

Public

# Quarterly Performance Assurance Report

Quarter 3 - 2019/20

Ryan Dale  
21 Jan 2020

---

## CONTENTS

|  |   |
|--|---|
| <b>OVERVIEW .....</b>  | <b>3</b>  |
| Key points of progress so far (Risk Management) .....  | 4   |
| Risk Landscape.....  | 5   |
| Risk Manager Update .....  | 5   |
| Key Industry Metrics .....   | 6   |
| Implementing the PAF Review recommendations .....  | 8   |
| <b>FOCUSSED RISK OVERVIEW.....</b>   | <b>9</b>  |
| Risk 003 - Metering Equipment installation, programming, maintenance and Commissioning ..... | 9   |
| Risk 005 – SVA Fault Resolution .....  | 9   |
| Risk 007 – Retrieval of Metered Data .....   | 10  |
| Risk 011 – Unmetered Supplies (UMS) .....  | 11  |
| Risk 016 – Energisation Status.....  | 12  |
| Risk 018 – Revenue Protection .....  | 12  |
| <b>OTHER NOTABLE RISK UPDATES .....</b>  | <b>14</b>   |
| Risk 010 – Meter Read History.....   | 14  |
| Combining of CVA Risk 022 and CVA Risk 024 .....   | 14  |
| Risk 027 – Payment Default.....  | 15  |
| Risk 029 – SAA calculations .....  | 15  |
| Risk 030 – Energy Contract Volume Allocation Agent (ECVAA) processes.....                    | 16  |
| Risk 031 - FAA processing .....  | <del>16</del> <a href="#">16</a> <a href="#">17</a> |
| Risk 020 – CVA Metering installation, programming, maintenance and Commissioning .....       | 17  |
| <b>TECHNIQUE UPDATES .....</b>   | <b>18</b>   |
| Error and Failure Resolution (EFR) .....   | 18  |
| Technical Assurance of Metering.....   | 18  |
| Disputes.....  | 19  |
| Qualification .....  | 20  |
| <b>PLANS FOR THE NEXT QUARTER .....</b>  | <b>22</b>   |

---

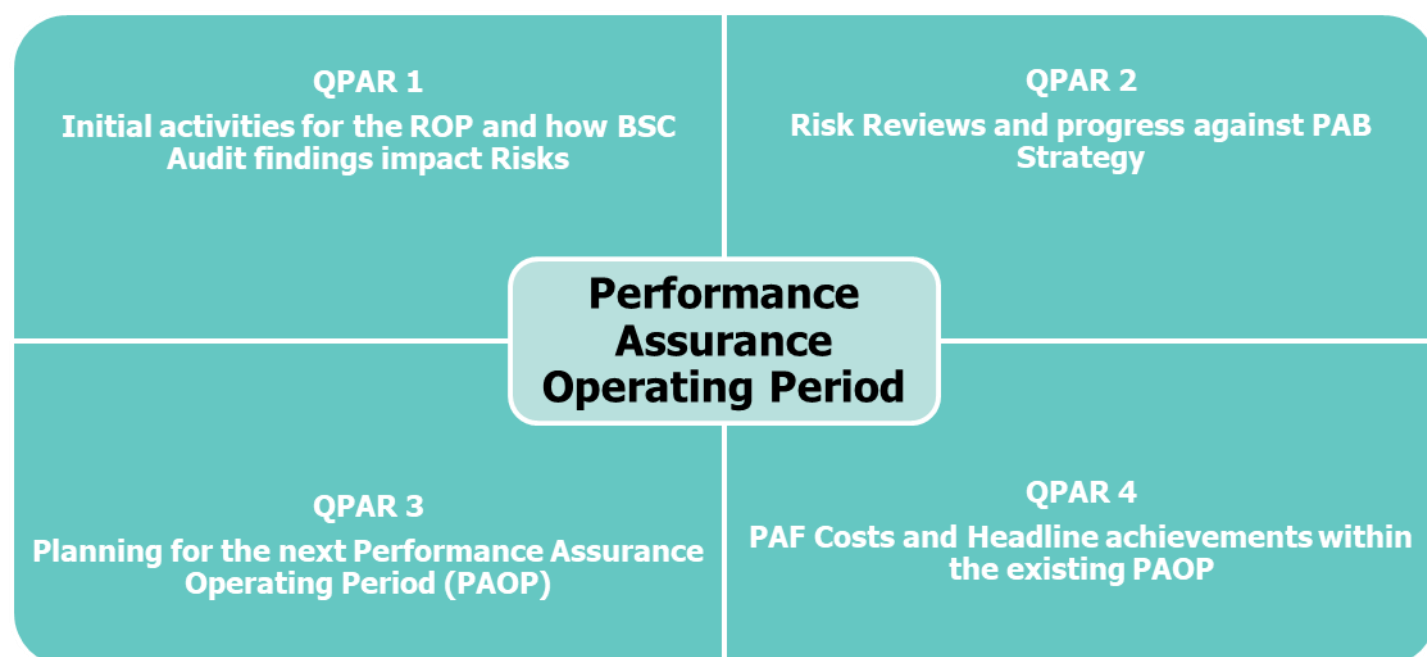
## OVERVIEW

---

The Performance Assurance Board (PAB) is required, by Balancing and Settlement Code (BSC) Section Z 8.1<sup>1</sup>, to prepare an Annual Performance Assurance Report (APAR). Following the PAF Review, ELEXON intends to provide a Quarterly Performance Assurance Report (QPAR), which includes:

- Results from risk evaluation and risk assurance procedures focussing on the outcome of deployment of Performance Assurance Techniques (PAT);
- The actual costs associated in delivering the Performance Assurance Framework (PAF) compared with the estimated costs set out in the Risk Operating Plan (ROP); and
- Recommendations for modifying the PATs.

In addition, the content of the QPAR will focus on the Performance Assurance activities undertaken within the previous quarter. This may mean that, within each QPAR, the content and information provided changes or has a specific focus in line with activities undertaken. ELEXON will, over the course of the four quarterly reports, cover the full scope of the PAF and the ROP. As a guide, we anticipate the four quarterly reports to have focus on the following areas



---

<sup>1</sup> <https://www.elexon.co.uk/bsc-and-codes/balancing-settlement-code/bsc-sections/>

---

## Key points of progress so far (Risk Management)

- **PAB Strategy reviewed**

Following a workshop in October 2019 with PAB members, the PAB strategy was reviewed and updated in line with feedback provided on the day. The general consensus was that the existing strategy was still fit for purpose, and in some cases, strategic items still required work in order to be achieved. The strategic priorities of the PAB remain:-

**Objective 1:** Regularly review future industry changes and developments and consider consequential impacts on the PAF so that the risk register reflects sources of risk in the relevant period, and the PAB can determine appropriate technique deployment.

**Objective 2:** Ensure that accurate allocation of Settlement volumes is a priority within performance management and risk mitigation through risk reviews, deployment of mitigating techniques and performance reporting.

**Objective 3:** Develop a more flexible approach to PAB meetings, membership and resources to allow the delivery of adaptable, consistent and effective performance assurance.

**Objective 4:** Create clear and visible communication channels between the PAB, Performance Assurance Party's (PAP's) and Ofgem, highlighting performance (positive and negative) by exception and showing a clear link between performance and impacts on risk.

**Objective 5:** Support the PAA in the implementation of the PAF review recommendations.

The PAB did identify a further strategic objective. ELEXON is updating the PAB strategy document and presenting this for approval in the Jan 2020 PAB Meeting.

