A large wind turbine is the central focus, its three blades extending across the frame. The scene is set at sunset or sunrise, with a warm, orange and yellow sky and silhouetted mountains in the background. A semi-transparent purple rectangle covers the left side of the image, serving as a background for the text. In the top right corner of this rectangle, there are two small squares, one light purple and one dark purple. In the bottom left corner, there is a white circle containing a pink right-pointing arrow.

The BSC Audit Approach
2023/2024

Process Assessment Audit

27 APRIL 2023



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The BSC Audit Approach 2023/2024

The BSC Audit will be delivered by KPMG in their role as the BSC Auditor in two distinct streams:

- **Process Assessment (covered in this Approach Document):**

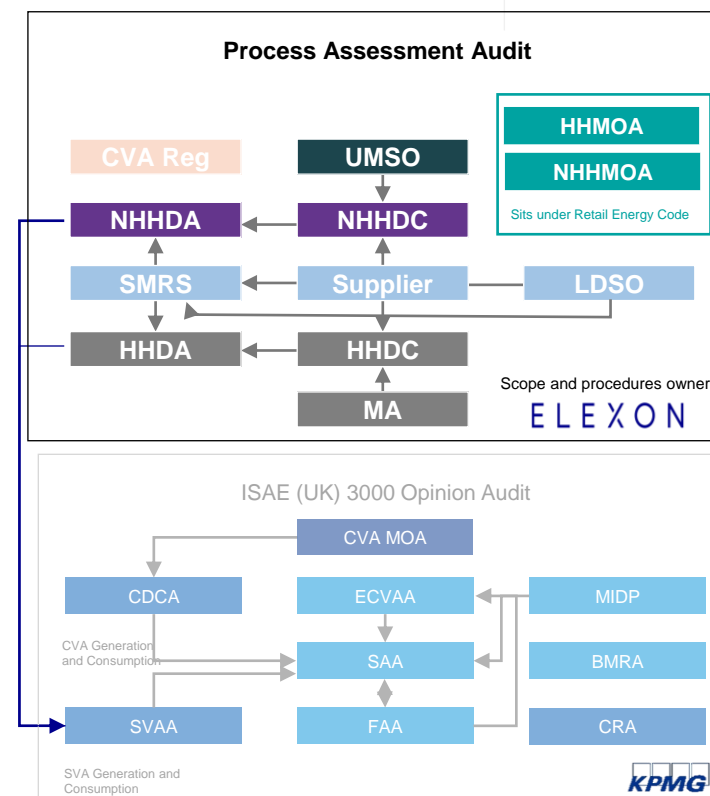
Supplier, SVA Agents and CVA Registrants are within the scope of a Process Assessment Audit, forming part of Elexon's Performance Assurance Framework (PAF). Elexon are responsible for the scope of the detailed audit work as well as the owner of the conclusions reached. Testing at market participants will be performed in a similar way to previous years. Elexon will issue a report summarising the key findings, which will be presented to The Performance Assurance Board (PAB) and The Panel.

- **ISAE (UK) 3000 Opinion Audit (covered in a separate Approach Document):**

Central Systems and Central Volume Allocation Meter Operator Agent (CVA MOA) are within the scope of an ISAE (UK) 3000 Assurance Conclusion (the approach of which is covered in a separate Approach Document);

Key differences in activities performed in Process Assessment Audit compared to ISAE (UK) 3000 Opinion Audit:

- Increased risk based approach to scoping based on Elexon Risk Evaluation Register (RER) and the focus risks (see Appendix 1);
- Enhanced Entity Selection including justification for inclusion;
- Outputs from other Performance Assurance Techniques (PATs) were considered in Entity Selection Process;
- Removal of automatic triggering of Error and Failure Resolution (EFR) process as a result of Medium and High rated BSC Audit issues
- Further enhancement of existing DTN Tests increasing the accuracy of results;
- Improvements to the Audit Planning Memorandum (APM) documents, giving further detailed information related to the audits;
- Continued reduction of Data Requests to parties increasing the reliance on access to DTN rather than reliance on parties.
- Continued amendments and improvements to the Workpapers to align with the new Risks and focus on quality and accuracy of data within flows as well as timeliness.



