

SETTLEMENT RISK 011 UPDATE

MEETING NAME Unmetered Supplies User Group

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Purpose of paper For Information

Classification Public

Summary This paper provides an update on Settlement Risk 011 'Unmetered Supplies Volumes calculated incorrectly'.

1. Introduction

1.1 Each year, the Performance Assurance Board (PAB) deploys the Performance Assurance Framework (PAF) to manage Settlement Risks. To do this, the PAB identifies, evaluates and prioritises the risks that may occur within Settlement and the extent to which they apply to each Performance Assurance Party (PAP).

1.2 Unmetered Supplies is an area that the PAF has limited information on, largely due to limitations within both the process and the data available. The PAB have therefore selected the Settlement Risk related to Unmetered Supplies, Risk 011, to be a 'focus risk'.

Risk 011 is the risk that 'Unmetered Supplies volumes are calculated incorrectly or not at all resulting in erroneous or missing data in Settlement'.

1.3 The below table provides a summary of the risk, taken from the [Risk Operating Plan 2019/20](#).

| Risk ref | Risk Title | Impact | Impact rationale | Target Impact | Target Impact rationale | Risk factor / Control | PAP type | PAT/Approach |
|--------------------|---|--------------------------|--|---------------|--|--|----------|--------------|
| 11 | Unmetered Supplies volumes are calculated incorrectly or not at all | £17.6m Volatility - M | Impact is driven by assessment of volumes associated with UMS related Consumption Component Class (CCC) IDs from the DTN Data Flows. | £15.6m | Exploratory actions will allow us to re-assess risk impact more accurately and encourage reduction in volatility and a reduction in impact | UMS Compliance | Supplier | BSC Audit |
| | | | | | | | LDSO | BSC Audit |
| | | | | | | Lack of clarity for UMSO process | LDSO | TAPAP |
| | | | | | | UMSO does not provide EAC to DC or DC not utilising provided EAC | LDSO | MEM |
| Format of UMS Data | All | Analysis | | | | | | |

2. Risk Re-score

2.1 In December 2019, ELEXON undertook a re-scoring of the Settlement Risks, to reassess the materiality impact after the initial scoring in 2018.

2.2 Some highlights from the Risk 011 rescoring include:

- NHH UMS volumes have decreased by 8% in the last year
- HH UMS volumes have decreased by 5% in the last year
- A 56% decrease in materiality has been forecast for 2020/21. This is mainly due to efforts made by ELEXON throughout 2019 to improve understanding of the root causes of UMS error as well as the industry data that is available.

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- 2.3 At the February 2020 PAB meeting, the risk re-scoring was presented to the PAB as part of the draft Risk Evaluation Register (RER) 2020/21. The PAB endorsed the draft RER and agreed for it to be published on the ELEXON website for consultation.
- 2.4 The [Risk Evaluation Register 2020/21 Industry Consultation](#) asks respondents to review the RER, and to submit any comments by 20 March 2020.

3. TAPAP Checks

- 3.1 At the December 2019 PAB meeting, the PAB approved the scope for the Technical Assurance of Performance Assurance Parties (TAPAP) check on Risk 011.
- 3.2 The TAPAP will be performed with three main objectives:
- To investigate and develop an understanding of the internal processes performed by Parties for Unmetered Supplies;
 - To understand more about error in the market so that ELEXON can reassess the net significance of Risk 011; and
 - To be in a position to assess the reporting that currently exists and look at what additional reporting or techniques may be needed for future risk assessment and mitigation.
- 3.3 Specific areas and processes the TAPAP will focus on include:
- The creation and maintenance of UMS inventories
 - Calculation of Estimated Annual Consumptions (EACs)
 - Quality of communications with UMS customers and BSC Party Roles (Meter Administrators (MA), Non Half-Hourly Data Collectors (NHHDC), etc.)
 - Half Hourly (HH) processes
 - Gross error identified in the Material Error Monitoring (MEM)
- 3.4 The audits have been planned to start from the end of April and will run through May, with the last visits scheduled for June.
- 3.5 The TAPAP checks are specifically focussed on UMSOs, but ELEXON anticipate that other BSC Party Roles such as Suppliers and NHHDCs may also need subsequent TAPAP checks. This is due to their close involvement with UMS processes and consumption data.
- 3.6 ELEXON will consider after the first couple of TAPAP checks whether the audit will be expanded to cover other BSC Party Roles. If ELEXON believe further TAPAP checks are required, these will be discussed with the PAB first. This will allow ELEXON to start planning the next set of audits while still carrying out the first batch on the UMSOs.
- 3.7 Additional information on the approved TAPAP scope is provided in the relevant [PAB paper](#).

4. Recommendations

- 4.1 We invite you to:
- a) **NOTE** the contents of the paper; and
 - b) **NOTE** that the draft Risk Evaluation Register 2020/21 has been published on the ELEXON website for industry consultation.

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