**Objective 6:** Ensure that the cost of delivering the PAF is optimised.

- **Risks Re-assessed – Currently being Validated**

23 of the 34 Risks have now been re-assessed by each Risk Owner, supported by the Risk Team. The rescoring has been carried out in accordance with the approved Risk Evaluation Methodology (REM) and in some cases, using additional data sourced within the PAOP to improve the accuracy of the impact score.

We have asked experts within ELEXON to provide a validation of this rescoring. Once this validation exercise is complete, we will present a series of Within Period Revisions (WPRs) to the Risk Evaluation Register (RER) to reflect the amended Risk evaluations.

- **Comparative Judgement Exercise Launched**

ELEXON has sought industry input to the Risk assessment process, ahead of the creation of the forthcoming ROP for 2020/2021.

A Comparative Judgement exercise has been created to allow people from across the Energy market to offer their view of which Settlement Risks are of most importance. ELEXON is collating responses received and will present findings to PAB in February, following the closing date of 31<sup>st</sup> January 2020.

- **Drafting new PAB Risk Report**

ELEXON is continuing the transition towards comprehensive Risk Reporting with the addition of a Risk Report. This report will effectively replace the Monthly Business Unit Settlement Risk Rating (BUSRR) Reports and Technique Progress Reports (TPR) provided to PAB. The Risk report will combine an overview of market performance, along with party specific recommendations based on both performance standards and a wider assessment of each party's performance, by Risk Owners.

---

## Risk Landscape

- Our RER remains at 34 Risks (18 Supplier Volume Allocation (SVA) Risks and 16 Central Volume Allocation (CVA))
- We have fully re-assessed one risk (Risk 027), the calculated risk impact has been adjusted accordingly
- All other risks impacts remain as outlined in the RER 2019/20
- Our view of proposed risks for focus is unchanged and the eight risks identified for focus within the ROP are unchanged.

## Risk Manager Update

As we reach Q3 of this PAOP, we are beginning to consider the coming PAOP for 2020/21 and creating the new ROP.

Following on from the incumbent ROP, created after the PAF review of Risk Documentation (REM and RER), ELEXON has sought to build on how the original plan was created. Last year, the plan was largely created prior to the appointment of Risk Owners and input from PAT owners was limited. This year, with the appointment of Risk Owners and the subsequent bedding in period, we have had greater input in the re-assessment of risks and in proposal of management strategies for the risk in the coming year. Equally, we have sought greater input from technique owners, to ensure that the ROP is delivered with a clearer view of resources available and what we aim to achieve, within the year.

Finally, ELEXON has expanded on the Comparative Judgement exercise carried out with PAB members last year, to gather opinions on risk from across the Energy market. This provides ELEXON with a view of Risk based on a series of judgements between risks, determining which is deemed most important. The results of this exercise won't provide ELEXON with an ultimate view of risks, but will provide indications, across market segments, as to those risks which create noise or challenge for BSC parties. We will be able to factor this into our overall assessment.

Within the market, ELEXON is aware of a number of continuing and developing issues which may form part of focus within the new ROP, such as:-

**Supplier of Last Resort (SoLR) Events** – The increasing number and frequency of these events have created concern and increased risk to settlement, due to a number of factors, including the management of customers affected by SoLR, the management of Party agents and the demands placed on suppliers during these transitions. ELEXON is considering aspects of SoLR within affected settlement risks and as a Risk event. Our proposed management of this will be outlined within the ROP 2020/21.

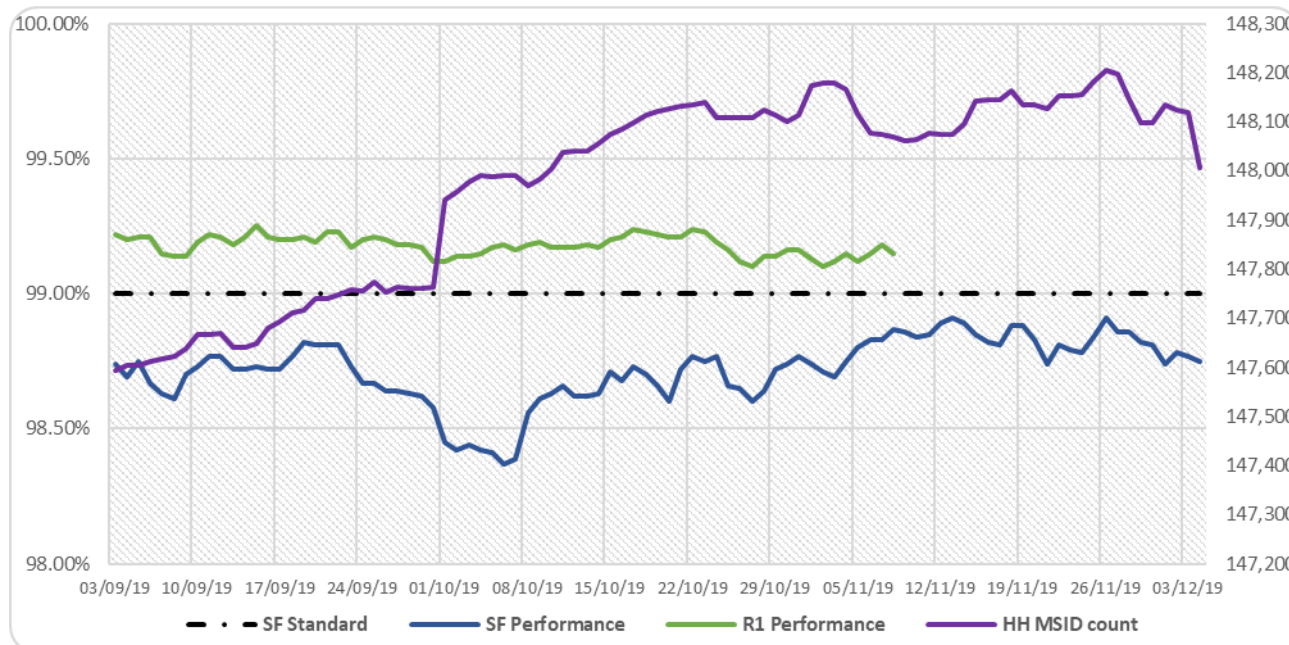
**Measurement Classes E, F & G** – The ongoing migration of meters to and from these Measurement classes is a cause for concern. ELEXON has deployed management of these issues, within existing PATs and the monitoring of Performance Standards across the market.

**Potential changes to the Supplier Hub Principle** - Customer appointed agents are the subject of an ongoing issue (P332) and the output from this group could result in recommendations to change the way that party agents are managed within the BSC. The Risk team is monitoring these discussion and will respond to any changes accordingly.

If you have any feedback or comment on Risks, please contact Ryan Dale at [risk@elexon.co.uk](mailto:risk@elexon.co.uk).

