

The BSC Audit

# Central Systems and CVA MOA

FINDINGS REPORT | 10 JUNE 2021



# Contents

02

EXECUTIVE  
SUMMARY

03

BSC AUDIT  
FINDINGS-  
OVERVIEW OF  
FINDINGS

04

ROOT CAUSE  
ANALYSIS

05

STEPS TO  
COMPLETION

06

APPENDICES

**USABILITY GUIDE**

<

PREVIOUS SLIDE

⌂

CONTENTS SLIDE

>

NEXT SLIDE

👉

CLICKABLE OPTION

👉

HOVER-OVER OPTION

✕

CLOSE

👉 Click on each sections to move to their respective ones

The contacts at KPMG in connection with this report are:



**Nathan Cain**  
Partner, KPMG LLP

Tel: +44 (0)121 232 3976  
[nathan.cain@kpmg.co.uk](mailto:nathan.cain@kpmg.co.uk)



**George Richards**  
Associate Partner, KPMG LLP

Tel: +44 (0)207 311 8466  
[george.richards@kpmg.co.uk](mailto:george.richards@kpmg.co.uk)



**Gavin Gardner**  
Manager, KPMG LLP

Tel: +44 (0)7468 768848  
[gavin.gardner@kpmg.co.uk](mailto:gavin.gardner@kpmg.co.uk)

# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings**<sup>(a)</sup> across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on.

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

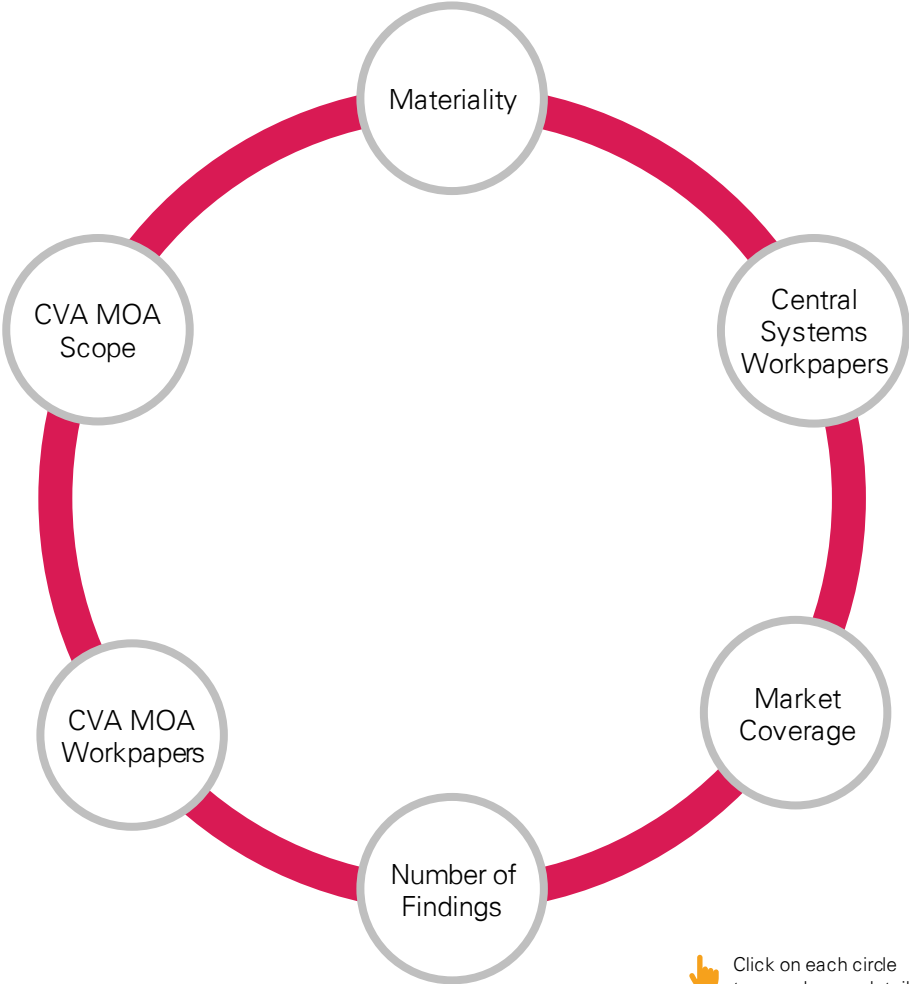
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details

*(a) findings are defined as a process not in compliance the with BSC and can be either potentially settlement impacting (Low, Medium or High) or non compliant but not settlement impacting (MLP).*



# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings<sup>(a)</sup>** across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

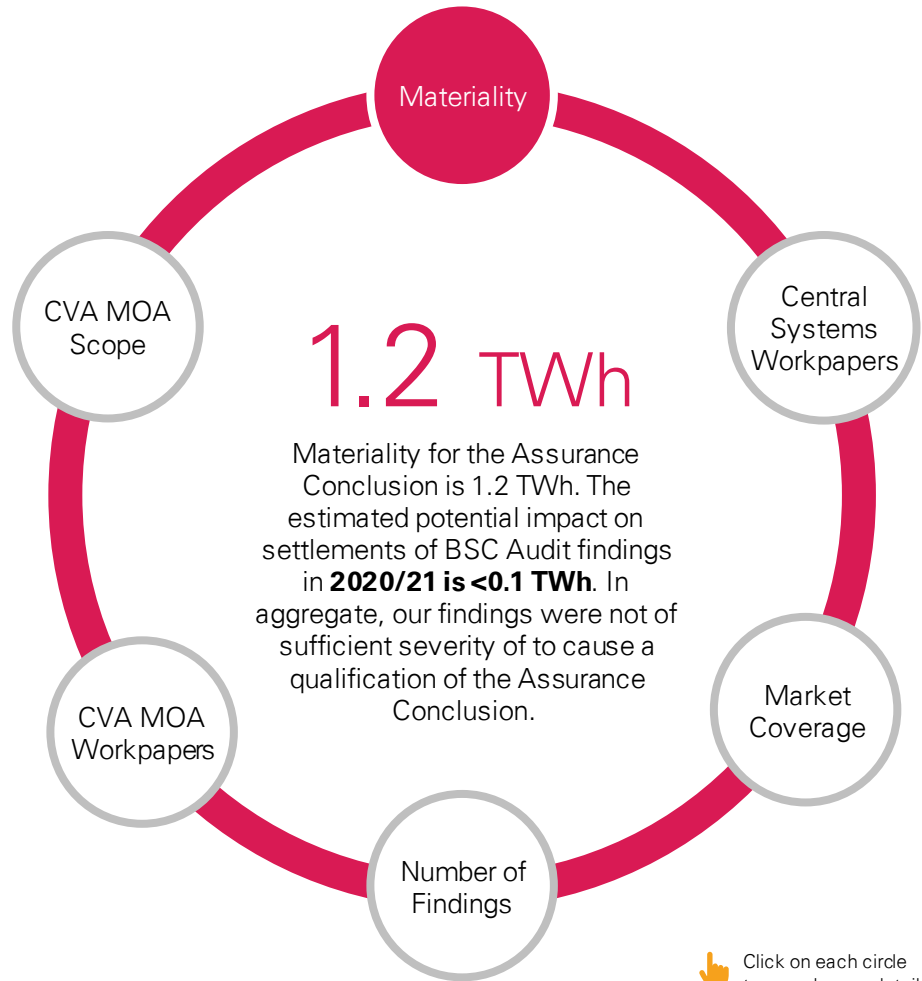
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details

# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings<sup>(a)</sup>** across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

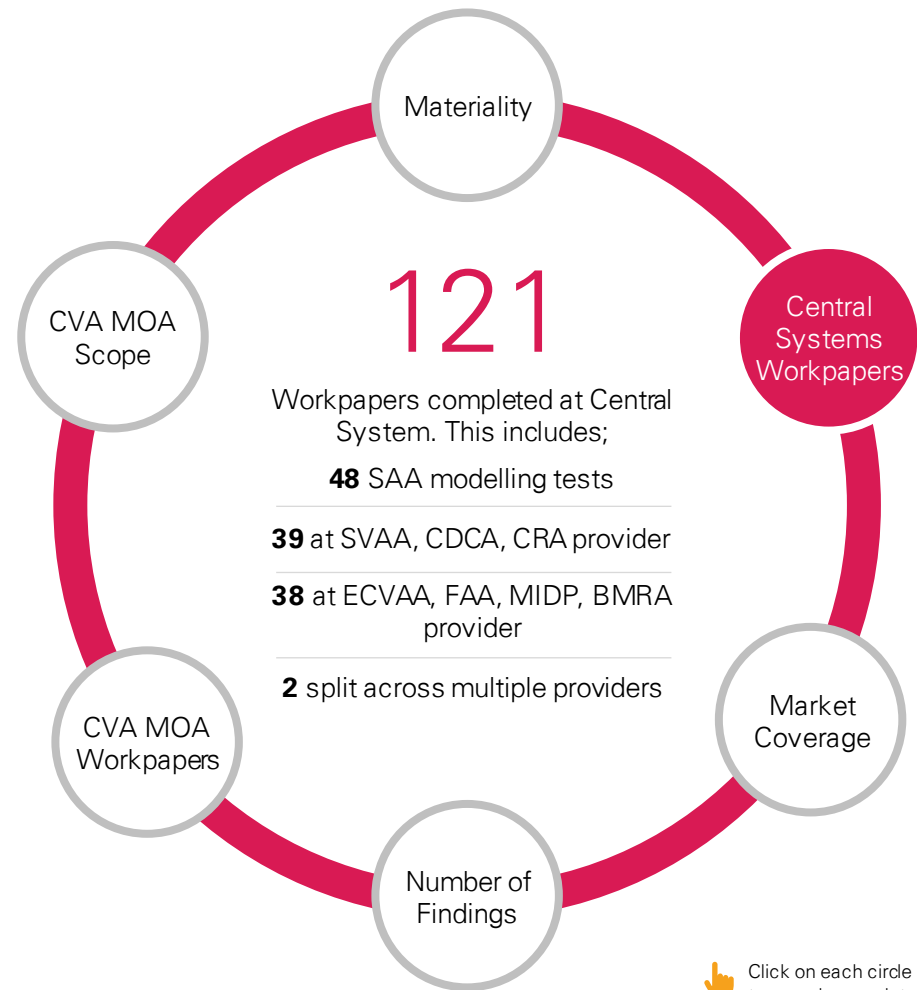
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details

# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings**<sup>(a)</sup> across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

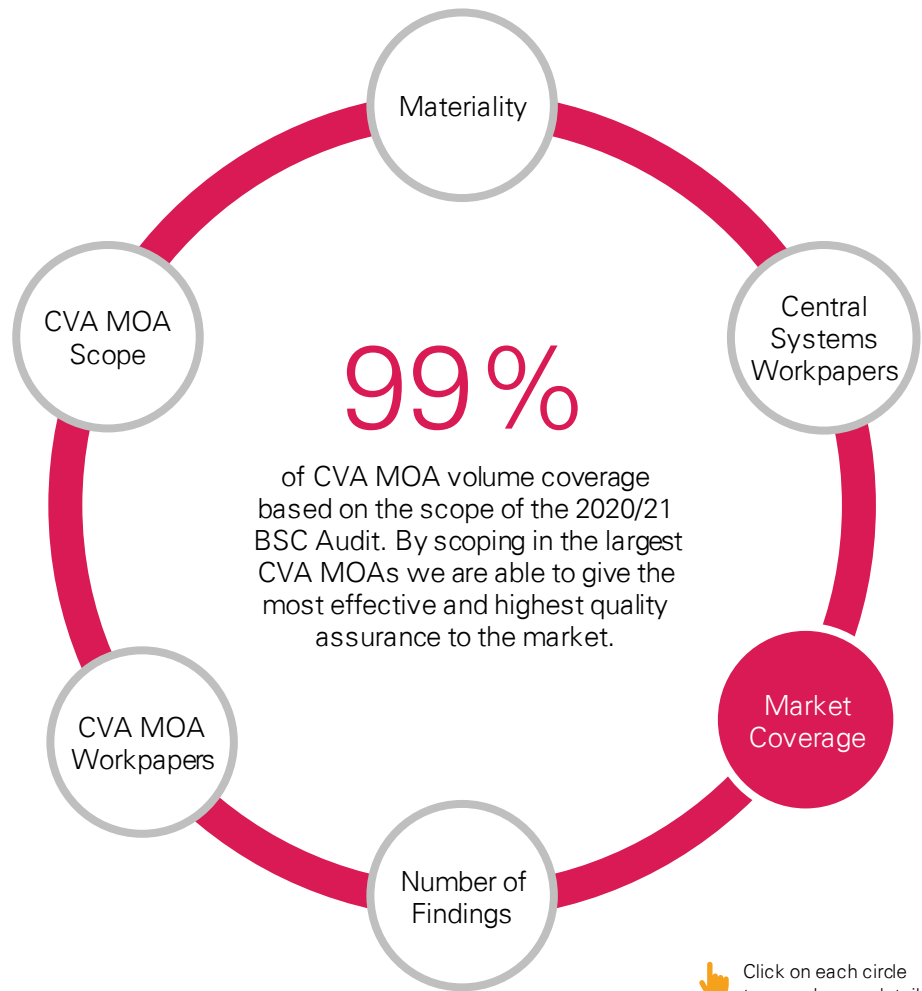
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details

# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings<sup>(a)</sup>** across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