Operational approach



1. Planning

Risk assessment and entity selection

The scope will be defined by Elexon, including the entities where the BSC Auditor will be performing testing and the composition of each work intensity (based on the risks within the RER set in Appendix 2) . A separate Entity Selection Document provides further details as to the selection criteria and market participants in scope for the BSC Audit Engagement during each assurance period.

2. Entity engagement

APM and Data Requests

Prior to each testing period, a planning meeting will be held with nominated representatives at in-scope entities. For new market entrants, an extended planning meeting will be scheduled to introduce the BSC Audit. Prior to the planning meeting, a draft APM will be made available to each in-scope entity outlining the timeframes, key contacts and data requested.

The APMs will provide further details on the work that will be performed, including a description of the processes that will be covered. This will allow entities to plan effectively for the audits.

Where possible, DTN Data will be used to reduce the volume of data that parties need to provide.

Pre-site enquiry questionnaires will be sent to PAPs after the initial planning meeting to make the time with PAPs during the audit more valuable.

3. Fieldwork and data modelling

Audits will generally take place between October 2023 and March 2024 and will be primarily conducted remotely. The timing of this work will be agreed with entities during the entity engagement phase. The BSC Auditor will also utilise remote auditing techniques and structured ordering of Party Audits to minimise the impact on Parties while retaining the level of assurance expected from the BSC Audit.

Detailed Testing

Detailed testing involves inspection of a selection of transactions and records to verify that they have been created and/or processed in compliance with the BSC. Testing will establish completeness and accuracy of the data flow, or metering system level information in relation to BSC requirements. The BSC Audit will continue to focus on the quality of data processing as well as the timeliness of sending flows.

The testing work programmes continue to be reviewed and improved to focus on the current focus risks. As in previous years, scripts over DTN data will be used to perform testing over full population of transactions. The existing DTN tests continue to be reviewed to improve their effectiveness and reduce the number of false positives. Where DTN data is used to identify potential anomalies prior to the fieldwork, a sample of these will be sent to parties for follow up in advance of the audit dates, leading to a more efficient use of time during the audit itself.

Operational approach (continued)



3. Fieldwork and data modelling (continued)

Data Modelling Techniques

The BSC contains complex calculations with respect to deriving generation and consumption, aggregation, allocation, apportionment and Settlement. A number of models will be utilised to support the BSC Audit. The models use source data provided by Market Participants and re-perform the calculations to check their arithmetical accuracy.

Specific data requests to support the operation of the models are included in the APMs made available to in-scope entities.

Moderation

Moderation procedures will be performed to ensure consistency. This will involve reviewing all issues and their ratings to ensure they are applied consistently across all audited agents.

4. Clearance Meetings and Reporting

Observations

At the conclusion of each audit, the observations will be classified and ranked based on whether they have resulted in a non-compliance with the BSC and whether it has resulted in a potential impact on the completeness and/or accuracy of Settlement, or not. The observations will be discussed with entities as they arise to determine compensating or mitigating activities in place.

A clearance meeting will be held with entities to discuss and formally agree the accuracy of observations raised, however the ratings of these observations will not be discussed.

The ratings for observations have been categorised as follows:

- Settlement impacting non-compliance
- Immaterial non-compliance
- Process improvement

See Appendix 3 for how these categories are defined.

Reporting

Following clearance meetings, immaterial non-compliance and process improvement observations will be reported to the audited entity as Management Letter Points' (MLPs) within an overall audit issues document that will also set out the Settlement impacting non-compliances noted from testing.