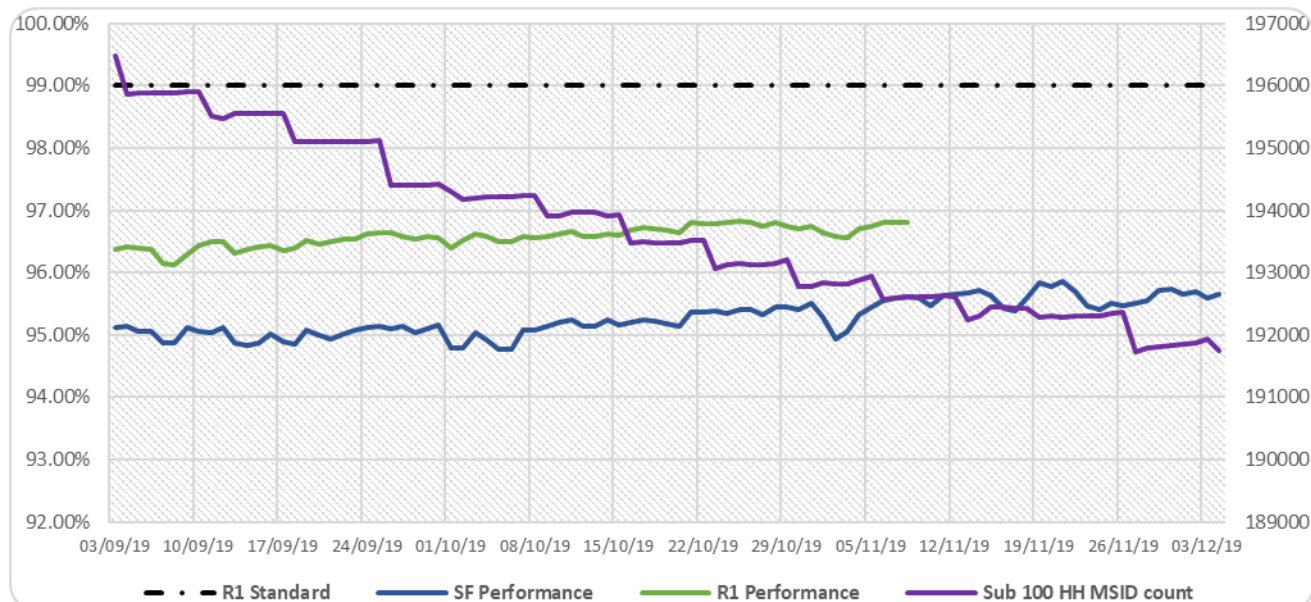
## Key Industry Metrics

### Half Hourly (HH) Market



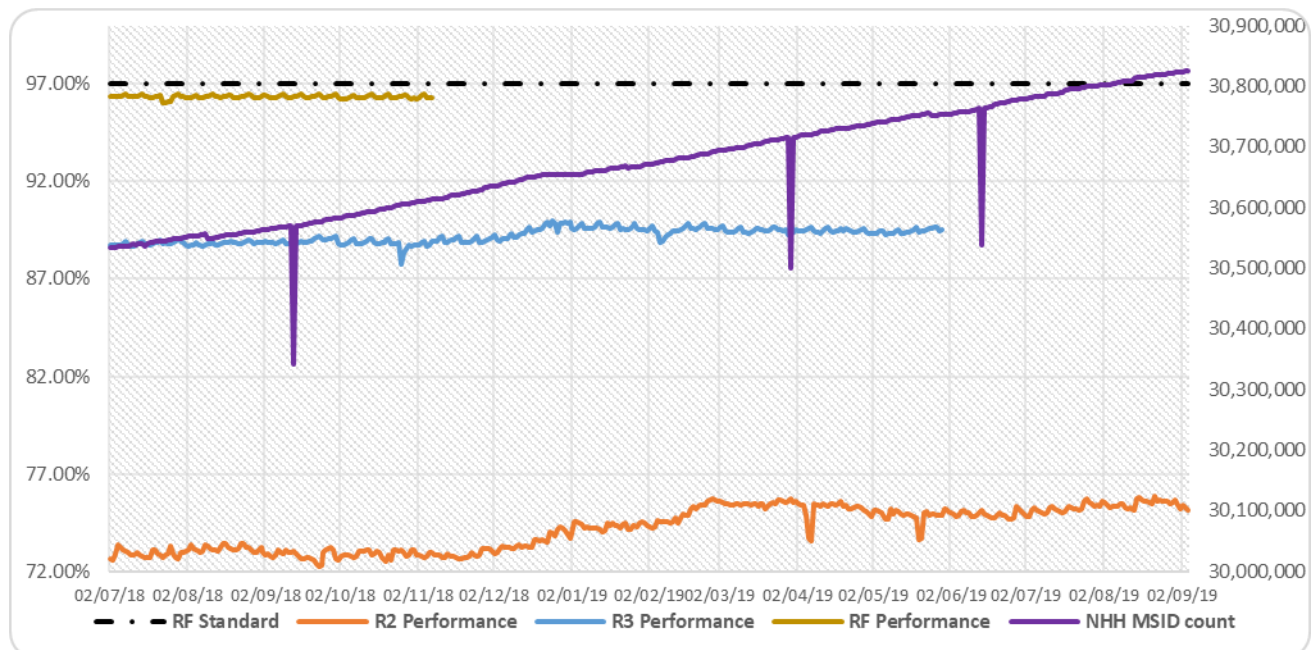
The HH Market has been performing at the 99% standard at R1 throughout the last year, but with a noted decline around October (possibly due to October Contract Round). SF Performance has increased in recent months, but with a decline from end of November 2019 onwards, in line with a minor reduction in Meter Serial IDs (MSID) in the Market.

### Sub 100kwh Market



The Sub 100kwh HH Market has been steadily decreasing in MSIDs across the quarter. SF Performance has steadily increased but remains below the standard by >3% at time of writing. The reducing number of MSIDs could be attributed to reversing of Change of Measurement Class (CoMC) events. ELEXON is continuing to monitor/investigate this.

## Non Half Hourly (NHH) Market



The NHH Market has remained below the 97% standard throughout the quarter with minimal improvement in the average market performance during this time. R3 performance has remained steady during this time, however there has been a stepped increase of approx. 3% in average R2 performance, likely due to the increase in smart metering (c.2m installs through Apr 19 to Dec 19).



---

## Implementing the PAF Review recommendations

The PAF Review has identified 59 potential recommendations so far since the scope was approved by the BSC Panel in 2017, with the expectation that more recommendations will be identified ahead of the project closure in June 2020.

|       | <b>PAF<br/>Recommendations</b> | <b>Not started</b> | <b>WIP</b> | <b>Completed</b> |
|-------|--------------------------------|--------------------|------------|------------------|
| Total | 59                             | 18                 | 22         | 19               |
|       |                                | 31%                | 37%        | 32%              |

All the PAF Review recommendations that have been completed (implemented) have been achieved by amending ELEXON's internal processes. There has been no requirement for any changes to either the BSC or any Code Subsidiary Document.

However it should be noted that, within the 22 work in progress recommendations, there are two Modifications (P391/393) which are both due to be implemented on 27 February 2020. There are also five recommendations that are in the initial stage of the ELEXON Change Proposal process. At the time of writing we cannot commit to an implementation date. The remaining 15 recommendations require changes to ELEXON's internal processes to be finalised over the coming months.



---

## FOCUSSED RISK OVERVIEW

---

### **Risk 003 - Metering Equipment installation, programming, maintenance and Commissioning**

#### **Risk Owner Update**

Despite a range of controls applied across the PAT's (Error and Failure Resolution (EFR), Change, Education) we are forecasting an increase in Risk Impact for this risk.

Work is currently being undertaken to improve the Technical Assurance Agent (TAA) Category 1 escalation process. This should help decrease the Days Impacted.