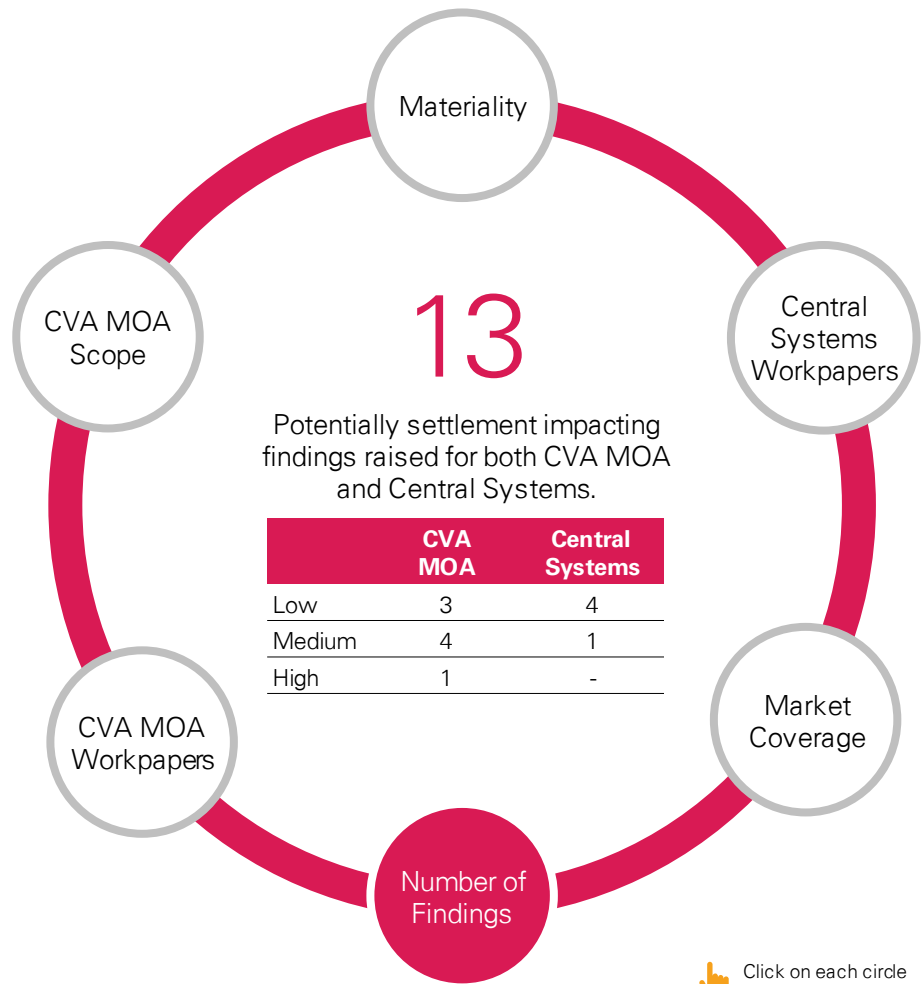
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details



# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings<sup>(a)</sup>** across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details



# Executive Summary

**Subject to satisfactory finalisation of our assurance procedures and receipt of the Management Representation Letters, at this stage we expect to issue an unmodified ISAE 3000 assurance on 10 June 2021 following the Panel Meeting.**

## Introduction

The scope of our work within our ISAE 3000 Assurance Conclusion for the BSC Audit year 2020/21 is consistent with previous years. It covers the BSC Central Services (referred in this report as Central Systems) and Central Volume Allocation Meter Operator Agents (CVA MOAs).

Based on our assurance work, we noted **13 potentially settlement impacting findings<sup>(a)</sup>** across Central Systems and CVA MOAs compared to 12 in the prior year. The number of material findings for **CVA MOAs stayed the same** at eight as in the prior year however there has been an increase in the severity of findings. For Central Systems **five potentially settlement impacting findings** were raised, increasing from four in the prior year.

While the increase in severity has increased our estimated potential impact on settlements, the overall impact remains **less than 0.1 TerraWatt Hours (TWh)**, which is what our ISAE 3000 assurance opinion is based on

### CVA MOA

We identified the same number of potentially settlement impacting findings (eight) versus the prior year. However, these eight findings are broken down into four Medium, one High and two Low impact findings, compared to only one Medium and seven Low impact findings in the prior year.

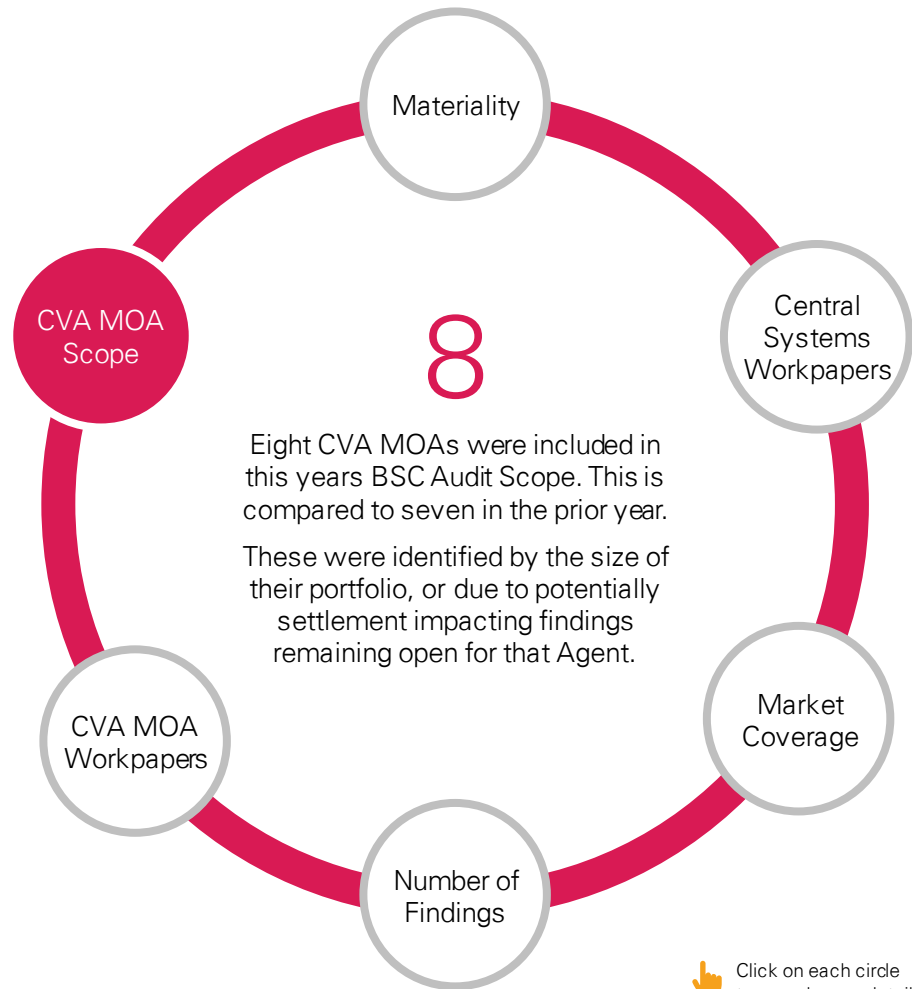
The increase in severity indicates a decline in BSC compliance compared to the prior year findings. These findings are largely attributed to manual errors. As such, the specific incidents have limited impact on Settlement, despite the overall degradation in BSC compliance.


### Central Systems

We identified five potentially settlement impacting findings in the 2020/21 BSC Audit, an increase of one compared to the prior year. However, several historic findings have been closed. One Low finding first raised in 2018 has been closed. Additionally four Management Letter Points (MLPs) have been closed, two from 2014, one from 2016 and the last from 2017. This reflects the focus placed on closing long standing BSC Audit findings.

We also identified four MLPs where, to allow the findings to be closed, the BSC needs to be reviewed as it is considered to be outdated.

The impact of Central Systems findings on the overall estimated impact to settlements remains low. Generally, for higher impact processes, we see automation and effective controls significantly decrease the risk of errors.



 Click on each circle to reveal more details

# BSC Audit findings – Overview of Findings



## CVA MOA

The number of High and Medium rated findings has significantly increased compared to the prior year, despite the overall number of potentially settlement impacting findings remaining the same. We see findings fall into one of three categories. The below table shows the number of open findings, split by rating and the process in which that finding relates.