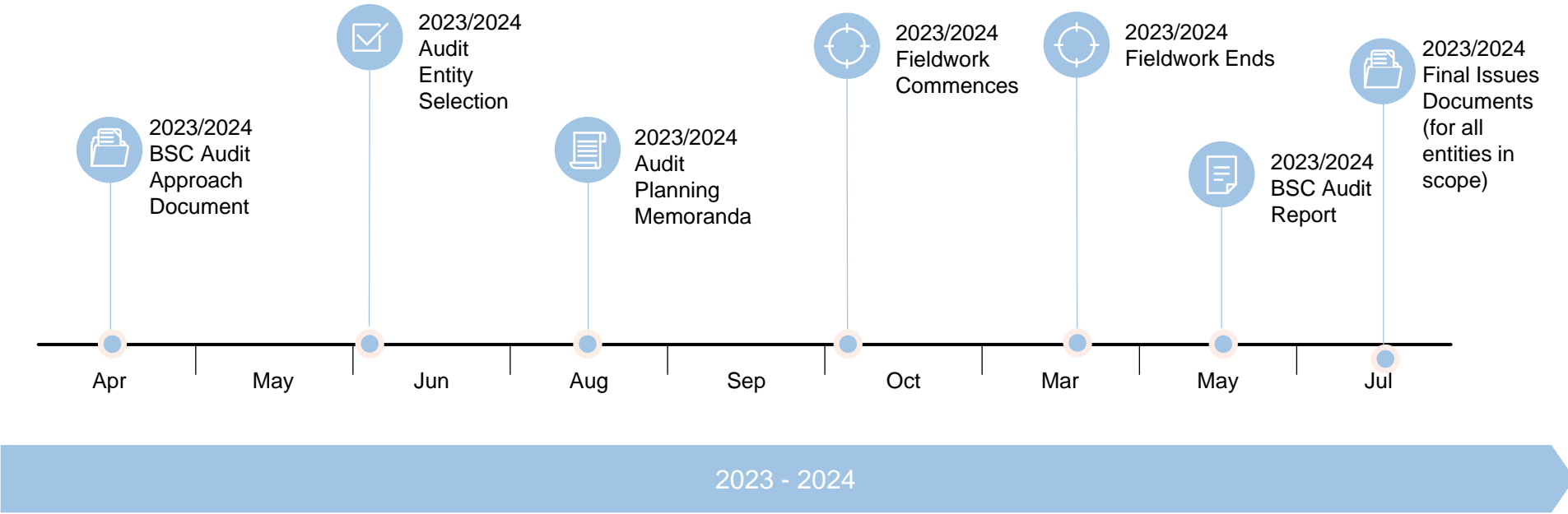
Operational approach (continued)

All Settlement Impacting Non-compliances will be reported.

Where non-compliances have resulted in an impact to Settlement the potential impact will be assessed across all affected MPANs and aggregated over the BSC Audit period. For the Process Assessment Audit, the consolidated findings will be reported by Elexon in a report to PAB.

Parties in scope for the Process Assessment Audit will be requested to sign and return Senior Stakeholder Sign-off Letters. These will endeavour to frame the issues and insights highlighted by the testing performed and indicate the potential financial impact of the issues. The purpose of the Senior Stakeholder Sign-off Letters is to drive further engagement in the improvement of BSC compliance within the parties.

An indicative time-line for delivery of the annual BSC Audit is illustrated on the right.



APPENDICES

APPENDIX 1 DIRECTION FOR THE BSC AUDIT 2023/2024

APPENDIX 2 SVA RISKS 2023/2024

APPENDIX 3 THE BSC AUDIT FINDINGS RATINGS METHODOLOGY

APPENDIX 4 GLOSSARY OF TERMS

Appendix 1 – Direction for the BSC Audit 2023/2024

2023/2024 Focus Risks

The Risk Operating Plan (ROP) 2023/2024 has been produced by Elexon and outlines four focus risk areas (SVA high focus risks) for 2023/2024 :

Risk	Risk Sub Category	BSC Audit Considerations
003	Metering Equipment installation, programming, maintenance and Commissioning	The BSC Audit 2021/22 identified an increase in material error due to the management around the process of Commissioning, including the sending of relevant data flows. However, the majority of Risk 003 responsibilities have moved to the Retail Energy Code (REC).
007	Retrieval of Metered Data	Industry performance remains lower than pre-pandemic levels in all areas of the market
008	Processing of Metered Data	The average number of Suppliers with material instances of large EAC/AAs that are above their applicable threshold has increased in 2022/23, while the BSC Audit 2021/22 also noted a high number of issues relating to this Risk.
017	Exception management	The BSC Audit 2021/22 noted Risk 017 had the highest number of issues and an increase in severity of issues from previous years.

Our focus

The BSC Audit continues to closely align itself with other Performance Assurance Techniques (PATs) and the 2023/2024 BSC Audit will focus on the four SVA high focus risks as outlined in the Risk Evaluation Register (RER) and ROP.