Risk 003 Reporting has been designed and under review which when fully implemented will help provide greater in depth risk analysis.

#### **Next Steps**

- Review of TAA Cat 1 Escalation process

### **Risk 005 – SVA Fault Resolution**

#### **Risk Owner Update**

There has been wide range of activities supporting performance against this Risk, including education events, change management and progress in the assessment of faults.

We have, in turn, seen a slight decrease in the number of faults across all areas of the market. Industry parties have been working together more collaboratively and pro-actively to rectify issues around communications interoperability, supported largely by work streams led by the Association of Meter Operators (AMO).

The Issue 73 Group, created to identify improvements in the management of Faults, should result in further overhaul of the Faults process to increase efficiencies across the market.

#### **Next Steps**

- Creation of Faults risk reporting
- Implementation of recommendations from Issue 73

---

## **Risk 007 – Retrieval of Metered Data**

### **Risk Owner Update**

#### **NHH Market**

There has been a general trend for de-creasing consumption in the NHH market which we anticipate will continue next year which reduces the financial impact of this market area. Performance has decreased this year, however, the biggest impact was due to issues following the migration of a SoLR and ELEXON is looking to introduce earlier checks to mitigate against this. The sale of Supply businesses could result in a future risk and ELEXON is introducing more stringent review of the earlier Settlement Runs to monitor for potential risks and issues.

#### **Sub 100kwh Market**

This area has had a volume growth in the last few years due to the P272 requirement for PC5-8 NHH customers with working AMR Meters to move and due to increase in elective HH Customers. However, whilst there are still P272 customers with Metering issues that require migration this is likely to be at a slower rate. This has kept our forecast for volume figures broadly in line with this year's volume in this market segment. This year ELEXON began focused performance monitoring in this area which has seen improvements. These efforts will continue with EFR also being considered from April 2020 for non-compliances against the obligation to obtain 99% at R1 for settlement Dates from 1 January 2020 onwards.

Due to the focus in place, ELEXON anticipates further improvements but has forecast a slower rate for improvement as the high volume sites are likely to have been targeted already in Suppliers' efforts to improve performance and now more sites may need to be targeted for a similar level of improvement.

#### **HH Market**

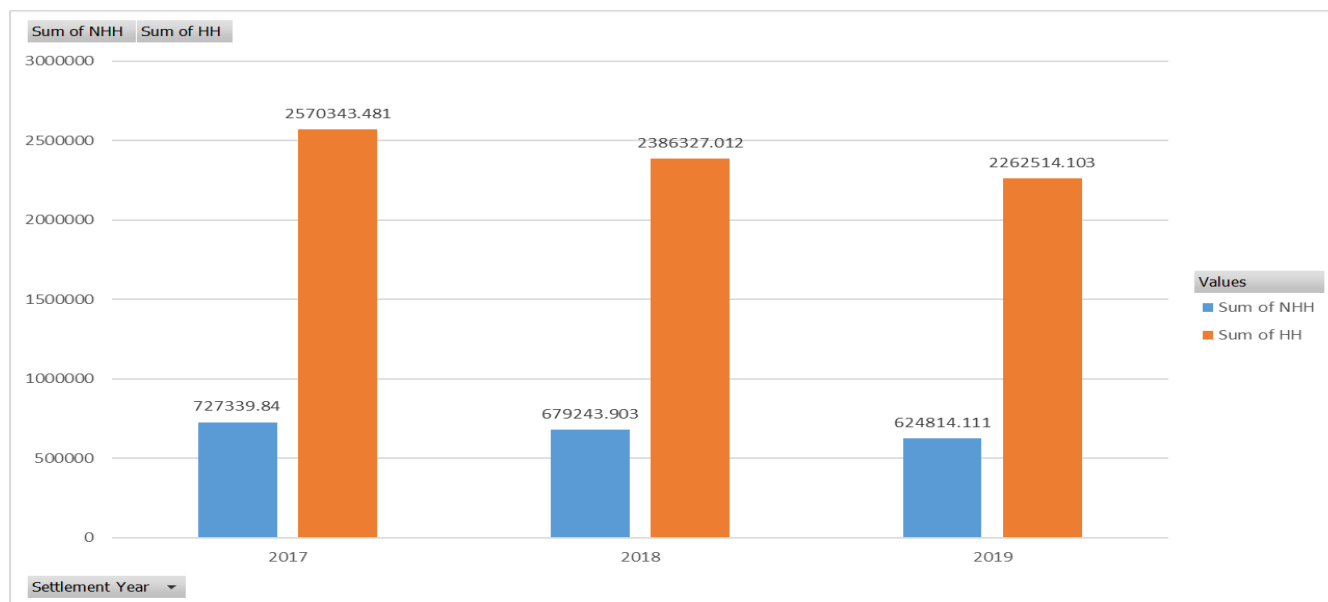
Volume in this area has dropped slightly but not to the levels seen in the NHH Market and performance at SF has been broadly consistent so we did not forecast significant changes in the market volume or performance for next year.

#### **Next Steps**

- Contribute to overall Risk assessment of SoLR process, to ensure that settlement errors are managed more closely.
- Present the output of Risk 7 Technical Assurance of Performance Assurance Parties (TAPAP) which was completed during PAOP Q2. This TAPAP was carried out to assess backlogs of sites requiring Meter Reads.
- Work with Risk Manager to develop Risk Reporting and Pre-PAB assessment of Performance, to identify poor performers for further investigation
- Produce Guidance Note for HH Suppliers

## Risk 011 – Unmetered Supplies (UMS)

### Risk Owner Update



ELEXON have conducted a re-assessment of Risk 011 for the 2020/21 PAOP. The re-assessment utilised the same methodology and data sources as set out in the REM 2019/20.

Alongside the rescoring of Risk 011, ELEXON have made further progress with the proposed TAPAP checks. Analysis of the Request for Information (RFI) responses from Unmetered Supplies Operators (UMSO's) and Material Error Monitoring (MEM) data helped identify a selection of UMSOs that would be the most appropriate TAPAP candidates. The proposed TAPAP candidates and scope of the TAPAP checks were approved at the December 2019 PAB Meeting.

ELEXON, alongside the help of Unmetered Supplies User Group (UMSUG) members, have identified key themes and processes to investigate as part of the TAPAP checks. This has helped ELEXON focus its TAPAP checks on areas that have high levels of non-compliance, pose a high risk to Settlement, or ELEXON currently have poor visibility of in terms of accessible data.

### Next Steps

- Targeting 100KW sites to be transferred to HH (Top 100 MPANs of 36,000 overall = 65% of all NHH UMS energy)
- To investigate UMSO HH processes and look to introduce potential new HH data and error reporting for Risk 11

---

## **Risk 016 – Energisation Status**

### **Risk Owner Update**

ELEXON have used a similar approach to conduct a re-assessment of Risk 16 for the 2020/21 PAOP by using the data sources which was included in the previous calculations for the REM 2019/20.

The Risk owner is forecasting a slight decrease in material impact for this risk. The reduction is likely to be attributed to a reduction in System Prices, as opposed to changes within the market.

Currently ELEXON is using MEM technique to monitor incorrect Energisation Status and report information to the industry. However, the technique only includes NHH data. Additionally, queries used for to extract the recent NHH data requires a revised structure in order to make sure that the retrieved data is accurate. The Risk Owner will be working alongside the MEM Technique owner to introduce further controls and increase the accuracy of reported data.