Process that the finding relates to	High	Medium	Low	MLP
Completion of Proving tests	1	1	1	1
Resolution of Faults	-	1	1	1
Provision of Meter Technical Details	-	2	1	3



## Central Systems

There are five potentially settlement impacting findings in current year, an increase compared to four in the prior year. There is one Medium finding which remains open from the prior year and four Low findings. The changes are as a result of the following movements;

- One Low finding relating to BSCP38 authorisations performed by SAA was closed,
- One new Low finding was raised around bank reconciliation approval,
- One MLP became a Low finding this year.

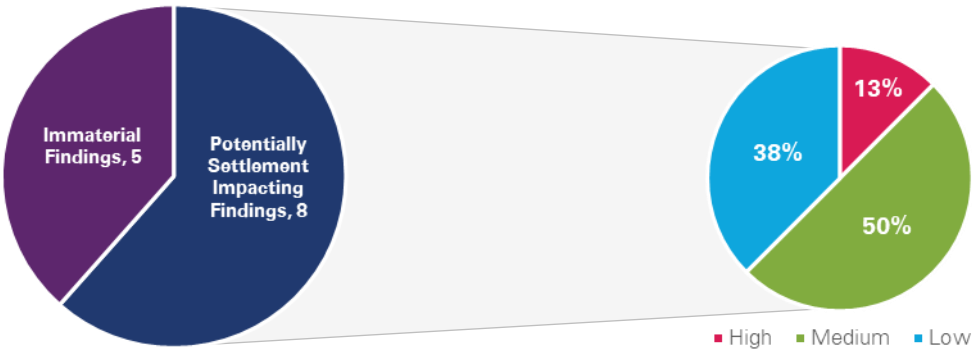
The Medium finding relates to Transmission Loss Checks performed by the CDCA. It was opened in 2017 and has remained open as a Medium finding since. The process is operated by company A, but the system is provided by company B. As such the required changes to resolve the finding sit with company B. Following discussions, we were informed that due to the volume of industry changes currently taking place, the system change required to resolve this finding continues to be postponed. Company A have raised this on their service improvement tracker to ensure that if future system development activities relate to the transmission loss graph, appropriate changes are made as part of that wider development.

In addition to this long standing Medium finding, we have identified four MLPs where the BSC must be reviewed to ensure it is up to date and remains relevant, before a potential BSC change would allow the closure of these findings.

Use the pop out page to explore these MLPs in further detail.

It is important to note that the expected changes resulting from Elexon’s Foundation program have been delayed due to COVID-19, and as such our approach for the current year has not been impacted. However, as in the prior year, we will continue to monitor changes to the operation of Central Systems and amend our approach as necessary.

CVAMOA 2020/2021 Findings



Explore further insight →



Explore further insight →

# BSC Audit findings – Overview of Findings



## CVA MOA

The number of High despite the overall number of findings fall into one category and the process in which

Process that the findings

Completion of Provision

Resolution of Faults

Provision of Meter

## CVAMOA 2020/21

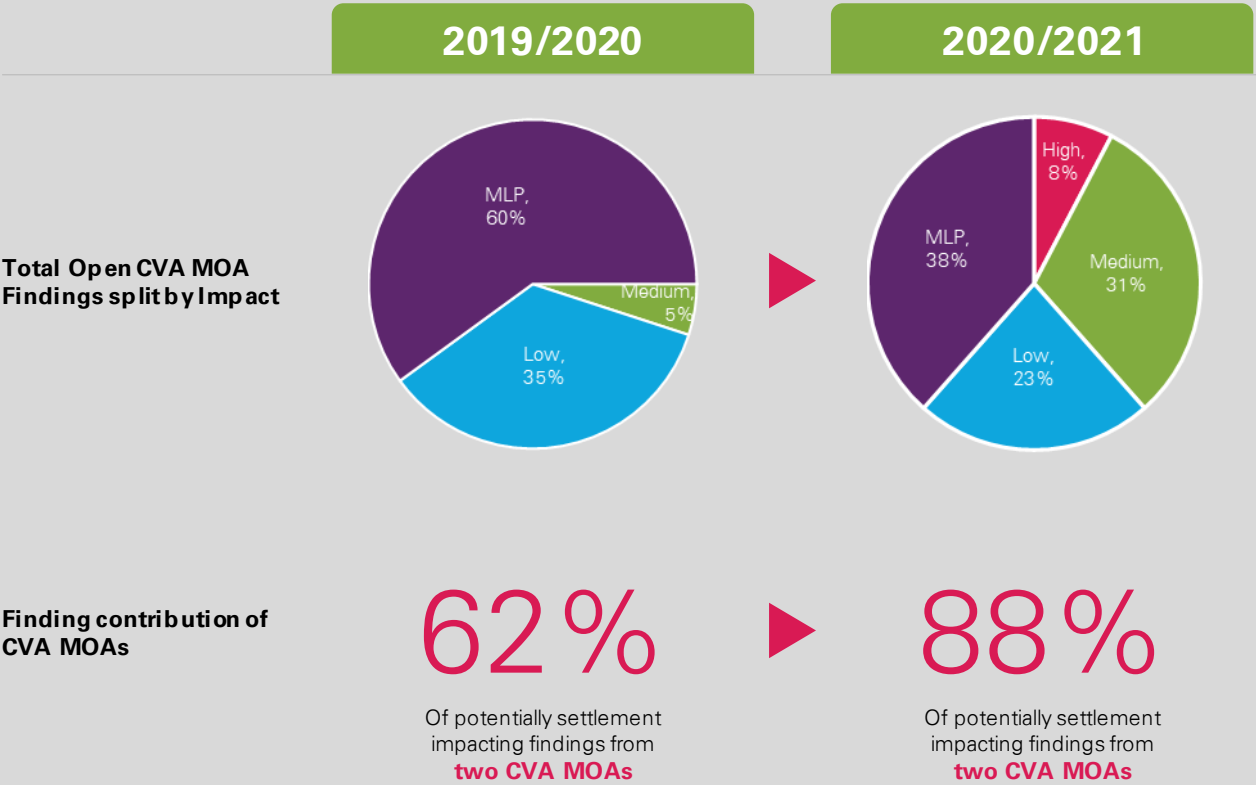


### CVA MOA – Comparing findings with the prior year

Here we compare the current year findings with the prior year to add perspective to the change in findings.

In the prior year, the risk of human error causing a significant impact on BSC Audit findings was identified. In current year, we have seen this come to fruition, with several of the Medium and High findings attributed to manual error or a weakness in training and knowledge.

Additionally, we have seen non-compliance concentrated at a smaller number of entities in current year, with 88% of High and Medium findings coming from two CVA MOA.



Close [More further insight](#)



# BSC Audit findings – Overview of Findings



## CVA MOA

The number of High findings has decreased from three in the previous year to two in the current year. Despite the overall number of findings falling into the Low and Medium categories, the process of resolution has improved.