Appendix 2 – SVA risks 2023/24

Risk Reference	Risk Description
001	SVA Metering Point is registered incorrectly or not at all, such that metered data is not collected or aggregated
002	SVA Metering System attributes held in the Supplier Meter Registration Service (SMRS) or by any party in the Supplier Hub are incorrect
003	SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all
004	Changes to SVA Metering Equipment are not notified, such that all members of the Supplier Hub do not use the current Meter Technical Details
005	A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved
006	On a change of agent, Meter Technical Details are not transferred or processed correctly or at all, such that parties do not use the latest Meter Technical Details
007	SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met
008	SVA metered data is not processed or transferred correctly, or at all
009	The Data Aggregator does not process metered data correctly or at all, including transfer to SVAA, such that the energy volumes required for Settlement are incorrect or missing
010	On change of Data Collector, meter read history is incorrect or not transferred such that sufficient history is not available for validating and estimating energy volumes
011	Unmetered Supplies volumes are calculated incorrectly or not at all
012	SVA Metering System technical details are created incorrectly
013	Manual adjustments to Metered Data are not completed correctly, or at all
014	Agents are not appointed or de-appointed correctly, such that SMRS is not complete or up to date, members of the Supplier Hub do not hold the correct MPID of other Hub members or the appropriate agents are not appointed
015	SVA reference data is not created or transferred correctly, or at all
016	The energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System
017	Exception reports are not sufficiently managed, such that material exceptions are not addressed at all or in a timely manner
018	Revenue protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement
025	Balancing Services provided by Virtual Lead Parties allow error to enter Settlement, such that the energy volumes required for Settlement are incorrect or missing

Appendix 3 - The BSC Audit Findings Ratings Methodology

Overview

The findings are categorised as either Issues or Management Letter Points ('MLP's) depending on whether there is a potential impact on the completeness and/or accuracy of Settlement.

An impact rating of High, Medium or Low is applied to each issue. A number of underlying principles which provide guidance as to how this will be applied are set out in this document. Issues will be considered across the entities in at an issues 'moderation' meeting to ensure the determination of ratings is consistent.



How each finding will be considered?

Each finding will be individually determined but will also be considered in the context of similar findings raised at other entities.

Two entities may have the same underlying issue but if one entity has a mitigating process or control and is responsible for a much lower error rate, impact or residual risk as a result, then a different impact rating may apply.

One moderation session will be performed during the year, following completion of the fieldwork at all market participants. The aim of this session is to ensure a ratings consistency across each of the entities in scope.



Ratings for findings have been defined as follows:

- Settlement Impacting Non-Compliance – a non-compliance with the BSC that, if left uncorrected, may have an impact on the completeness and/or accuracy of Settlement. In this case the BSC Auditor will assess the impact as High, Medium or Low, depending on the estimated overall potential impact on Settlement.
- Immaterial Non-Compliance – a non-compliance with the BSC that is unlikely to have a direct impact on the completeness and/or accuracy of Settlement. These observations will be categorised as MLPs; and
- Process Improvement – the BSC appears to have been complied with but the BSC Auditor has identified the potential for process improvements at the entity in scope. These observations will also be categorised as MLPs.

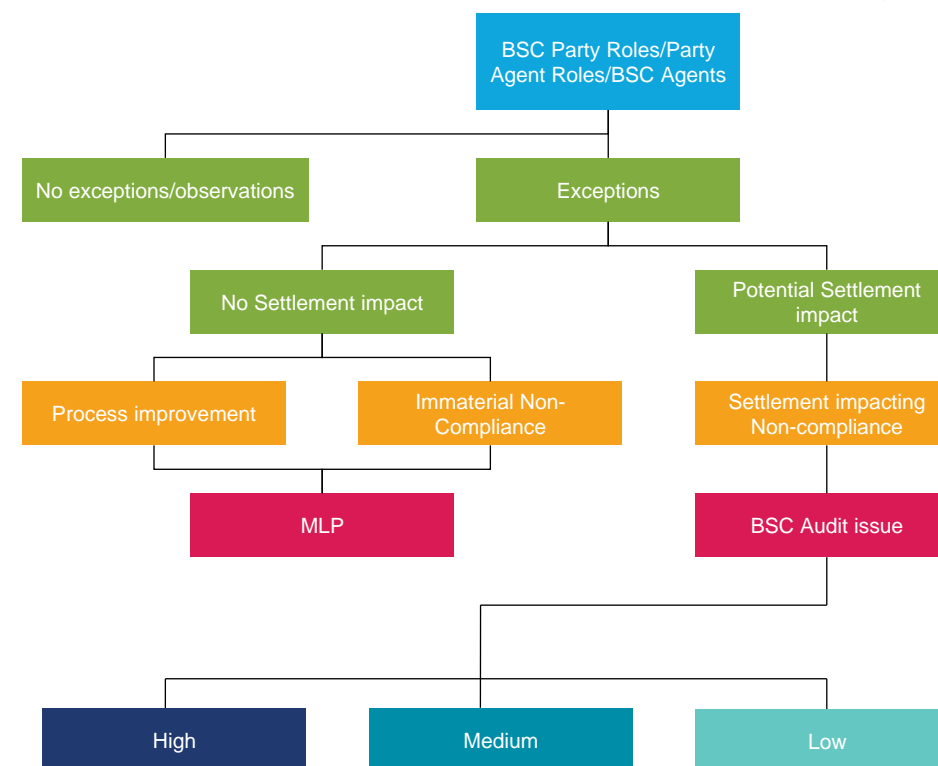
Appendix 3 - The BSC Audit findings Ratings Methodology