### **Next Steps**

- Monitor outputs from Issue 85 (obligation on Non Half Hourly Data Collectors (NHHDCs) to visit de-energised sites annually)
- Improve data reliability within MEM Monitoring by implementing a specific validation process when using data from suppliers.
- HH Data monitoring to be included within MEM
- Site visits with BSC Auditors to monitor parties and understand their approach in order to find the root causes

## **Risk 018 – Revenue Protection**

### **Risk Owner Update**

ELEXON submitted and deliberated the proposed Theft Risk Assessment Service Change request at Electralink's Theft Issue Group (TIG) in September. Following the meeting Electralink sought a Party to sponsor the Change, as ELEXON is unable to propose changes directly to other Code Administrators. A Party have raised the change and Electralink presented the change to the DCUSA Panel on the 18 December 2019.

The DCUSA Panel discussed the proposal although noted, the proposer is required to provide commentary that demonstrates how the Change better facilitates the DCUSA General Objectives. DCUSA has requested further commentary in order to progress the Change. ELEXON has contacted Electralink to offer their support and advice to the proposer to assist in moving ahead with the Change process.

## **Risk 021 – CVA Retrieval of Metered Data**

### **Risk Owner Update**

ELEXON is progressing CP1527 'Increase the minimum data storage capacity for Settlement Outstations and mandate specific selectable integration periods for Code of Practices(CoP) 3, 5, and 10' with a proposed implementation date of June 2021. The progression paper will be presented to the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) on 4 February 2020.

If CP1527 is approved it has been assessed as likely to impact Risk 021 and may lead to a higher level of Grid Supply Points (GSPs) and Balancing Mechanism (BM) Units estimating at Settlement Final (SF), as Registrants may not put as much pressure on their Meter Operator Agents (MOAs) or Customers to get actual metered data off the Outstations, where there are outstanding communications issues or sites are difficult to access.

---

The Risk owner will monitor the progression of CP1527 and update PAB members accordingly, via future QPAR updates.

Risk 021 has been Re-assessed in accordance with the agreed methodology at the end of Q2 (using 5 months of data) and compared this against the previous years' figures.

As it stands, ELEXON is forecasting a significant increase in the Risk Impact and is now assessing the drivers for this change, both within the risk evaluation methodology for this risk, and potential root causes within the market.

In the Q2 QPAR, ELEXON noted that part of Issue 80 'Increase in minimum data storage requirements within the relevant Metering CoPs' had impact on the 'not retrieved' aspect of Risk 021.

ELEXON contacted the Central Data Collection Agent (CDCA) to confirm if it had any issues with Outstations overwriting metered data due to prolonged dial faults (no comms), resulting in estimates for missing data being used in Settlement.

The CDCA confirmed it always manages to get metered data from CVA Outstations before it gets overwritten by either getting metered data from the Registrant, its MOA's or by it carrying out hand held reads on site.

### Next Steps

- Monitor the progression of CP1527 and update PAB members accordingly, via future QPAR updates.
- Monitor the progression of issue 80 for any potential future impacts

---

## OTHER NOTABLE RISK UPDATES

---

### Risk 010 – Meter Read History

ELEXON has Re-assessed the impacts of Risk 010 for the 2020/21 PAOP.

ELEXON has recorded 6,200,000 Change of Data Collector (DC) events in 2018/19 and 3,300,000 Change of DC events in the first seven months of the 2019/20 PAOP.

ELEXON has reported against Performance Assurance Reporting and Monitoring System Serial NC11 to provide a forecast for the use of Default Estimated Annual Consumption (EAC) (The use of a Default EAC can be as a result of a failure in the successful transfer of Meter Read History).

The performance across the Market has deteriorated from 1.5% of EACs missing after SF in 2016/17 to 2.2% missing in 2019/20. ELEXON forecasts the Failure rate (cases where a Default EAC is used) to be 2.0% against Default EAC for the 2020/21 PAOP.

ELEXON has calculated the percentage of cases where there is no Meter Read History due to missing D0300s to forecast the failure rate of Changes of DC's. ELEXON has forecasted a Middle Failure rate of 0.44% for Changes of DC in the 2020/21 PAOP (increasing from 0.41% in the last PAOP).

ELEXON has recorded the Meter Advance Periods (MAPs) that are effected by Erroneous Meter Reads to provide a forecast of the number of Days Impacted by Changes of DC and Default EAC Events. The performance across the market has shown a reduction in MAPs because meters reads are being acquired sooner.

### Combining of CVA Risk 022 and CVA Risk 024

ELEXON have reviewed Risk 22 (CVA Notification of change to Metering Equipment) and Risk 24 (CVA Technical details quality) and have determined that they should be managed and evaluated as one.

The risks had previously been evaluated separately mirroring the approach taken to the management of SVA Risks that separates the management of Risk 004 – Notification of Change to Metering Equipment, and Risk 012 – Metering Equipment Technical Detail Quality. These SVA Risks, whilst distinct processes, are suitable to be evaluated separately as we have data sources which are specific to the risks as identified. Further information about the risks and their data sources can be found in the corresponding Risk Evaluation Supplementary Information (RESI) Documents.

The Evaluation of Risk 22 and 24 were assessments made of the same data source with manual interrogation of the data in order to specifically assess Risk 024. The manual interrogation involved a resource intensive review of each Fault reported to the CDCA. The interrogation elicited such few instances that the results could not provide a statistically meaningful yearly breakdown. ELEXON notes that this is not an appropriate use of resource.

Risk 22 is assessed using the CVA Fault log, and the failure rate is taken from the Technical Assurance of Metering (TAM) Audit Final Reports. The TAA Report numbers of Cat 1.01 (Inaccuracy of Standing Data (Key MTD fields) held by Data Collector) and Cat 1.04 (Measurement Transformer Ratios Physically Incorrect) Non-Compliances. These non-compliances categories succinctly cover the risk factors of a combined Risk 22 and Risk 24 and ELEXON proposes using the data source to assess the impact of a combined Risk 22 and 24.

It should be noted, risk factors 1 and 2 of Risk 024 are:

**'1 - Technical Details incorrectly recorded or transferred by on-site engineer (CVA Meter Operator Agent, Licenced Distribution System Operator or a third party)**

**2 - Manual transfer of forms from CVA MOA to the CDCA and Registrant'**

Which can be interpreted to cover completely the risk factor of Risk 022:

## '1 - Registrant, CVA MOA or Equipment Owner (e.g. Measurement Transformers) actions not notified

ELEXON is developing a Text Mining tool, this tool should better assess large volumes of 'free-text' fields. ELEXON plans to use this tool to further breakdown the assessment of the CVA Fault Log which should allow a more accurate assessment of a combined Risk 22, 24 in the coming Performance Assurance Operating Period.

### Risk 027 – Payment Default

| Risk 27 Scoring History        |     |             |             |
|--------------------------------|-----|-------------|-------------|
| Date                           | Low | Middle      | Upper       |
| Original- Dec 18 (Current RER) | £0  | £440,000    | £2,080,000  |
| QPAR - Jun/ Sep 19             | £0  | £555,830    | £1,625,000  |
| Re-score- Dec 19               | £0* | £1,120,000* | £6,525,000* |

*\*Pre Validation*

Risk 27 is primarily scored by looking at Default Funding Share (DFS) amounts for Parties who have exited the market after triggering an Event of Default under Section H of the BSC. When a Party fails to make payments for its Trading Charges, and it has exhausted any lodged collateral it has with ELEXON, the charges will be picked up by other BSC Parties through the DFS process. For a failing Supplier, a Section H Default under the BSC usually occurs with Ofgem appointing a new Supplier to protect customers through the SoLR process.

