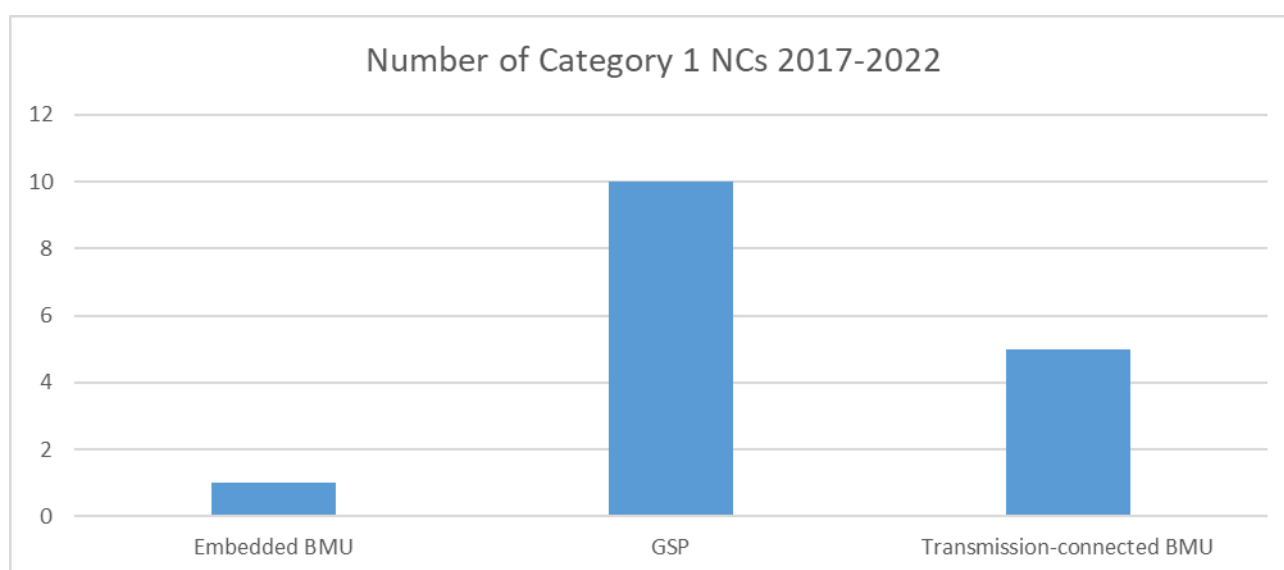


Figure 1.1 CVA Category 1 Non-compliances 1 April 2017 – 31 March 2022

- 3.7 More importantly, as can be seen from Figure 1.2, Category 1 Non-compliances for GSP Metering have had significantly higher material impacts:

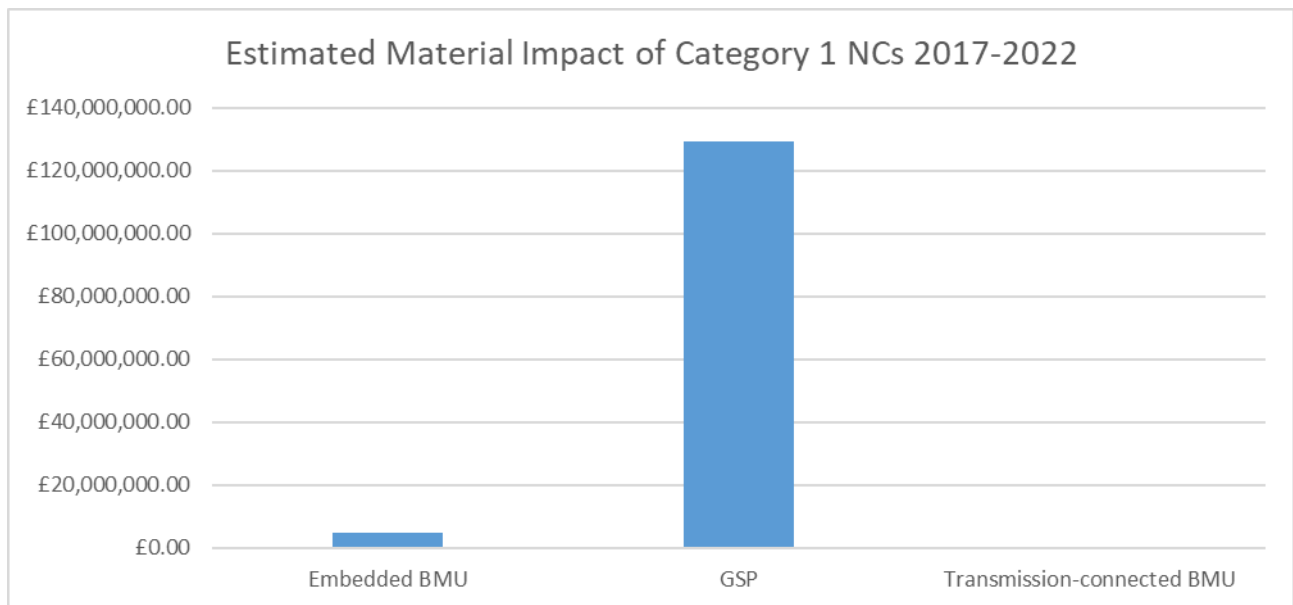


Figure 1.2 Estimated material impact of CVA Category 1 Non-compliances 1 April 2017 – 31 March 2022

- 3.8 This increased focus on the CVA market will necessitate a reduction in SVA audit activity, with the effect of increasing the margin of error for the SVA Main Sample results from 0.5% to 0.7%.
- 3.9 Elexon continues to develop and improve its capacity to identify likely CVA metering errors through analysis of consumption data. However, recent experience has made clear that more work is needed to ensure that all participants in the CVA market recognise and fully engage with their responsibilities under the BSC.
- 3.10 Elexon agrees with the TAA that it should undertake efforts to secure increased involvement from CVA Registrants, and is in the process of communicating with all CVA Registrants to ensure that they are both aware of and carrying out their responsibilities under the BSC in general and TAM in particular.
- 3.11 Elexon will also contact all participants in the CVA market to emphasise their obligation to report any suspected instance of Settlement error under BSC Section L<sup>3</sup>. Elexon suggests that relevant operational staff at each participant are provided with a single point of contact at Elexon in the form of the Technical Assurance of Metering mailbox and encouraged to report any and all instances in which they believe it is possible an error may have occurred. The TAM Technique Owner will pass any communications received to the Settlement Accuracy Task Force for consideration and schedule a Targeted Inspection where they believe this is warranted.

#### 4. PAB Comments and Decisions

- 4.1 Elexon's response was provided to the Performance Assurance Board at the PAB256 Meeting on 26 May 2022.
- 4.2 A PAB Member asked if it would be appropriate to include a requirement under BSCP38<sup>4</sup> for a participant to specify a contact for TAA activity. Elexon agreed to explore this.
- 4.3 A PAB Member suggested making use of escalation points to address Non-compliances with participants throughout the audit year, rather than waiting until the publication of the Annual Report. Elexon agreed with this suggestion.
- 4.4 A PAB Member asked if offshore wind connections counted as GSP meters. Elexon confirmed they did not, and that offshore wind was not included in the proposed CVA Specific Sample.
- 4.5 The Panel Sponsor suggested holding off on agreeing changes to the TAA Audit Scope until the end of the conversation about recent CVA errors. Elexon noted that a decision was needed so that the TAA could start

<sup>3</sup> BSC Section L – Metering, 3.7.4 “If the Registrant of any Metering System or any other Party or (in the case of a CVA Metering System) the CDCA has reason to believe that the Metering Equipment is not performing within the applicable limits of accuracy, or otherwise for any reason is incorrectly recording data, the Registrant or such other Party or the CDCA shall so notify... BSCCo”

<sup>4</sup> BSCP38 – Authorisations

scheduling visits. The PAB Vice-Chair added that there would be an opportunity to further amend the sample if needed.

- 4.6 A PAB Member asked if indicators of Settlement Risk would be considered during site selection for the CVA Specific Sample. Elexon confirmed they would, as part of the broader investigations being carried out by the Settlement Accuracy Task Force.
- 4.7 A PAB Member asked if a reduction in the volume of Desktop Audits could be used to give additional flexibility to add in further CVA or SVA Inspection Visits. Elexon noted the SVA sample was already weighted primarily towards Inspection Visits. However, if more CVA or SVA Inspection Visits were indicated, Elexon could bring this back to the PAB.
- 4.8 A PAB Member asked if CVA Desktop Audits had been considered. Elexon confirmed this was something it would like to do in the future.
- 4.9 A PAB Member noted they could not quantify a decision to make changes to the Scope to focus on the CVA market without knowing the materiality of non-compliances the SVA market. Elexon confirmed that materiality figures for the most recent year were not yet available, but that in recent years this had varied from £160,000 to £1.4M per year. The PAB Member was happy this was sufficient information on which to base their decision.
- 4.10 The PAB unanimously agreed Elexon's recommendation for changes to the TAM Audit Scope 2022-23

## 5. Recommendations

- 5.1 TAMEG are invited to:
  - a) **NOTE** and
  - b) **COMMENT** on the TAA Annual Report & Response.

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### For more information, please contact:

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