How will the impact of these factors be determined?

Each Settlement Impacting Non-Compliance issue will be rated as High, Medium or Low after gaining an understanding of the following:

- Nature of the issue
- Extent of potential impact of the issue on Settlement in MWh
- Improvement / deterioration (both quantitatively and qualitatively) since the previous BSC Audit
- Whether the number and/or nature of exceptions indicates the issue is pervasive or not
- Impact of the issue on other Audited Entities or Trading Parties
- Extent to which a compliance issue might impact other issues (especially those which have a direct impact on Settlement)
- Existence of any mitigating factors (see below), including the following:
- Other controls or procedures applied by the entity that reduce the potential impact of the error/non-compliance arising
- Whether the issue has been resolved in the BSC Audit period (the importance of the issue remains the same but the required focus to be placed on it by Elexon/PAB will be less)

The diagram on the right of this page summarises the rating methodology followed.



Appendix 4 - Glossary of terms

Acronyms used in this document have the following meanings (as defined in the Balancing and Settlement Code), unless otherwise stated.

Acronym	Definition	Acronym	Definition	Acronym	Definition
AA	Annualised Advance	Elexon	Elexon Limited	PAP	Performance Assurance Party
APM	Audit Planning Memorandum	FAA	Funds Administration Agent	PAT	Performance Assurance Technique
Approach	BSC Auditor's Audit Approach for the year ended 31 March 2024	HHDA	Half Hourly Data Aggregator	Panel	BSC Panel
Audit Year	Year ended 31 March 2024	HHDC	Half Hourly Data Collector	RER	Risk Evaluation Register
BM	Balancing Mechanism	HHMOA	Half Hourly Meter Operator Agent	ROP	Risk Operation Plan
BMRA	Balancing Mechanism Reporting Agent	LDSO	Local Distribution System Operator	SAA	Settlement Administration Agent
BMU	Balancing Mechanism Unit	MA	Meter Administrator	SF	Initial Settlement Run
BSC	Balancing & Settlement Code	MIDP	Market Index Data Provider	SSM	Statement of significant matters
BSCP	Balancing & Settlement Code Procedure	MLP	Management Letter Point	Statement	Statement of significant matters
CDCA	Central Data Collection Agent	MPAN	Metering Point Administration Number	SMRS	Supplier Meter Registration Service
Code	Balancing & Settlement Code	MPID	Market Participant Identifier	SVA	Supplier Volume Allocation
CRA	Central Registration Agent	MTD	Meter Technical Details	SVAA	Supplier Volume Allocation Agent
CVA	Central Volume Allocation	MOA	Meter Operator Agent	TAA	Technical Assurance Agent
CVA MOA	Central Volume Allocation Meter Operator Agent	NHH	Non Half Hourly	TAM	Technical Assurance of Metering
CVA Reg	Central Volume Allocation Registrant	NHHDA	Non Half Hourly Data Aggregator	TDC	Trading Disputes Committee
DTN	Data Transfer Network	NHHDC	Non Half Hourly Data Collector	TWh	TeraWatt Hour(s)
EAC	Estimated Annual Consumption	NHHMOA	Non Half Hourly Meter Operator Agent	UMSO	UnMetered Supplies Operator
ECVAA	Energy Contract Volume Aggregation Agent	PAB	Performance Assurance Board		
EFR	Error and Failure Resolution	PAF	Performance Assurance Framework		

