

AGGREGATION RULES

This document outlines the methodology used to assess the Settlement Risk related to incorrect Aggregation Rules. We are not seeking to exhaustively outline all aspects considered during this assessment; our aim is to draw out the main data items considered and any key assumptions when estimating a future impact range.

The risk that... Aggregation Rules in CDCA are incorrect such that CVA Metered Data is not correctly aggregated and the energy volumes required for Settlement are incorrect or missing **resulting in...** erroneous, missing or estimated data in Settlement.

Category: Central aggregation and Trading Charges

Sub category: Aggregation Rules

Covers: Registrant created Aggregation Rules incorrectly, including incorrect or missing LLFs, CDCA manually inputting rules incorrectly, changes on site not reflected in Aggregation Rules.

Does not cover: inaccurate LLF values, covered by risk 25 CVA reference data

Estimated impact in 2019/20

Lower	Middle	Upper
£0	£107.4k	£39.8m

Impact to remain unchanged for the 2020/21 PAOP

At risk population

As part of this assessment, we seek to understand the population at risk in the upcoming period, i.e. how many times will the underlying process occur where the risk can manifest.

The at risk population for this risk is the number of Aggregation Rules currently registered in the CDCA.

Data point considered

The CDCA have extracted the number of registered Aggregation Rules over the last three years.

	2015/16	2016/17	2017/18
Number of registered Aggregation Rules	581	749	846

Forecast

The number of Aggregation Rules in the CDCA has increased year on year so we have extrapolated this to give a mid-point figure for 2019/20 of 950 with a range of 900 – 1000.

Failure rate

From the population at risk, we need to estimate the proportion where the risk will manifest, i.e. the failure rate. To do this, we assess historical performance in the area and consider any upcoming changes that have the potential to impact future performance.

Data points considered

When assessing historical performance in the area, we considered:

- Trading Disputes relating to errors with Aggregation Rules
- Technical Assurance of Metering (TAM) non-compliances
- BSC Audit issues

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There were no related material BSC Audit Issues.

There was one Category 1 (potentially Settlement-impacting) TAM non-compliance in the 2015/16 year and two in the 2017/18 year. These were all investigated and were found either not to be material or the investigation is ongoing.

There has been one Trading Dispute relating to Aggregation Rules since 1 April 2015:

- Impacted days: 1186
- Total materiality: £349,000
- Annualised materiality: £107,407

We have also looked at historic Trading Disputes relating to Aggregation Rules to gather more information for this risk.

- The largest Trading Dispute relating to Aggregation Rules spanned 11 months in 2011; materiality was £16,800,000
- There were 10 Trading Disputes relating to Aggregation Rules from 2012 to 2014 totalling £71m

Forecast

Below are the key consideration and assumptions when forecasting failure rates in the 2019/20 period:

- Based on most years having had zero or one Trading Dispute relating to Aggregation Rules, we have forecast a mid-point of 1 occurrence of this risk in a year with a range of between zero and two occurrences.

Impact

To estimate the impact of a risk we need to understand the days impacted and error volume on average per instance.

Average days impacted

The single largest Trading Dispute that we have seen relating to Aggregation Rules spanned 342 days. Whilst the Trading Dispute within the last three years lasted 1186 days, the total materiality was £349,000. We have therefore set both the mid-point and the upper days impacted to 342 days. The lower impact is zero days as we have had no Trading Disputes relating to Aggregation Rules for the last two years.

Average error per day

The average error per day in kWh has been calculated as

Lower	Middle	Upper
0	5.885	920,548

- The lower figure impact is zero as we have had no Trading Disputes relating to Aggregation Rules for the last two years.
- The middle figure used was the annualised materiality (£107,407) of the only Trading Dispute relating to Aggregation Rules in the last three years by 365 by 50 (as an average price per MWh).
- The upper figure was calculated by dividing the highest annualised materiality of a Trading Dispute relating to Aggregation Rules of £16,800,000 by 365 by 50.

We convert the error volume into a monetary value using the forecast system buy and sell price for the upcoming period.