### Process that

Completion of

Resolution of

Provision of

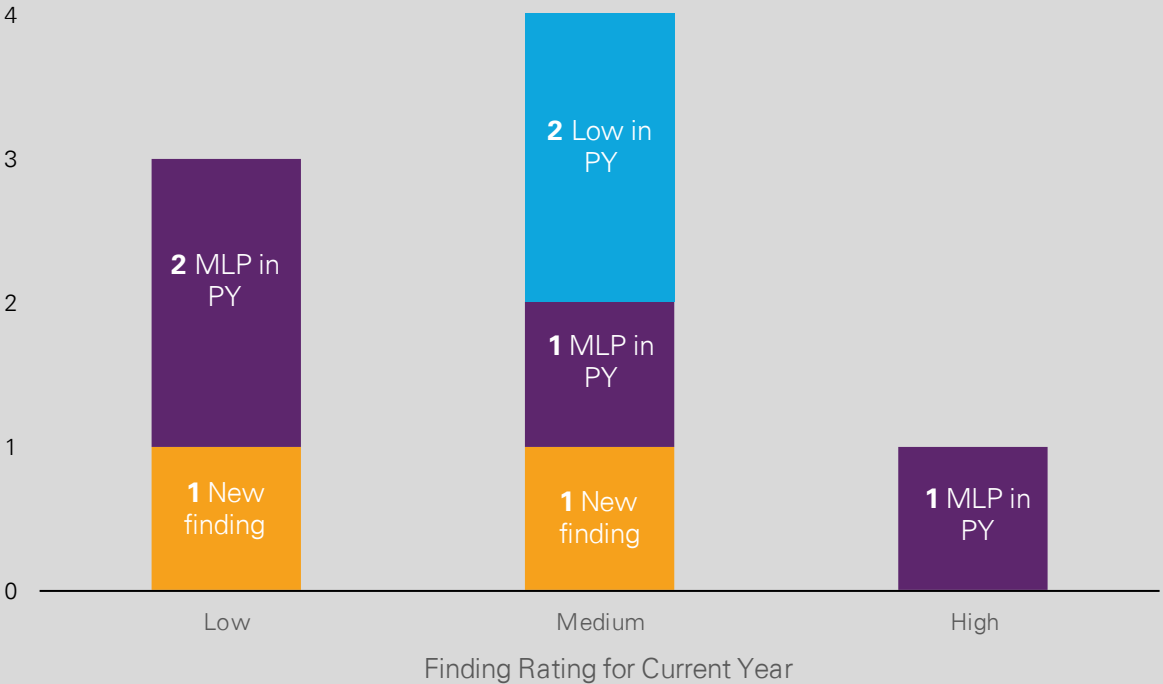
### CVAMO



## CVA MOA – Comparing findings with the prior year

The chart to the left shows how findings have evolved from the previous year. Two Low findings have been closed this year. Other than these two, **all other findings have got worse.**

For example, we have three Low findings in the current year. Last year, two of these were MLPs and one is a new finding.



Close [more further insight](#)

# BSC Audit findings – Overview of Findings



## CVA MOA

The number of High despite the overall findings fall into one and the process in w

Process that the fi

Completion of Prov

Resolution of Faults

Provision of Meter

## CVAMOA 2020/



### Central Systems – MLPs requiring BSC review

While MLPs are deemed not to have an impact on settlement calculations, they still indicate an area of non-compliance with the BSC and as such Agents are encouraged to resolve these findings. However, analysis over the findings from the 2020/21 BSC Audit of Central Systems identified a number of findings which would benefit from a review of the existing BSC requirements. This review should either identify changes to be made in the BSC requirements, or for an opportunity to work with Central Systems providers to ensure they understand the importance of such requirements and align their processes accordingly. The findings which fall into this category are listed below.



#### Determination of Energy Imbalance Cash flows – SAA

The calculation steps followed for the Energy Imbalance Calculation deviates from the BSC logic, which results in an incorrect sign (i.e. is positive when it should be negative, and vice versa) at a single step. This is subsequently corrected in a proceeding calculation step, but due to the specificity of the BSC requirements, is technically non compliant with BSC requirements.



#### Incoming Data Validation (I008)- ECVAA

The ECVAA must send a I008 to a Party in the event that an ECVN fails validation. However, the ECVAA believes a I009 is the correct notification based on the information contained. They also need to send a I009 in the event that an MVRN fails validation by the ECVAA system on receipt. However, ECVAA believes a I010 is the correct form to send based on the information contained.



#### VAT number on the Confirmation Note template- FAA

The BSC specifies that confirmation notes must have the VAT number and country code included, amongst other requirements. The current template lacks these two items. However, confirmation note templates are owned by Elexon and as such all changes must be made by them.



#### Timing of Payment Procedure- FAA

The BSC requires that the FAA should arrange for transfers from the Reserve Account or Borrowing Account to the Clearing Account or vice versa no later than 16:00 on Payment Date. This requirement is from a time when banks closed at 17:00. However now banks operate extended hours the process is generally performed out of hours to avoid disruption to FAA processes.



Close [More further insight](#)

# Root Cause Analysis



## Central Systems

The open Medium issue relating to CDCA Transmission loss graph remains open due to resource constraints. Agents are aware of the issue, but due to the volume of changes in the market, the system change required to resolve this finding are deprioritised over other system changes resulting from market changes.

Three out of four Low findings are attributed to Training and Knowledge, System Limitation and Minor Manual error. A new Low finding was recorded arising due to a minor manual error.



## CVA MOA Market

The number of CVA metering systems in the market is far fewer than SVA metering systems and the nature of CVA MOA processes is far more manual.

Root cause analysis of CVA MOA findings identified that five findings arose due to Training and Knowledge, one finding arose due to Minor Manual Error and two findings were associated to Process Design Weakness.

We see a shift from minor manual error in the prior year, to the majority of findings falling into the Training and Knowledge for the current year. While these are very closely linked root causes both originating from human error, we have seen an increase in scenarios where staff were unaware of the correct processes, compared to knowing the correct approach but making a minor manual error.

We have seen new team members within larger CVA MOA's this year, giving rise to gaps in training.

**The table below summarises the number of BSC Audit findings arising from our work for the year ended 31 March 2021 categorised by root causes (see Appendix 7 for definition and examples of root causes). Only High, Medium and Low findings have been included, with comparison to the prior year given brackets.**

Root causes	Central Systems- Findings <sup>(a)</sup> 2020/21 (2019/20)	CVAMOA- Findings <sup>(a)</sup> 2020/21 (2019/20)
Minor Manual Error	2(1)	1(5)
Training and Knowledge	1(1)	5(1)
Process Design Weakness	0(0)	2(2)
System findings	1(1)	0(0)
Accepted Non- compliance	0(1)	0(0)
Resource Constraints	1(0)	0(0)
Other – external factors	0 (0)	0(0)
<b>Total</b>	<b>5(4)</b>	<b>8 (8)</b>

Note: (a) Potentially settlement impacting issue included. MLP findings have not been included in this table.



# Steps to Completion

01

## Management representation letters

Management Representation Letters are requested and received from Agents and Elexon prior to signing the ISAE 3000 Assurance Conclusion.



02

## BM Audit

We are still outstanding the BM Audit Conclusion. This is required before making our final conclusion on the Assurance Opinion. We currently expect to receive the output of this report on the 18<sup>th</sup> June 2021.



03

## 2020/21 assurance conclusion

Due to the delay on the BM Audit Report, we will sign our Assurance Conclusion ex committee, expected for the 18<sup>th</sup> June 2021, subject to receipt of a satisfactory BM Audit Report. As in previous years, there will be a confidential and non-confidential version.



04

## Planning for 2021/22

With significant changes planned to IT systems of Central Systems we will be planning new procedures required to complete our assurance work for the 2021/22 assurance cycle.



