

PUBLIC

# Risk Operating Plan 2020/21



# RISK OPERATING PLAN

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## INTRODUCTION

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The Balancing and Settlement Code (BSC), Section Z 5.6, requires the Performance Assurance Board (PAB) to determine which Performance Assurance Technique (PAT) it considers should be applied for each Settlement Risk on the Risk Evaluation Register<sup>1</sup> (RER) for each year. The PAB will then prepare a plan (the Risk Operating Plan - ROP) setting out the technique deployment and the estimated cost of the techniques for the year (the Performance Assurance Operating Period – PAOP).

The PAB reviews the ROP annually, primarily based on the PAB's strategy (see below) and additional feedback provided via BSC parties. A draft is published for Performance Assurance Parties (PAP) and other interested parties to comment on. Appropriate changes are made following consideration of any comments, after which the PAB (delegated from the Panel) is asked to approve and adopt the ROP.

This document describes for assurance year 2020/21:

- the PAB's risk appetite through the Target Impact<sup>2</sup> set for each Settlement Risk
- the planned technique deployment to achieve the target impact
- the planned technique deployment to strengthen controls or mitigate events<sup>3</sup>
- the estimated costs of such deployment

## ROP Ledger

This document is accompanied by the ROP Ledger, a spreadsheet setting out the detail of the planned technique deployment, with rationale to risks, controls and events.

**This ROP is effective from April 2020 to March 2021**

## Where to find out more

- Contact [Risk@elexon.co.uk](mailto:Risk@elexon.co.uk)
- Visit <https://www.elexon.co.uk/reference/performance-assurance/>



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<sup>1</sup> The Risk Evaluation Register is available on the ELEXON website [\[link\]](#)

<sup>2</sup> The Impact is a £ error value forecast according to the Risk Evaluation Methodology – see the methodology for more information [\[link\]](#); the Target Impact is the £ error value that expresses the PAB's tolerance for the error

<sup>3</sup> Events are scenarios that may impact multiple risks; they are described within the RER

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## The PAB Strategy

The PAB Strategy for Performance Assurance Operating Period (PAOP) 2020/21 can be found here [\[link\]](#); in summary, the strategic objectives are:

**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 ELEXON in the implementation of the PAF review recommendations.

The PAB did identify a further strategic objective. ELEXON has updated the PAB strategy document and presented this for approval in the Jan 2020 PAB Meeting.

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

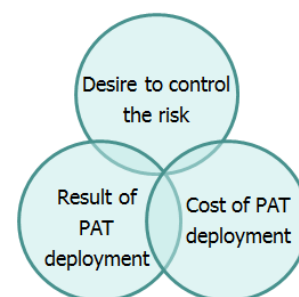
## Risk appetite

The PAB Strategy informs the PAB's consideration of risk appetite: the type and amount of Settlement Risk that can be tolerated in the coming year, when availability and cost of appropriate mitigation is factored in.

The PAB will consider the extent to which each Settlement Risk should be controlled, what is feasible with the PATs available, and what is a reasonable amount to invest in those PATs.

The PAB will determine for each Settlement Risk

- a **target impact**, expressed in financial terms
- a **variance** from the current impact
- any **reduction in the volatility** that the PAB wishes to achieve



These are included within the RER e.g.:

RER								ROP				
ID	The risk that...	Impact	Impact Rationale	Impact band	Lower Impact	Upper Impact	Volatility	Volatility rationale	Target Impact	Variance	Target rationale	Target volatility
#	Title	£		1-5	£	£	H/M/L		£	£		Tolerate / reduce

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## Within-period revisions

The ROP is reviewed on an annual basis in line with the Annual Performance Assurance Timetable<sup>4</sup> to be ready for the next PAOP on 1 April. A 'within-period revision' of the ROP may be applied to vary risk appetite or PAT deployment at any time in the year, to refocus risk management if required.

Within-period revisions of the ROP are approved by the PAB and may be published for comment by PAPs and other interested parties if the PAB considers it a material change.

## How we deliver the plan

The PAB deploys the techniques as planned in this ROP against individual PAPs via Risk Management Determinations (RMD), in order to meet the Target Impacts. A log of RMDs is maintained by the PAB Secretary, except for techniques such as Supplier Charges or PARMS Serials, which are mandated to all PAPs in the relevant party type on a continuous basis.

