

CP1454 'Amendment to the category 1 materiality calculation'



Contents

1	Why Change?	2
2	Solution	4
3	Impacts and Costs	6
4	Implementation Approach	7
5	Initial Committee Views	8
	Appendix 1: Glossary & References	9

About This Document

The purpose of this Change Proposal (CP) Consultation for CP1454 is to invite BSC Parties, Party Agents and other interested parties to provide their views on the impacts and the merits of CP1454. The Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) will then consider the consultation responses before making a decision on whether or not to approve CP1454.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the SVG's initial views on the proposed changes.
- Attachment A contains the CP1454 Proposal Form.
- Attachment B contains the proposed redlined changes to deliver the CP1454 solution.
- Attachment C contains the specific questions on which we seek your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish to be considered.

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1 Why Change?

Current process for non-compliances

During a site visit, the Technical Assurance Agent (TAA) might identify a Category 1 Non-Compliance and then perform an estimated materiality calculation of the impact on Settlement accuracy. At the end of each BSC Audit year, the TAA reports the number of non-compliances identified and the combined materiality in its annual report. The TAA presents its Annual Report to the Performance Assurance Board (PAB) and to the Balancing and Settlement Code (BSC) Panel in May and June. The most recent TAA Annual Performance Assurance (APAR) Report ([2014/2015](#)) reported that the materiality of non-compliances identified during the audit year was estimated at:

- 17,390 MWh in the Supplier Volume Allocation (SVA) market and
- 1,173.8 MWh in the Central Volume Allocation (CVA) market.

The TAA provides both the SVA and CVA estimated materiality figures to the BSC Auditor who, by extrapolation, estimates the materiality of Settlement Error over the industry as a whole.

How does the TAA currently calculate materiality?

The current process used by the TAA to calculate the materiality of a Category 1 Non-Compliance is as follows:

- Identify the applicable Code of Practice (CoP) against which the Category 1 Non-Compliance has been identified e.g. CoP4;
- Select a value at the midpoint of the range dictated by the specific CoP;
- Identify the likely load factor to be applied. It is recognised that in many cases this will be dependent on the nature of the site's operation; and
- Derive the potential materiality for over the course of a whole year, based on 8760 hours in a year.

The above four steps form the following calculation for materiality of a Category 1 Non-Compliance:

CoP midpoint * percentage error detected * assumed average load * annual hours = MWh.

When applying the calculation to a Category 1 Non-Compliance, the materiality figure in MWh is an estimate due to the following reasons:

- The TAA is not aware of how long an error has been outstanding; and
- The assumed average load is only estimated using one Half Hourly (HH) period.

What is the issue?

Whilst investigating an alternative method, ELEXON identified that the current calculation had been removed from [BSC Procedure \(BSCP\) 27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'](#). However, the Working Instruction used by the

TAA was never updated and we have been unable to locate any communication advising the TAA of a change.

The Technical Assurance of Metering Expert Group (TAMEG) asked us to consider an alternative method that would provide a more accurate value than the current estimate. ELEXON, therefore, took an action from the TAMEG meeting in May 2015 ([TAMEG 22](#)) to present the proposed method for calculating category 1 materiality to the PAB.