Risk 27 has been re-assessed on a number of occasions in this PAOP based on the increasing number of failing Suppliers. 12 Parties have failed in the 2018/19 PAOP, with nine of these going through the SoLR process. Five suppliers have ceased to trade up to December 2019, with all of these having a SoLR appointed.

The re-scoring uses DFS amounts to date, which with the large number of failing Suppliers in the 2018/19 PAOP, give a better indication of the DFS impact compared to the projections and limited sample size used in the current RER.

Risk 27 was originally scored looking at the number of Parties which had/could fail within a PAOP. From monitoring Risk 27, it has been observed that the amount of DFS impact on industry depends on the size and nature of the failing Party. By instead looking at % of the market which has failed, rather than a count of failed supplier/suppliers which could fail, ELEXON believe this better assesses the potential materiality of the risk. The methodology used to assess the materiality of Risk 27 has therefore changed in line with this.

The risk owner is forecasting an increase in the materiality for this risk.

### Risk 029 – SAA calculations

| Risk 29 Scoring History        |     |          |          |
|--------------------------------|-----|----------|----------|
| Date                           | Low | Middle   | Upper    |
| Original- Dec 18 (Current RER) | £0  | £508,000 | £750,000 |

ELEXON have reviewed Risk 29 and concluded that the current RER score remains appropriate. The materiality for this risk therefore remains based on a known rounding issue in Settlement Allocation Agent (SAA).



Whilst not included as part of the scoring, the impact of missing Metered Volume Reallocation Notification (MVRN) data in SAA calculations has been assessed by ELEXON. MVRN data was missing from the SAA-I014 Settlement reports for 28 Settlement Dates. Five of these dates were at the II Settlement Run, where there was an impact on Credit Cover requirements, but not Settlement. Material Doubt was applied to the Credit Cover calculation for all affected BSC Parties so there was no requirement for them to lodge additional collateral in light of the SAA's processing error.

23 Settlement Dates of Settlement Run Types between SF and RF (around 4 each of SF, R1, R2, R3 and RF) had the Settlement reports delayed until the corrected MVRN data could be sent out in the report. As such BSC Parties were billed correctly. If had been missing and invoiced by the Funds Administration Agent (FAA) for SF to RF dates, this would have had an impact between £92m and £120m across the market. The SAA's controls help prevent the risk that calculation and processing errors will feed into Settlement.

For more information refer to [BSC Bulletin 309](#) and ELEXON Circulars [EL03004](#), [EL03005](#), [EL03006](#) and [EL03007](#).

### Risk 030 – Energy Contract Volume Allocation Agent (ECVAA) processes

| Risk 30 Scoring History        |          |            |            |
|--------------------------------|----------|------------|------------|
| Date                           | Low      | Middle     | Upper      |
| Original- Dec 18 (Current RER) | £631,500 | £2,105,000 | £4,210,000 |

ELEXON have re-assessed Risk 30 using a different methodology to that in the current RER, which captures this increased upper materiality of the risk, but also the binary nature of the risk by reducing the lower materiality to £0.

The re-assessed methodology takes into account the average total contract volume per Settlement Period, sourced from the SAA-I014 data flow. This represents the At-Risk Population (ARP).

ECVAA System Failures are defined in [BSC Section P](#) as a failure or breakdown of the ECVAA System which has the effect that the ECVAA is unable to receive Volume Notifications submitted to it. The new scoring methodology looks at the number of Settlement Periods affected by an ECVAA System Failure since the start of the 2017/18 PAOP. There were five affected Settlement Periods in 2017/18 and also in 2018/19. There have been seven Settlement Periods affected so far in the 2019/20 PAOP. The longest number of consecutive Settlement Periods in a PAOP since 2017 affected by an ECVAA System Failure is three.

The re-assessed materiality is based on incorrect contract volumes for the whole market (ARP) and the number of ECVAA System Failures. When an ECVAA System Failure occurs, contracted volumes may have to be re-submitted if they are not evergreen. It should be noted therefore, that the re-assessed methodology may over-estimate the ARP in practice, but ELEXON believe it provides a more accurate view on the full scale of error which could occur.

An ECVAA System Failure allows for a re-submission of contracted volumes until 5pm of the next Working Day. This is a control which prevents error feeding into Settlement. Based on this the lower materiality has been reduced to £0, in part due to the fact that the risk is binary, but also that even if there was an ECVAA System Failure, there may be no impact to Settlement.

### Risk 031 - FAA processing

---

### Risk 31 Scoring History

| Date                              | Low | Middle  | Upper    |
|-----------------------------------|-----|---------|----------|
| Original- Dec 18<br>(Current RER) | £0  | £58,178 | £116,357 |

ELEXON have reviewed Risk 31 and believe the materiality has not changed. The methodology from the original RER to score Risk 31 is based on a theoretical percentage error by the FAA when calculating Trading Charges for BSC Parties for a significantly high Imbalance Cash flow day within the 2017/18 PAOP. This was 1 March 2018, where System Prices reached averaged £278.23/MWh, with a maximum of £990/MWh in a Settlement Period.

Since the start of the 2018/2019 PAOP, the highest daily average System Prices has been £89.30/MWh on 20 August 2019. The day with the highest Imbalance Cash flow was 15 December 2018, with a cash flow of £2.05m. System Prices average £72.36/MWh in this day. Based on the methodology for the middle (0.5% error) and upper (1% error) materialities for Risk 31, this would equate to a potential £10,250 and £20,500 error respectively.

Whilst System Prices and Imbalance Cash flows have not been as high since the start of the 2018/2019 PAOP, the use of 1 March 2018 remains a good indicator of the magnitude they can reach, and hence the potential error by the FAA inaccurately processing Trading Charges covered under Risk 31.