ELEXON will produce the Annual Performance Assurance Report (APAR) for each PAOP, which will provide commentary on what was actioned and achieved in the year, and a comparison of costs against those forecast in the relevant ROP. In addition, ELEXON will publish Quarterly Performance Assurance Reports (QPAR) throughout the PAOP to update and address points of progress.

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<sup>4</sup> <https://www.elexon.co.uk/reference/market-compliance/performance-assurance/performance-assurance-processes/>

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## EXECUTIVE SUMMARY

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The Risk Operating Plan (ROP) is a key Performance Assurance document, as it sets out how ELEXON, as the Performance Assurance Administrator (PAA), will seek to mitigate Settlement Risks within the Electricity Market.

Using the approved Risk Evaluation Methodology (REM) to score and evaluate risks, documented in the Risk Evaluation Register (RER), this plan creates a prioritisation and focus of that register, as instructed by the Performance Assurance Board (PAB).

### Performance in 2019/20

ELEXON chose to focus on 8 key risks during this Performance Assurance Operating period.

- SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all – risk no. 3
- A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 5
- SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met – risk no. 7
- Unmetered Supplies volumes are calculated incorrectly or not at all – risk no. 11
- 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 – risk no. 16
- Revenue Protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement – risk no. 18
- CVA metered data is not retrieved, or processed correctly, or at all, by the CDCA – risk no. 21
- A fault with CVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 23

The selection of risks for specific focus were with an aim to reduce and mitigate risk impact, risk volatility or to better assess risks where ELEXON had limited data or understanding of risk factors and controls.

During this period, the Total Risk Impact across all risks has reduced from **£290m to £269m, a 7.25% reduction**. We present this number as a useful view of the scale of potential Settlement Error only - it would be misleading to sum the forecast error of each risk to a total amount of error, due to the amount of assumptions and as individual errors can manifest in multiple risks as the impact works along the "meter-bank" process.

In addition, this reduction in Total Risk Impact can be attributed to both improvements in our assessment of Risk and mitigations carried out by Risk Owners, who are specifically tasked with managing their risks.

There have been movements in both risk impact and risk volatility.

**Risk Impact – The most plausible estimated error for each risk (middle impact).**

**Risk Volatility – the difference between the middle and upper impact of a risk.**

# RISK OPERATING PLAN

## Top 5 Decreases in Risk Impact and Volatility (Following re-assessment of Risk)

	Decrease in Risk Impact	SVA/CVA	Risk Impact	Impact Change (-)		Decrease in Risk Volatility	SVA/CVA	Risk Impact	Volatility Change (-)
1	Retrieval of Metered Data	SVA	£11.9m	£14.9m	1	Aggregation Rules	CVA	£2.3m	£33.1m
2	Metering Equipment installation, programming, maintenance and Commissioning	CVA	£1m	£12.9m	2	Retrieval of Metered Data	SVA	£11.8m	£26.5m
3	Unmetered Supplies	SVA	£7.8m	£9.8m	3	Metering Equipment installation, programming, maintenance and Commissioning	CVA	£1m	£19.4m
4	Fault resolution	SVA	£29.8m	£5.9m	4	Processing of Metered Data	SVA	£5.4m	£13.6m
5	Meter Technical Details transfer and processing	SVA	£2.8m	£5.2m	5	Notification of change to Metering Equipment	SVA	£2.6m	£12.9m

## Top 5 Increases in Risk Impact and Volatility (Following re-assessment of Risk)

	Increase in Risk Impact	SVA/CVA	Risk Impact	Impact Change (+)		Increase in Risk Volatility	SVA/CVA	Risk Impact	Volatility Change (+)
1	Retrieval and processing of Metered Data	CVA	£59.3m	£28.1m	1	Retrieval and processing of Metered Data	CVA	£146m	£97m
2	Fault resolution	CVA	£36.6m	£6.4m	2	Metering Equipment installation, programming, maintenance and Commissioning	SVA	£132m	£47.5m
3	Registration	CVA	£4.2m	£3.7m	3	Fault resolution	CVA	£93m	£36m
4	Aggregation Rules	CVA	£2.3m	£2.2m	4	Registration	CVA	£14m	£11.5m
5	Metering Equipment installation, programming, maintenance and Commissioning	SVA	£45.1m	£2.2m	5	Payment default	CVA	£6.5m	£4.4m