# APPENDIX

- 07 APPENDIX 1 – BASIS OF PREPARATION
- 08 APPENDIX 2 - THE BSC AUDIT APPROACH
- 09 APPENDIX 3 – BACKGROUND TO BSC AUDIT FINDINGS AND RATINGS
- 10 APPENDIX 4 – GLOSSARY OF TERMS
- 11 APPENDIX 5 – DETAILED BSC AUDIT FINDINGS
- 12 APPENDIX 6 – ROOT CAUSES DEFINITION
- 13 APPENDIX 7 – THE BSC AUDIT APPROACH



Click on the page numbers to find further details



# Appendix 1 – Basis of Preparation

## Basis of preparation

This paper is presented for the purpose of the Panel meeting on 10 June 2021.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our assurance work.
- Our work and subsequent reports are subject to a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical and independence requirements and professional standards as well as applicable legal and regulatory requirements.

We have prepared this Panel paper (referred to as 'Report') in accordance with our BSC Audit and Qualification Agreement dated 15 July 2013.

## Restrictions on distribution

This Report is subject to disclosure restrictions as set out in our BSC Audit and Qualification Agreement.



### Purpose of this report

This Report is made to the Panel in order to communicate matters of interest, and other matters coming to our attention during our assurance work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as the BSC Auditor) for this Report, or for the opinions we have formed in respect of this Report.



### Limitations on work performed

This Report is separate from our Final BSC Audit Report, due to be issued on 10 June 2021, and does not provide an additional opinion on the application of the Balancing and Settlement Code and Code subsidiary documents (the 'Code'), nor does it add to or extend or alter our duties and responsibilities as the BSC Auditor reporting to Trading Parties to the Balancing and Settlement Code, the Transmission Company and Elexon.

We have not designed or performed procedures outside those required of us as BSC Auditor under our BSC Audit and Qualification Agreement for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being the BSC Auditor. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our work performed under our BSC Audit and Qualification Agreement.



### Status of our BSC Audit

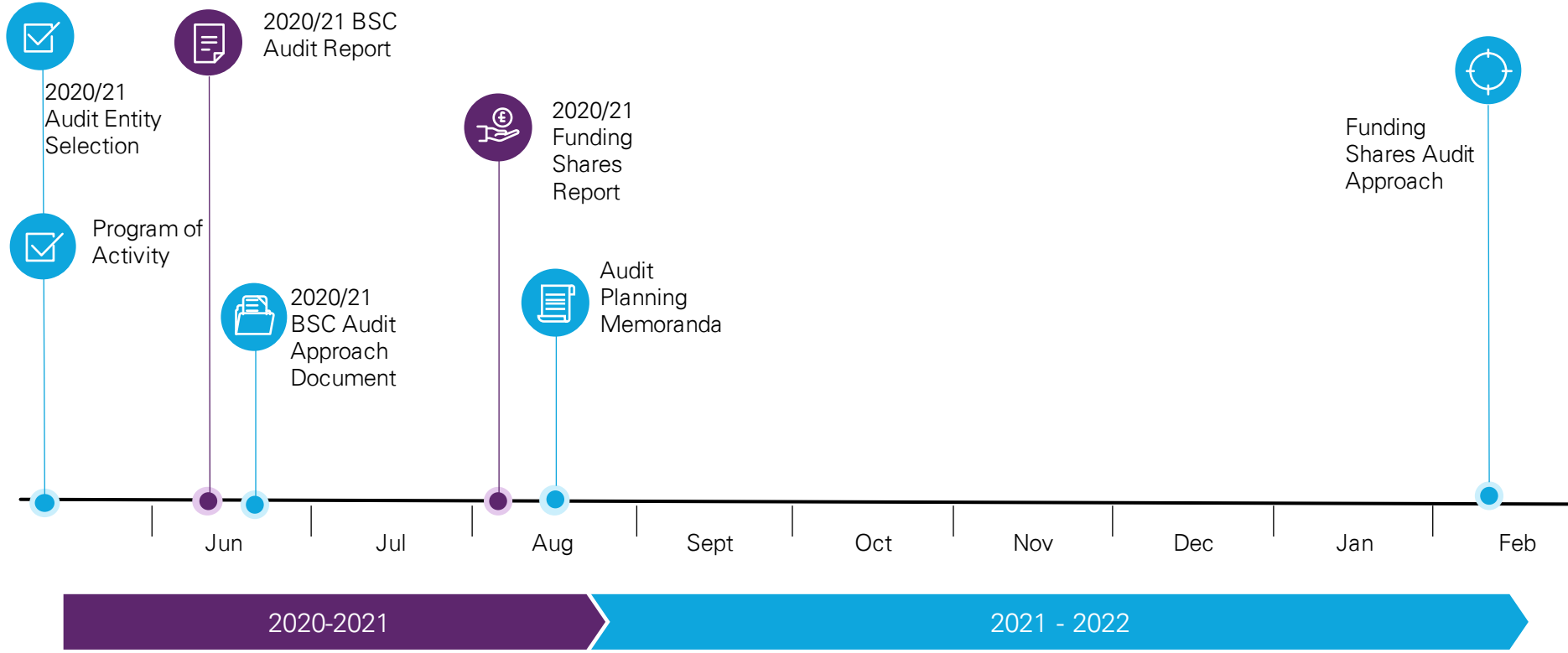
We are finalising our assurance procedures, however are still pending confirmation from BM Auditors. As such, matters communicated in this Report may change pending signature of our ISAE 3000 Assurance Conclusion (expected on 19 June 2021). Should our views change we will provide an update orally to Panel and Elexon.