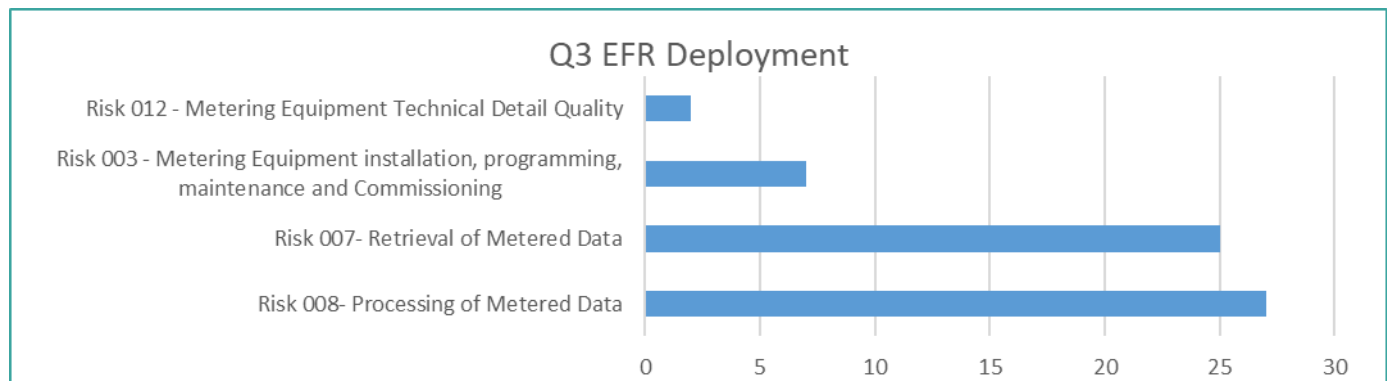
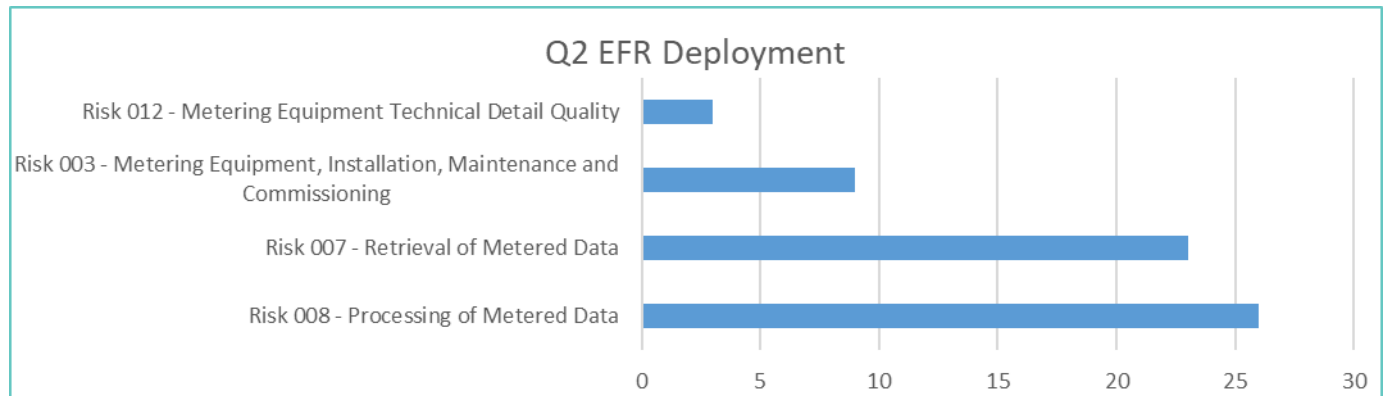
### Risk 020 – CVA Metering installation, programming, maintenance and Commissioning

In relation to the 'Commissioning is performed incorrectly or not at all' aspect of Risk 020 ELEXON instigated a post-energisation check for new circuits (i.e. new circuits at a new site and additional circuits an existing site) and for SVA to CVA registration transfers, in May 2018.

The Risk Owner has drafted a Change Proposal (CP) to formalise this post-energisation/registration transfer check in BSCP02 'Proving Test Requirements for Central Volume Allocation Metering Systems' through a CP and extend its scope to include scenarios where no 'end-to-end' commissioning takes place when individual items of Metering Equipment on existing circuits are changed and commissioned 'in isolation' from the rest of the Metering System.

## TECHNIQUE UPDATES

### Error and Failure Resolution (EFR)



### Technical Assurance of Metering

ELEXON observed an increase in 'No Access' rates for Technical Assurance of Metering audits in November and December 2019. In both cases, an individual MOA contributed disproportionately to that months statistics.

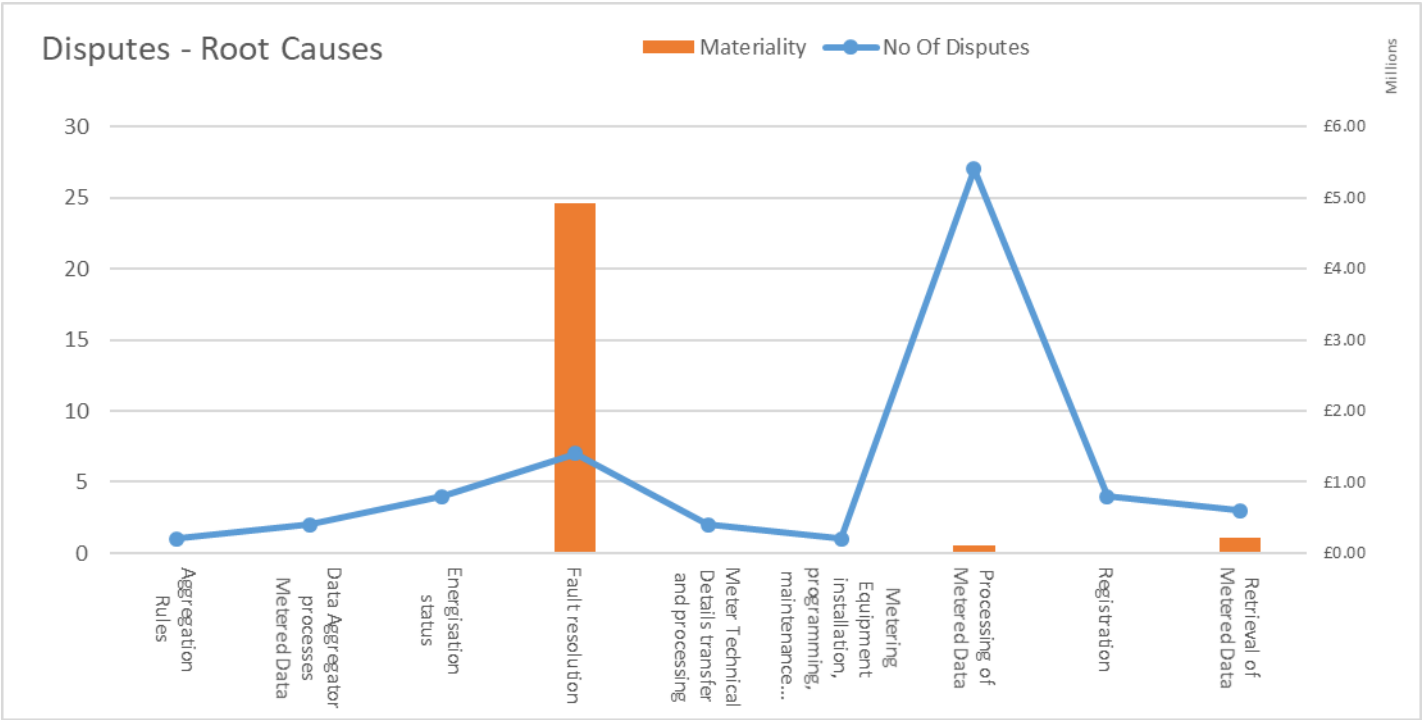
| Date          | No Access (% of total visits) | MOA   | MOA No Access (% of total visits) |
|---------------|-------------------------------|-------|-----------------------------------|
| November 2019 | 26%                           | MOA 1 | 10%                               |
| December 2019 | 24%                           | MOA 2 | 11%                               |

Both MOA's noted that poor performance can be attributed to engineer sickness on the day of the audit. ELEXON accept that there will be unavoidable occasions where illness will result in a failed Inspection Visit. However, the volume of failed visits on this occasion indicates poor engagement with the TAA in cancelling, or Inspection Visits once it became apparent that the audits could not go ahead.