Risk Volatility increase (Total upper impact up £37k)



Risk Impact decrease (Total Risk Impact down £21.8m)

# RISK OPERATING PLAN

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## Areas for focus 2020/21

For 2020/21, there are a number of risks and risk events that the PAB is placing greater focus on, they are:-

- SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all – risk no. 3
- A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 5
- SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met – risk no. 7
- SVA Metering System technical details are created incorrectly – risk no.12

In addition, there are 2 existing Risk Events that ELEXON wishes to apply focus to, by carrying out further analysis, developing reporting and, where necessary, via the deployment of specific Performance Assurance Techniques.

These risk events relate to market conditions which have impact on a variety of Settlement risks.

- Event 001 – BSC Party Agents – ELEXON to carry out analysis into the impact of Customer Preferred Agents on Settlement, conducting further evidence gathering and analysis.
- Event 011 – Party Failure – ELEXON to carry out analysis into Supplier of Last Resort (SoLR) events, and other instances where Parties or Party Agents cease operating

Finally ELEXON wishes to manage all CVA Settlement Risks as a new Risk Event. This is in light of the lack of clear Performance Assurance data available within this market.

- Event 020 – CVA Market – ELEXON to create a suite of Reporting enabling the PAB to better monitor and challenge performance within the CVA Market. In addition, high impacting risks will be focussed on to reduce both risk impact and volatility.

## Overall forecast

The combined forecast error that is likely to manifest in 2020/21 without mitigation is £270m (£296m in 2019/20).

We anticipate approximately **£53.8m** can be mitigated through application of assurance techniques, forecast cost of which is approximately **£3.4m**. Key mitigation techniques planned to be deployed in the year include developing additional performance assurance reports, Technical Assurance of Performance Assurance Party checks (targeted audits), and provision of guidance on specific areas of BSC obligations to support parties' compliance. We will also carry out several analysis exercises to better understand various aspects of the risks, including prevalence of root causes.

PAB will report progress towards these goals through the year, and in the 2020/21 Annual Performance Assurance report (APAR) after the year end.



# RISK OPERATING PLAN

## PERFORMANCE ASSURANCE TECHNIQUES

There are 16 Performance Assurance Techniques (PAT) available to the PAB to manage Settlement Risks. A summary of the PATs and cost to serve information is below; full details are available on the ELEXON website [\[link\]](#).

Performance Assurance Technique	Technique Category	Technique Type
<b>Qualification</b>	Preventative	Non-standard <b>Triggered by applicant; no flexibility in deployment</b>
<b>Re-Qualification</b>	Preventative	Non-standard <b>Triggered by PAB or PAP</b>
<b>Bulk Change of Agent (BCoA)</b>	Preventative	Non-standard <b>Triggered by Supplier</b>
<b>Education</b>	Preventative	Non-standard <b>Fully flexible – triggered by PAB</b>
<b>Performance Monitoring &amp; Reporting</b>	Detective	Mandatory <b>Applicable to all relevant parties as per the BSC</b>
<b>Material Error Monitoring (MEM)</b>	Detective	Standard <b>Fully flexible – triggered by PAB</b>
<b>Technical Assurance of Metering Systems (TAM)</b>	Detective	Standard <b>Partly flexible – PAB manages scope</b>
<b>BSC Audit (BSCA)</b>	Detective	Standard <b>Partly flexible – PAB manages scope</b>
<b>Technical Assurance of PAPs (TAPAP)</b>	Detective	Non-standard <b>Fully flexible – triggered by PAB</b>
<b>Peer Comparison</b>	Incentive	Standard <b>Partly flexible – PAB decides Serials</b>
<b>Removal of Qualification</b>	Incentive	Non-standard <b>Fully flexible – triggered by PAB</b>
<b>Breach and Default</b>	Incentive	Non-standard <b>Fully flexible – triggered by PAB</b>
<b>Supplier Charges</b>	Remedial	Mandatory <b>Applicable to all relevant parties as per the BSC</b>

# RISK OPERATING PLAN

Performance Assurance Technique	Technique Category	Technique Type
Error and Failure Resolution (EFR)	Remedial	Non-standard <b>Fully flexible – triggered by PAB</b>
Trading Disputes	Remedial	Non-standard <b>Partly flexible – deployed for errors meeting BSC criteria</b>
Change Mechanisms	Remedial	<b>Non-standard</b> Fully flexible, triggered by PAB

**Mandatory PATs** - Techniques which the PAB is required to deploy to a PAP because they are mandated by the BSC (e.g. Supplier Charges).