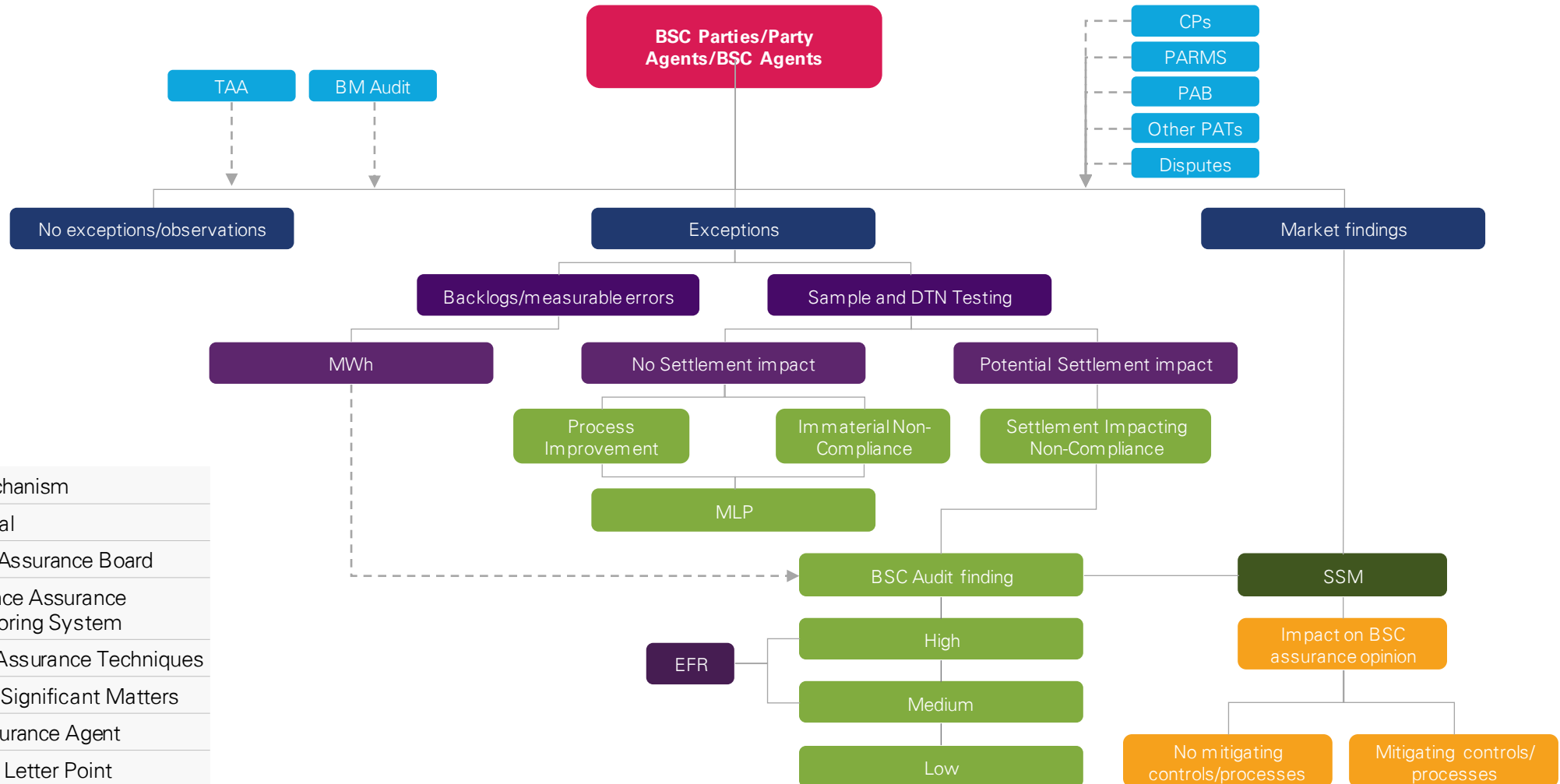
# Appendix 2 – BSC Audit Approach

**BSC audit approach 2020/21**

- Selection of audited entities for the BSC Audit was according to: unresolved audit findings, volume, system changes, risk rating and discussions with Elexon.
- Materiality was set at 1.2TWh.
- Audit fieldwork testing began in November 2020. Findings considered between 1 April 2020 and 31 March 2021. Any event outside that period are not considered within our Report.
- Our ISAE 3000 ('Revised') Reasonable Assurance Report will be included within the final BSC Audit Report
- Findings of PAF techniques are used to support and enhance our assurance work (e.g. TAA, SVA Process Assessment Report).
- Audit findings (Settlement Impacting Non-Compliance) are graded as High, Medium or Low. We understand High and Medium findings will be considered for Error and Failure Resolution (EFR) by Elexon. Non-Settlement Impacting Non-Compliance findings are categorised as MLPs and are not subject to EFR.



# Appendix 3 – Background to BSC Audit Findings and Ratings



BM – Balancing Mechanism
CP – Change Proposal
PAB – Performance Assurance Board
PARMS – Performance Assurance Reporting and Monitoring System
PAT – Performance Assurance Techniques
SSM – Statement of Significant Matters
TAA – Technical Assurance Agent
MLP – Management Letter Point

# Appendix 4- Glossary of Terms

## 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
Approach	BSC Auditor's Audit Approach for the year ended 31 March 2021	CRA	Central Registration Agent	Panel	BSC Panel
Audit Year	Year ended 31 March 2021	CVA	Central Volume Allocation	SAA	Settlement Administration Agent
BM	Balancing Mechanism	CVA MOA	Central Volume Allocation Meter Operator Agent	SSM	Statement of significant matters
BMRA	Balancing Mechanism Reporting Agent	DTN	Data Transfer Network	Statement	Statement of significant matters
BMU	Balancing Mechanism Unit	ECVAA	Energy Contract Volume Aggregation Agent	SMRS	Supplier Meter Registration Service
BSC	Balancing & Settlement Code	ELEXON	Elxon Limited	SVA	Supplier Volume Allocation
BSCCo	Balancing & Settlement Code Company	FAA	Funds Administration Agent	SVAA	Supplier Volume Allocation Agent
BSCP	Balancing & Settlement Code Procedure	MLP	Management Letter Point	TAA	Technical Assurance Agent
CDCA	Central Data Collection Agent	MPAN	Metering Point Administration Number	TDC	Trading Disputes Committee
Central Systems	BSC Central Services	MOA	Meter Operator Agent	TWh	TeraWatt Hour(s)
Code	Balancing and Settlement Code	PAB	Performance Assurance Board		



# Appendix 5 – Detailed BSC Audit Findings

In this table we have set out the number of Agents where a Settlement impacting finding has been raised. Some agents may have more than one finding, but are only counted once in this table.

Number of Agents with findings				
BSC Audit Findings	2020/21	2019/20	Root cause	Change
Metering findings: Metering system faults not resolved in a timely manner	3 out of 8 CVA MOAs	4 out of 7 CVA MOAs	Training and Knowledge	↓
Metering findings: Incomplete or delayed provision of meter reads and Meter Technical Details	4 out of 8 CVA MOAs	2 out of 7 CVA MOAs	Minor Manual Error	↑
Metering findings: proving tests not performed or not performed on a timely basis	3 out of 8 CVA MOAs	2 out of 7 CVA MOAs	Process Design Weakness	↑
ECVAA Configuration Audit Logging	1 out of 1 ECVAA	1 out of 1 ECVAA	System Configuration	▪
BSCP38 Authorisations actioned incorrectly	0 out of 1 SAA	1 out of 1 SAA	Process Design Weakness	✕
Limited possibilities for producing and analyzing Transmission Loss Graphs	1 out of 1 CDCA	1 out of 1 CDCA	System Configuration	▪
Erroneous processing of Temperature data	1 out of 1 SAA	1 out of 1 SAA	Minor Manual Error	▪

## Key

- ↓ Number of Agents with potentially settlement impacting issues has decreased
- ↑ Number of Agents with potentially settlement impacting issues has increased
- Number of Agents with potentially settlement impacting issues has stayed the same
- ✕ All potentially settlement impacting findings in this category have been closed

# Appendix 6 – Root Causes Definition

The following are definitions and examples of Root Cause's which are used throughout the document