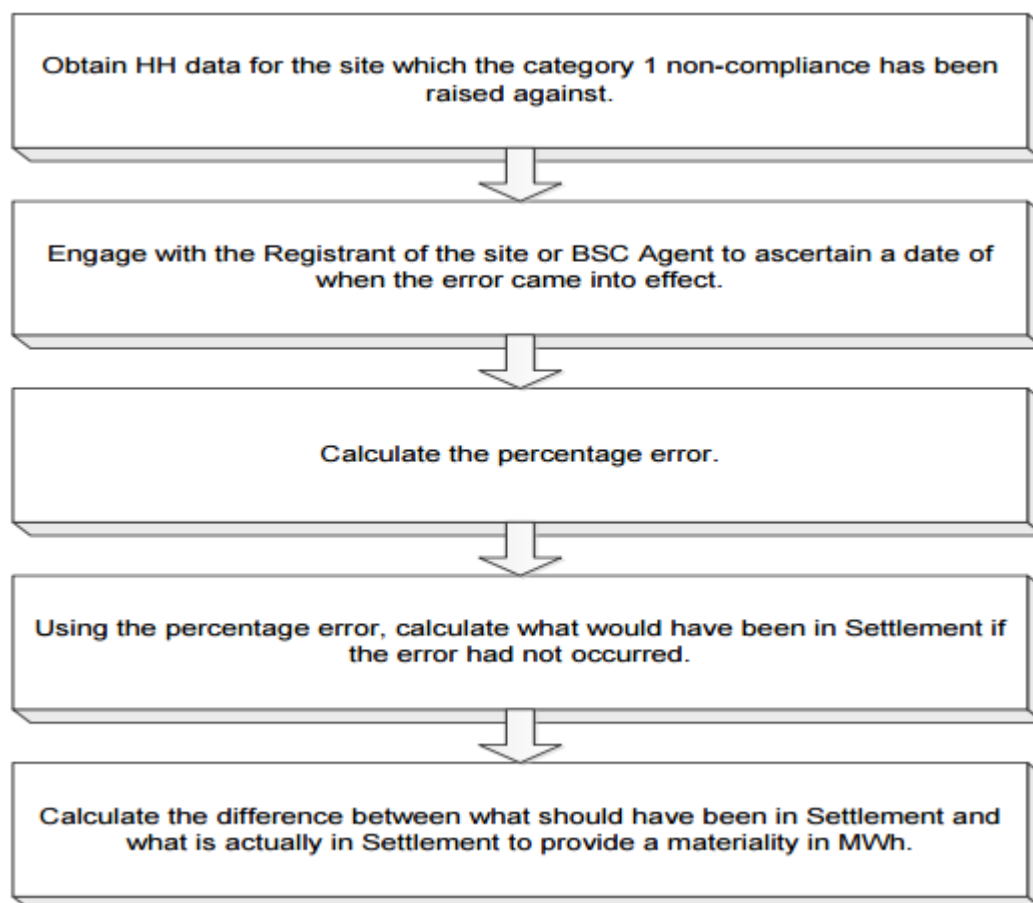
2 Solution

Proposed solution

[CP1454 'Amendment to the category 1 materiality calculation'](#) was raised by ELEXON on 11 January 2016.

It proposes that in order to provide a more accurate materiality of each Category 1 Non-Compliance, a calculation is performed by ELEXON in the same way that the materiality of a Trading Dispute is calculated.

The following steps would be taken by ELEXON:



Proposer's rationale

At its meeting on 30 July 2015, the PAB [\(174/07\)](#) considered the proposed method and analysis that demonstrated its accuracy compared to the original method. It agreed that ELEXON's proposed method can provide a more accurate materiality of each Category 1 Non-Compliance. This is because it will be based on actual data and the correct error period. It therefore recommended that a CP be raised in line with the above proposed method.

CP Consultation Question

Do you agree with the CP1454 proposed solution?

Please provide your rationale.

We invite you to give your views using the response form in Attachment C

CP1454
CP Consultation

8 February 2016

Version 1.0

Page 4 of 10

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Proposed redlining

Attachment B contains the proposed changes to BSCP27 to deliver CP1454.

CP Consultation Question

Do you agree that the draft redlining delivers the CP1454 proposed solution?

If 'No', please provide your rationale.

We invite you to give your views using the response form in Attachment C

3 Impacts and Costs

Central impacts and costs

CP1454 will require changes to BSCP27. No system changes are required and there will be no impact on BSC Agents.

The central implementation costs for CP1454 will be approximately £240 (one ELEXON man day) to implement the relevant document changes.

As BSCP27 is jointly owned by the ISG and SVG, we are presenting it to both committees for their initial comments.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP27	<i>None</i>

BSC Party & Party Agent impacts and costs

CP1454 is expected to impact the TAA and ELEXON. We believe that minor process changes will be required to implement the solution, however it will not require any additional resource from ELEXON. A Trading Dispute would be raised for each Category 1 Non-Compliance as Business as Usual (BAU) and ELEXON would calculate the materiality as part of the Trading Dispute investigation.