**Standard PATs** - Default techniques, assigned to the relevant Settlement Risk which the PAB will usually deploy uniformly across PAPs (e.g. Material Error Monitoring); any exceptions will be described in the ROP.

**Non-Standard PATs** - Techniques that the PAB may consider deploying to mitigate the Settlement Risks to meet the Target Impact. Where the PAB deploys a Non-Standard PAT it will make a Risk Management Determination (RMD) in line with BSC Section Z 5.7.

**Other Assurance Activities** – In order for ELEXON to better understand a Settlement Risk, we carry out analysis and reporting to provide greater insight into the impact of a Settlement Risk. In addition, we may require further information from BSC Parties; these will be requested via formal RFI (Request for Information) as required.

## Escalation

Where the PAB observes significant failures by a PAP over one or more Settlement Risk, and has exhausted all escalation steps within the Error and Failure Resolution (EFR) process (BSCP 538<sup>5</sup>) without sufficient improvement, it may consider initiating Breach and Default (for BSC Parties) or Removal of Qualification (for Party Agents)

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<sup>5</sup> <https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/>

# RISK OPERATING PLAN

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## PLANNED PERFORMANCE ASSURANCE TECHNIQUE DEPLOYMENT

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This section describes planned deployment of the PATs in 2020/2021 to meet the Target Impacts for the risks being prioritised this year (those with the highest Impact score or otherwise determined to be in focus). For full details of planned PAT deployment, refer to the accompanying ledger [\[link\]](#).

### **PAT deployment**

A few PATs must be deployed as per the BSC provisions such as Performance Monitoring and Reporting (PARMS) and Supplier Charges. However most can be deployed flexibly by the PAB on a case-by-case basis.

For instance, the PAB can propose new questions to the Self-Assessment Document<sup>6</sup> for Qualification applicants as a preventative action for Settlement Risks. Audits such as Technical Assurance of Metering (TAM) inspections, Technical Assurance of Performance Assurance Parties (TAPAP) checks or the BSC Audit can be deployed against individual PAPs or risk areas (e.g. types of Metering System or specific processes).

### **Planned analysis**

In accordance with our revised approach to risk mitigation, some elements of our plan may require us to establish a more comprehensive understanding of a Settlement Risk. This may be achieved via analysis and reporting, either using existing or new data sources. In order to provide clarity on this, we have included any actions such as this within our focussed risks described on pages 11 -18 and in the ROP Ledger.

### **Target Impact and Volatility**

In setting the Target Impact and Volatility values, we have estimated the level of improvement we could see over the year. This is a forecast value that we believe is achievable. However, there will be various factors outside of PAT deployment that could affect it – many of the Settlement Risks are primarily influenced by party actions, which the PAF can only incentivise and report on rather than directly control.

### **Future changes**

All Settlement Risks will be periodically reviewed, to a schedule or in response to an ad hoc trigger including on direction of the PAB. The review will be performed by ELEXON, considering all aspects of each Settlement Risk, including risk indicator data, parties' performance against the risk, existing mitigation and external factors which may require the risk impact to be adjusted or for our approach to the risk to change.

If ELEXON identifies any change that should be made to the risks in the RER or the PAT deployment in the ROP, the proposal will be presented to the PAB to approve. If the changes are material, the PAB will carry out a consultation with stakeholders. The changes may result in amended deployment of techniques to PAPs, via Risk Management Determinations.

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<sup>6</sup> <https://www.elexon.co.uk/reference/market-entry/sva-qualification/>

# RISK OPERATING PLAN

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## Risk Operating Plan for focussed risks

### **Risk 003 – The risk that SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all**

Risk Impact - £45m (£43m 2019/20)

Risk Volatility – High (Unchanged)

Target Impact - £42.9m

The increase in impact for this risk is due to increases in failure rates for Measurement Class C meters identified via the Technical Assurance of Metering (TAM) audit. The increase in impact is also driven by a better understanding of the number of days that failures impact settlement for, which in our previous assessment, was understated.