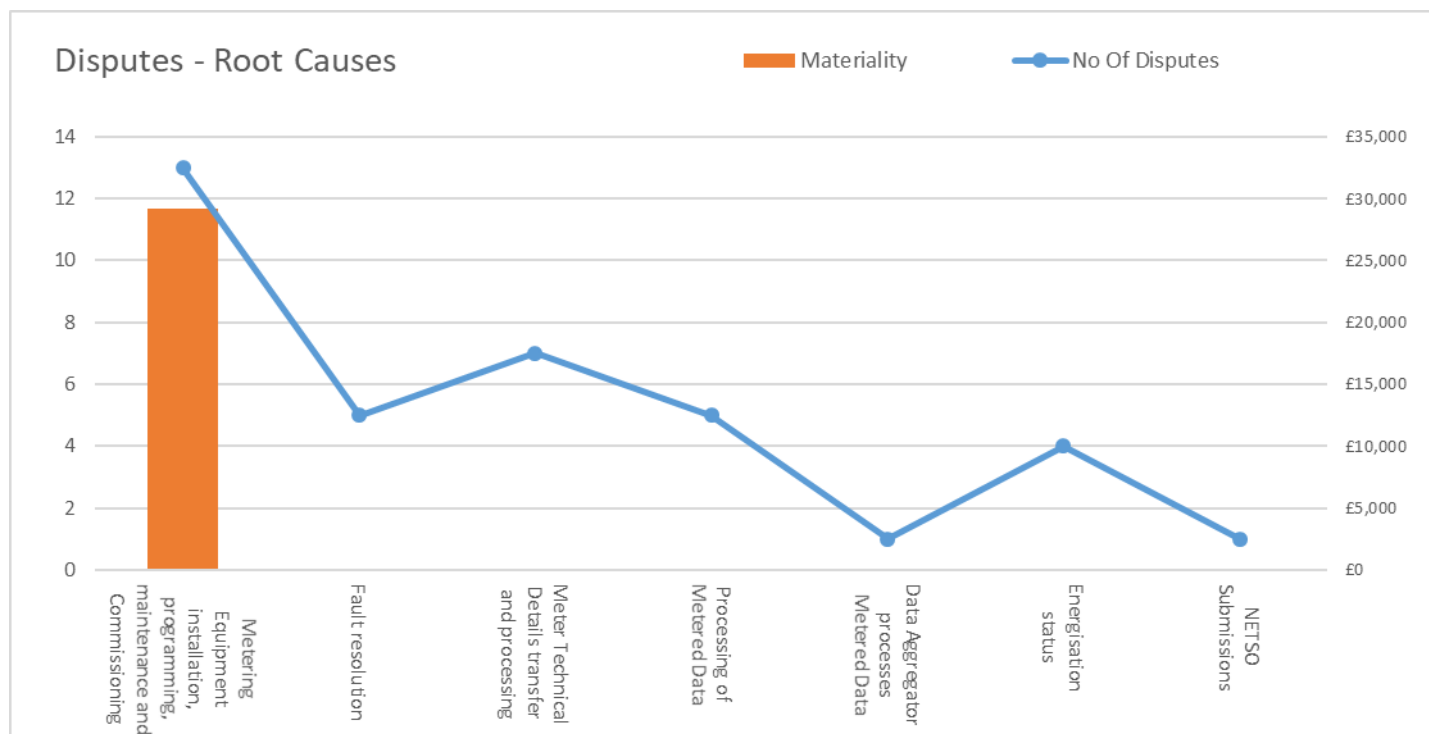
Two BSC Parties have been contacted by their Operation Support Managers (OSM) noting that performance drop will be reported to the PAB.

Disputes

Q2 Summary



Q3 Summary



## Qualification

### Approved Applications

During the period October 2019 – December 2019, the PAB considered and approved 6 role-specific Qualification applications and 2 re-Qualification applications. Further details are shown on table 1 below. All four of the newly-Qualified MOAs were brought through by a consultancy as 'off the shelf (OTS)' MOAs.

| Role                                     | Qualification   | Re-Qualification |
|--|-----------------|------------------|
| Supplier                                 | 2 (1 NHH, 1 HH) | 0                |
| Meter Operator Agent (MOA)               | 4 (4 NHH)       | 0                |
| Data Collector (DC)                      | 0               | 2 (2 NHH)        |
| Data Aggregator (DA)                     | 0               | 0                |
| Unmetered Suppliers Operator (UMSO)      | 0               | 0                |
| Supplier Meter Registration Agent (SMRA) | 0               | 0                |
| Virtual Lead Party (VLP)                 | 0               | 0                |
| <b>Total</b>                             | <b>6</b>        | <b>2</b>         |

**Table 1:** Number of Qualification and re-Qualification applications approved in the last quarter.

### Applications in Progress

As shown on table 2, ELEXON is currently progressing:

- 49 applications for Qualification (6 of which are on hold); and
- 6 applications for re-Qualification

| Role         | Qualification     | Re-Qualification       |
|--------------|-------------------|------------------------|
| Supplier     | 19 (9 NHH, 10 HH) | 0                      |
| MOA          | 10 (6 NHH, 4 HH)  | 6 (3 NHH, 2 HH, 1 CVA) |
| DC           | 8 (3 NHH, 5 HH)   | 0                      |
| DA           | 7 (3 NHH, 4 HH)   | 0                      |
| UMSO         | 0                 | 0                      |
| SMRA         | 0                 | 0                      |
| VLP          | 5                 | 0                      |
| <b>Total</b> | <b>49</b>         | <b>6</b>               |

**Table 2:** Number of Qualification and re-Qualification applications in progress.

Four Qualification applications are due for PAB consideration in the next quarter. There are no Re-Qualification applications due for consideration during this period. Please see table 3.

| Company name                                | Qualification/<br>Re-Qualification | Role | Target PAB Date  |
|---|------------------------------------|------|------------------|
| Adela Energy Ltd                            | Qualification                      | VLP  | 30 January 2020  |
| Cenergise Limited                           | Qualification                      | VLP  | 30 January 2020  |
| British Telecommunications plc (MPID: BTUK) | Qualification                      | HHDC | 27 February 2020 |
| Flexitricity Limited                        | Qualification                      | VLP  | 27 February 2020 |

**Table 3:** Timetable of applications in the next quarter.

### Off-the-Shelf Suppliers and Agents

The PAB has Qualified 168 OTS Companies since August 2009, the breakdown of which is in table 4 below.

|  | Qualified Suppliers | Qualified MOAs |
|--|---------------------|----------------|
| Total Number of OTS Companies          | 144                 | 24             |
| Number of Unsold OTS Companies         | 19                  | 8              |
| Percentage of Unsold OTS Companies (%) | 13                  | 33             |

**Table 4:** Breakdown of OTS Companies.

---

## Plans for the next quarter

- **Wide scale update to Risk Evaluation Register**

Following the initial re-scoring, ELEXON will be presenting a re-assessment of all Re-assessed risks. This will be subject to internal validation and should provide an updated view as to the impact of SVA and CVA Risks across the market.

- **Presentation of Risk Operating Plan 2020/21**

The ROP 2020/21 is being prepared by Risk and Technique owners across ELEXON. We are actively looking at what actions and activities we can take to mitigate risks. The Risk Operating Plan will consider as broad a view of Risks as possible. Our aim is to create a plan which recognises processes and issues within the market which cause both £impact to Settlement and those which cause concern and noise for BSC parties within their processes.

- **Performance Assurance Day**

On Wednesday 4<sup>th</sup> March, ELEXON is inviting BSC Parties and Party agents to take part in a Performance Assurance Day. During this session, ELEXON will provide insight and updates on Performance Assurance Documents, such as the ROP, an overview and the chance to discuss Settlement Risks and PATs, such as EFR and the BSC Audit.