No other BSC Parties or Party Agents are expected to be impacted but we seek confirmation of this through this CP Consultation.

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
TAA	Changes will be required to implement the solution
ELEXON	

CP Consultation Questions

Will CP1454 impact your organisation?

If 'Yes', please provide a description of the impact(s) on your organisation and any activities which you will need to undertake between the approval of CP1454 and the CP1454 Implementation Date (including any necessary changes to your systems, documents and processes). Where applicable, please state which of the roles that you operate as will be impacted and any differences in the impacts between each role.

Will your organisation incur any costs in implementing CP1454?

If 'Yes', please provide details of these costs, how they arise and whether they are one-off or on-going costs.

We invite you to give your views using the response form in Attachment C

CP1454
CP Consultation

8 February 2016

Version 1.0

Page 6 of 10

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4 Implementation Approach

Recommended Implementation Date

CP1454 is proposed for implementation on **30 June 2016** as part of the June 2016 BSC Systems Release.

The June 2016 Release is the next available Release that can include this CP.

CP Consultation Question

Do you agree with the proposed implementation approach for CP1454?

Please provide your rationale.

We invite you to give your views using the response form in Attachment C

5 Initial Committee Views

ISG's initial views

The ISG considered CP1454 at its meeting on 26 January 2016 ([ISG177/01](#)).

An ISG Member queried whether Category 1 Non-Compliances will result in ELEXON raising Trading Disputes. ELEXON advised that it would for all Category 1 Non-Compliances but noted that many are unlikely to meet the three Trading Disputes criteria.

An ISG Member requested clarification as to whether ELEXON would complete the materiality calculation for all Category 1 Non-Compliances regardless as there is a small cost to having this done. ELEXON advised that the Trading Disputes process has recently changed. This is because Category 1 Non-Compliances mean there is an error in Settlement which must be investigated according to the Disputes process. Therefore, the new process means we calculate the materiality for all Category 1 Non-Compliances to see if they are over the £3,000 threshold and record the materiality for reporting purposes.

An ISG Member queried whether the calculated materiality is a gross or net value. ELEXON advised that in this case it is the net materiality.

An ISG Member considered whether the proposed calculation method was appropriate when it comes to Meter Technical Details (MTDs). ELEXON noted that when it calculated the materiality of clock time errors it was discovered that they were previously over calculated. ELEXON advised that its proposed method provides a more accurate calculation of materiality of tens rather than thousands of pounds.

The ISG did not ask for any additional questions to be added to the CP Consultation.

SVG's initial views

The SVG considered CP1454 at its meeting on 2 February 2016 ([SVG180/06](#)).

The SVG did not ask for any additional questions to be added to the CP Consultation.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
APAR	Annual Performance Assurance Report
BAU	Business as Usual
BSC	Balancing and Settlement Code (<i>industry Code</i>)
BSCP	Balancing and Settlement Code Procedure
CoP	Code of Practice (<i>Code Subsidiary Document</i>)
CP	Change Proposal
CPC	Change Proposal Circular
CVA	Central Volume Allocation
HH	Half Hourly
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
MTD	Meter Technical Details
PAB	Performance Assurance Board (<i>Panel Committee</i>)
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation Group (<i>Panel Committee</i>)
TAA	Technical Assurance Agent
TAMEG	Technical Assurance of Metering Expert Group

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	Performance Assurance Reports on the ELEXON website	https://www.elexon.co.uk/reference/market-compliance/performance-assurance/performance-assurance-reports/
2	BSCP page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
3	TAMEG 22 page on the ELEXON website	https://www.elexon.co.uk/meeting/tameg-22-2/
4	CP1454 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1454/
4	PAB 174 page on the ELEXON website	https://www.elexon.co.uk/meeting/pab-174/

CP1454
CP Consultation

8 February 2016

Version 1.0

Page 9 of 10

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External Links		
Page(s)	Description	URL
8	ISG177 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-177/
8	SVG180 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-180/