There has been and continues to be a wide range of technique deployment against this risk, including EFR, Education, Trading Disputes, Change and additional analysis and monitoring, yet we have been unable to sufficiently mitigate this risk or reduce the volatility within it, as yet. With this in mind, Risk 003 remains a focus for ELEXON in the coming year.

There is scope to maintain the impact of this risk, via the following actions

- Using the change process to review Code of Practice No.4 (CoP4) section 5.5 and provide clear instruction that will reduce confusion among BSC Parties by providing clear indication of expected responsibilities and obligations for Commissioning under the BSC;
- Improved escalation of long outstanding Category 1 Non Compliances identified within the Technical Assurance of Meter process. The Risk Owner is co-ordinating escalation activities for affected parties;
- Improved assessment of poor performers against this risk, via the Risk 003 Report, which provides the Risk Owner with granular details of the impact of poor performers on individual parties and the market as a whole.

### **Ongoing PAT Deployment**

BSC Audit

Error and Failure Resolution

Technical Assurance of Metering

### **Planned additional deployment**

Change

Analysis

# RISK OPERATING PLAN

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## **Risk 005 – The risk that a fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved**

Risk Impact - £30m (£36m 2019/20)

Risk Volatility – Medium (Unchanged)

Target Impact - £30m

Risk 005 has seen a 16.75% decrease in impact during the last year. The reduction in impact for this risk is due to a 6% reduction in the number of faults occurring, although we have seen a 40% increase in the days impacted by faults.

There is scope to maintain the impact of this risk, via the following actions:

- The risk of communication faults is likely to increase significant over the next year as the deterioration of the 2G network increases. We are specifically targeting this area of the market;
- The Risk Owner will seek to continue to develop the recommendations of the Fault Investigation Review Group (FIRG) into beneficial and cost effective changes supported by industry;
- The Risk Owner and Technical Assurance of Metering (TAM) technique owner will continue to develop involvement in the management of TAA Category 1 non-compliances and co-ordinating activities for affected parties. This has already seen a positive response in progressing the resolution of Category 1 non-compliances;
- Finally, there is scope to further reduce the impact of this risk, by utilising new text mining software to better categorize and identify fault root causes.

### **Ongoing PAT Deployment**

BSC Audit

Technical Assurance of Metering

Change

### **Planned additional deployment**

Analysis

Education

# RISK OPERATING PLAN

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**Risk 007 – The risk that SVA metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met**

Risk Impact - £11.8m (£26.8m 2019/20)

Risk Volatility – Medium (High in 2019/20)

Target Impact - £11.8m

The reduction in impact for this risk is due to a reduction in overall volumes in NHH and HH markets, improved performance across the Sub 100kw market and ongoing mitigations and controls applied to this risk

There is scope to maintain the impact of this risk, via the following actions:

- Earlier identification of issues at earlier runs in NHH performance (via Risk Report) should improve issues impacting risk 007 and 008;
- Performance improvements for E,F and G will slow but EFR will be applied in April 2020 to largest impacting Suppliers to help encourage further improvements in this area and applied to biggest impacting Suppliers NHH and HH MC C;
- HH Guidance (published March 2020) and NHH guidance updates with learnings from Risk 7 TAPAP will further support party performance for this risk;
- Build analysis of oldest NHH sites with no reads to understand nature of sites that do not have reads for a long time and the issues associated. This can be incorporated into guidance documentation and enable organisations such as OFWAT, OFGEM etc to better understand the challenges faced;
- Review impact of Coronavirus in 20/21 Q1 on risk 007 and if there are any mitigations at all that can be applied.

## **Ongoing PAT Deployment**

EFR

BSC Audit

## **Planned additional deployment**

Education

Analysis

# RISK OPERATING PLAN

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## **Risk 012 – The risk that SVA Metering System Technical Details (MTDs) are created incorrectly**

Risk Impact - £6.1m (£6.2m 2019/20)

Risk Volatility – Medium (Medium in 2019/20)

Target Impact - £5.9m

This risk has been selected for focus as it has been identified within qualitative research, to be a risk of some concern to BSC parties. Furthermore, there has been discussion during recent PAB meetings regarding the effectiveness and utilisation of the D0215 dataflow, which is captured as a Risk Factor for Risk 012.