Category	Description	Common Examples
System findings	An finding arising as a result of an automated system error. This could potentially be as a result of unexpected actions made by the system, the system being incorrectly configured for the scenario in question or system performance findings. This does not include findings which have been made by human error despite the error being reflected on the system.	<ul style="list-style-type: none"><li>• System has blocked valid flows</li><li>• System has not sent the correct flows because it was not configured to send these flows under the given scenario</li><li>• Exceptions are not flagged by the system, so they can not be worked manually to resolve.</li></ul>
Training and Knowledge	As finding arising as a result of a knowledge gap of the users working the scenarios. This would generally be a widespread finding, where a user or whole team consistently performed the wrong action in a scenario. This does not include findings which have been made as a one off finding, or as a result of not having enough time to complete tasks.	<ul style="list-style-type: none"><li>• Users are unaware of the correct process to follow, or were unaware of specific steps or time scales</li><li>• Users consistently take the wrong action in a manual process</li><li>• Instances where you were unable to find someone within the business to explain the processes, indicating a knowledge gap within the business in general.</li></ul>
Process Design Weakness	An finding arising as a result of a poorly designed process or total lack of process. This might be that a process is inefficient in relation to its goal (e.g. an exception report does not actually flag the exceptions the business expected it to), or that the process which is documented or is taught to staff does not comply with the BSC. Also if there is a total lack of process or control, this would also fall under this category. This does not include instances where the agent have accepted non-compliance (ref to Accepted non-compliance root cause for details).	<ul style="list-style-type: none"><li>• Staff have been taught a process, but the process which they are all taught is incorrect</li><li>• An exception report is designed to capture any D0023 flows over 30 days old, but in fact only flags one error code and not all error codes</li><li>• The process documentation held by the agent does not comply with the BSC, as such employees referencing this perform an incorrect process.</li></ul>
Accepted Non-compliance	Things where the agent knows they are non-compliant but they choose not to fix it. They must be aware of the requirements, but have actively chosen not to comply for various reasons, normally for operational reasons. Note this does not include scenarios where they were unaware their processes were not compliant, or if they have tried to comply but don't have sufficient controls or appropriate processes to achieve compliance.	<ul style="list-style-type: none"><li>• Some instances where the party may be unable to meet BSC requirements regardless of changes made to their processes, or the change is above what is reasonably expected of that organisation, and has agreed with this Elxon.</li><li>• It also comes about where contractual requirements of agents conflict with the BSC requirements.</li></ul>
Resource constrains	finding arising as a result of a lack of resource. This might be as a result of a large influx of new MPANs or new requirements which have not been appropriate planned for, which then lead to the teams not having enough staff to deal with the manual elements of processes.	<ul style="list-style-type: none"><li>• Mainly this is seen through a large backlog (although be careful, if a backlog is remaining High because people are taking incorrect action to clear this, categorise this as 'training and knowledge' or 'process design weakness')</li><li>• Commonly results when there is a mass switching and a large volume of MPANs change supplier and agent in a short period of time.</li></ul>
Minor Manual Error	finding arising as a result of a small, manual error. This would not be the 'norm', and was just a mistake made by a member of staff. Within a sample we would expect to see 3 or less mistakes in the sample before this becomes a training and knowledge finding. Generally if people are making the same mistake time and time again this indicates poor training or poor process, so we are looking for isolated mistakes to fall into this category.	<ul style="list-style-type: none"><li>• Someone has made a typo in a flow e.g. sending it in 2019 rather than 2018 or writing 01 rather than 10.</li><li>• This will be 3 or below instances within a sample</li></ul>
Other	This is only used this is rare occasions where none of the other categories can be chosen.	

# Appendix 7 - The BSC Audit Approach

## The BSC Audit Approach

Central Systems and CVA MOA are within the scope of an ISAE 3000 Assurance Conclusion. Supplier and SVA Agents are within the scope of our tailored Process Assessment engagement, forming part of Elexon's Performance Assurance Framework (PAF).

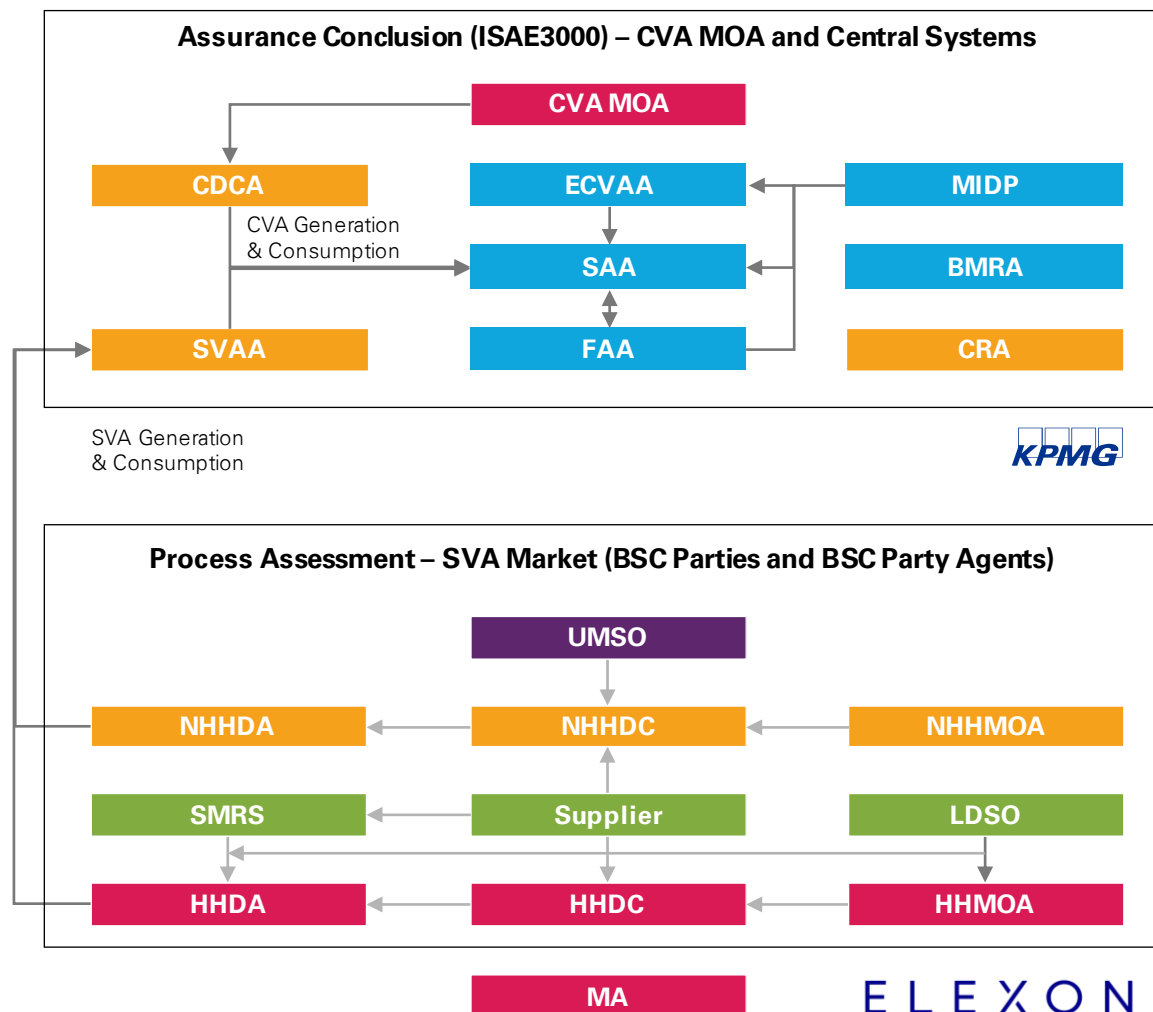
We have used a materiality of 1.2 TWh to conclude on our opinion.

## BSC Audit work in two distinct streams

As in previous years, our overall BSC Audit work is delivered in two distinct streams:

- Assurance Conclusion (ISAE 3000): We continue to finding an Independent ISAE 3000 Assurance Conclusion over Central Systems and CVA MOA. In practice, this means our approach to testing this area of Settlement processes will largely remain consistent with the prior year. We finding a Reasonable Assurance Report and present it to the Performance Assurance Board (PAB) and the Panel.
- Process Assessment: For the SVA Market, we are not issuing an Assurance Conclusion over the SVA Market. Elexon is responsible for the scope of the detailed on site work as well as the owner of the conclusions reached on the assessment.

The diagram outlines how the scope of the BSC Audit is split between Process Assessment and the ISAE 3000 Assurance Conclusion.



© 2021 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