The Target impact (of approximately 3% decrease in materiality) is based on a targeted 3% decrease around failure rate for HH market (both Measurement Class C and sub 100 kW).

There is scope to reduce the impact of this risk, via the following actions

- Risk Owner to host a webinar on Risk 004 with a focus on D0215 quality. Inviting LDSOs in particular and parties with high volumes of missing or erroneous D0215s to highlight the importance of the D0215 flow and the impacts of missing or erroneous D0215s;
- Investigate and identify potential material Settlement impact off the back of poor quality/missing D0215s;
- A review of material Trading Disputes which have been raised due to incorrect CT/VT ratios and the D0215 details issued in those instances in order to identify whether missing/erroneous D0215 data may have been the root cause;
- DTC CP change to D0268 will make the recording of MTDs in relation to sub 100kW market easier as key information from the D0313 will be able to be transferred accordingly;
- Upcoming change to implement a "valid set" to CT/VT ratios within the DTN may increase the failure rate as MTDs change and parties are forced to remove invalid ratios. This will offset any mitigation work taken;
- Desktop Audits commencing from April 2020 which will present a wider range of data for root cause analysis into incorrect MTD submissions.

### **Ongoing PAT Deployment**

BSC Audit

Trading Disputes

### **Planned additional deployment**

Education

Analysis

Change

TAM

# RISK OPERATING PLAN

## Risk Operating Plan for Events

Events are scenarios that are occurring or may occur that would affect multiple Settlement Risks and therefore it may be efficient to consider managing via the PAF as a scenario rather than via the multitude of affected risks.

The ROP Ledger contains a full summary of the events we have identified and how we propose to manage the impact of these events.

Examples of some of the events identified are listed below.

Area	Event	Consequence / risk management impact	Notes	Risk mitigation - PATs and other
Party operational disturbances	Parties are impacted by force majeure events that result in impacted operations and potential impacts to Settlement. Including but not limited to, severe weather events, travel disruption, strikes or other labour disputes, and epidemics.	Impacts on Site Access and activities, impacts to internal operations. Delays to the transfer of data.	Parties should have controls in place to support operational continuity in the event of force majeure	
Priority of Settlement Risk	Performance Assurance Parties do not prioritise risks to Settlement due to lack of awareness and/or resource constraints including from external events such as Government policy decisions.	Less resource available for maintaining compliance with BSC processes and fixing non-compliances and issues in a timely and best practice way.	An example will be the efforts being put into the Smart Meter rollout or price caps. Party engagement with OSM and Risk Manager give opportunities for discussing any related issues or points of concern.	Compelling communication aimed at senior managers, highlighting implications of non-compliance, benefits of mitigation within BSC and wider, and how we'll be asking them to help mitigate risks in the year. - Peer Comparison: existing, and new proposed reports for 2020/21
Industry Policies	Government led policies such as the default tariff price cap affect decisions made by BSC Parties and their agents directly or indirectly related to BSC obligations, and may change customer behaviour such as changing Supplier and acceptance of new types of meters and services.	Reduced Settlement performance and increase in non-compliant processes, issues and errors. Increase in Credit Defaults, inability to pay Trading Charges, and other non-BSC Obligations.	Many risks potentially affected. PSL100 - contains some relevant points on good practice.	The PAF can facilitate guidance on best practice and deploy mitigating techniques to support change management.

ELEXON has identified some Risk events for specific focus in the 2020/21 Performance Assurance Operating Period, these are detailed on the following pages.



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## Event 001 – Supplier Agents

This Risk event incorporates issues relating to Customer Preferred Agents (CPA) and the potential for these arrangements to impact Settlement. In addition, this Risk event will consider more broadly the impact of 3<sup>rd</sup> party agents who perform actions which touch on BSC processes and Settlement data.

Risk Impact - TBC

Risk Volatility – TBC

Target Impact - TBC

ELEXON will carry out further analysis into the impact of Customer Preferred Agents on Settlement performance. A recent ELEXON Work Group provided feedback that there is sufficient qualitative, anecdotal and intuitive evidence to conclude that CPAs do impact Settlement and ELEXON wishes to quantify this to understand the Risk Impact and Risk Volatility.

Issues within this Risk event include

- Suppliers report it may be harder to influence Settlement performance.
- Some Half Hourly Data Collectors may not undertake manual reads where the meter is unable to remotely dial.
- Some HHMOAs do not install alternative communications on sites where the cost of doing so is prohibitive.
- Some HHDCs are not completing HHDC Annual Site visits.

ELEXON proposes to carry out short term investigations and analysis across key stakeholders in order to establish a view of Settlement Impact, with a proposed completion in Quarter 2 in the current PAOP (July-September 2020). At this point, ELEXON will present findings to PAB and determine next actions, to set a Target impact for this Risk event (if any) any required PAT deployment or if the issue should be removed from focus.

## Ongoing PAT Deployment

EFR

BSC Audit

## Planned additional deployment

Analysis

# RISK OPERATING PLAN

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## **Event 011 – Party Failure**

This Risk event incorporates issues relating to BSC parties which cease trading, which may affect multiple settlement risks.

Risk Impact - TBC

Risk Volatility – TBC

Target Impact - TBC

ELEXON is proposing to focus on this risk event due to the increase in Party Failures and to establish more control and guidance to parties, to mitigate any inherent risk to Settlement performance.

ELEXON will carry out further analysis into the impact of Supplier of Last Resort (SoLR) events on Settlement performance. The potential areas for risk investigations are:-

- Supplier Agents, and the ability for incumbent suppliers to manage data with Agents of failed parties
- The masking of poor performance within SoLR portfolios
- Establishing a feedback loop to Ofgem regarding the impacts to settlement
- Reviewing Credit arrangements
- Expanding guidance for Parties on SoLR management

ELEXON proposes to carry out short term investigations and analysis across key stakeholders in order to establish a view of Settlement Impact, with a proposed completion in Quarter 3 in the current PAOP (Oct - December 2020). At this point, ELEXON will present findings to PAB and determine next actions, to set a Target impact for this Risk event (if any) any required PAT deployment or if the issue should be removed from focus.

This Risk event will be managed by the Risk Team with support from Risk Owners for Risk 001, Risk 007, Risk 010, and Risk 014

## **Ongoing PAT Deployment**

EFR

BSC Audit

## **Planned additional deployment**

Analysis

Education

# RISK OPERATING PLAN

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## Event 020 – CVA Market

This is a new Risk Event, created to manage the entirety of the CVA Market risks as one issue, for an agreed period.

Risk Impact – (Combined impact of 15 CVA Risks) - £112m

Risk Volatility – (Combined Market) Medium

Target Impact – (Combined reduction of 15 CVA Risks) - £63m

ELEXON has considered the impact of CVA Risks across the market and have noted concerns raised by PAB regarding a lack of Performance Assurance data available for this market segment. This impacts the ability of PAB to manage performance assurance concerns. Furthermore, in developing reporting in this area, ELEXON believes it will be able to mitigate a large element of calculated impact, via more accurate assessment of risk, a clearer flagging of issues and more visibility to the CVA market of our monitoring of risk in this area.

In addition, each CVA Risk Owner has specific mitigations in place for each CVA risk, which will further support the reduction of impact in this area. Mitigations include

Risk 021 - CVA metered data is not retrieved, or processed correctly, or at all, by the CDCA

- Implementation of recommendations from Issue 75 group to improve CDCA Contract
- Encourage and promote uptake of IP Comms for new and existing installations

Risk 023 - A fault with CVA Metering Equipment causes metered data to be recorded incorrectly or cannot be retrieved

- ELEXON to raise BSCP03 change to update estimation method for OTCs (7 sites).
- Encourage and promote uptake of IP Comms for new and existing installations
- Improvements to Fault Log, improving efficiencies and creating escalations

ELEXON proposes to carry out short term investigations in order to establish Performance Assurance reporting, with a proposed completion in Quarter 3 in the current PAOP (Oct - December 2020). At this point, ELEXON will seek to incorporate PA Reporting to PAB on a regular basis and determine next actions, to set a Target impact for this Risk event (if any) any required PAT deployment.

This Risk event will be managed by the Risk Team with support from Risk Owners for Risks 019 -034

## Ongoing PAT Deployment

BSC Audit

## Planned additional deployment

Analysis

Education

# RISK OPERATING PLAN

## Focussed Risks Calendar

Focussed Risk/Event Name	Activity	PAOP Q1			PAOP Q2			PAOP Q3			PAOP Q4		
		Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Risk 003 - Metering Equipment installation, programming, maintenance and Commissioning	Analysis												
	Change												
	TAM Escalation												
Risk 005 - Fault resolution	Analysis												
	Education												
	TAM Escalation												
Risk 007 - Retrieval of Metered Data	Education												
	Analysis												
	Review of Risk for Focus												
Risk 012 - Metering Equipment Technical Detail Quality	Education												
	Analysis												
	TAM Desktop Audit												
	Change												
Risk Event 001 - Supplier Agents	Analysis												
	Review of Risk event for Focus												
Risk Event 011 - Party Failure	Education												
	Analysis												
	Review of Risk event for Focus												
Risk Event 020 - CVA Market	Analysis												
	Establish PA Reporting												
	CVA PA Reporting BAU												

# RISK OPERATING PLAN

## Performance Assurance Techniques Calendar

Technique	Activity	PAOP Q1			PAOP Q2			PAOP Q3			PAOP Q4		
		Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Qualification	Qualification active												
Error and Failure Resolution	EFR Active												
	EFR recommendations												
	EFR following BSC Audit												
Trading Disputes	Disputes investigated												
BSC Audit	New Audit Scope agreed												
	New Audit Approach agreed												
	Previous Audit Issues presented												
	New Audit Active												
Technical Audit of Metering	Scope												
	Market Issues												
	Audit Active												
Technical Audit of Performance Assurance Parties	TAPAP 1												
	TAPAP 2 – CVA Market												
	TAPAP 3												

# RISK OPERATING PLAN

## SUMMARY OF COSTS FOR DELIVERING PERFORMANCE ASSURANCE TECHNIQUES

The estimated cost of delivering the Performance Assurance Framework (PAF) in 2019/20 is £3,413,850.

A breakdown of these costs is shown below

Cost Type	2019/20 Forecast (£k)	2019/20 Actual (£k)	2020/21 Forecast (£k)
Operational	£645	£565	£675
Contractual	£2,769	£2,490	£2,765
<b>Total</b>	<b>£3,414</b>	<b>£3,056</b>	<b>£3,440</b>

### Operational and Contractual Cost details

PA Area	Operational Days	Operational Costs (£k)	Contractual Costs (£k)	Total Costs (£k)
Qualification			£283,612	£283,612
Training	19	£7,507		£7,507
Disputes	191	£69,489		£69,489
EFR	136	£67,957		£67,957
BSC Audit	53	£22,698	£1,260,676	£1,283,374
TAPAP/TAM	423	£162,923	£678,448	£841,371
Committee Support	167	£116,653	£14,598	£131,251
Risk Management	257	£118,698	£252,787	£371,485
<b>Total</b>	<b>1246</b>	<b>£565,924</b>	<b>£2,490,121</b>	<b>£3,056,045</b>

### Contractual Costs

We derived the 2019/20 contractual costs from the Balancing and Settlement Code (BSC) budget forecasts as of September 2018. These figures include RPI and are subject to amendment to reflect contractual changes and changes to indicative costs e.g. ad hoc and variable expenses.

### 2020/2021 Forecasted Costs

The forecasted increase in Contractual costs include RPI and are subject to amendment to reflect contractual changes and changes to indicative costs e.g. ad hoc and variable expenses. The forecasted increase in Operational costs assume an increase in Operational days for Risk Management as this process has been embedding over the course of this year, and we anticipate further activity in this area in the coming year.

# RISK OPERATING PLAN

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## What happens next?

ELEXON will proceed to deliver and manage the specific actions laid out in this Risk Operating Plan over the course of the PAOP.

ELEXON will provide insight via Quarterly Performance Assurance Reports.

These will be presented to the Performance Assurance Board at the following monthly meetings and published on the ELEXON website:

- July 2020
- October 2020
- January 2021
- April 2021 (via Annual Performance Assurance Report)

**If you have any questions or comments regarding this Risk Operating Plan or any questions regarding Settlement Risk management, please contact**

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