Industry Consultation

Risk Evaluation Register – 2012/13

The Risk Evaluation Register (RER) sets out the Settlement Risks identified and evaluated by the Performance Assurance Board (PAB) in accordance with the Risk Evaluation Methodology (REM). Settlement Risks relating to Supplier Volume Allocation, Central Volume Allocation and Central Systems processes fall under the scope of the RER and are considered within this document.

The RER should be read in conjunction with the REM 2012/2013 and Section Z of the BSC.

This document relates to the Performance Assurance Operating Period (PAOP) 5 starting 1 April 2012 and will be reviewed by the PAB in accordance with the Annual Performance Assurance Timetable (APAT).

Performance Assurance Board (PAB)

The Performance Assurance Board (PAB) conducts and administers activities to provide assurance that all participants in the BSC arrangements are suitably qualified and the relevant standards maintained.

The RER (attached spreadsheet) is being issued for you to review and provide comments on:

- Settlement Risk descriptions
- Settlement Risk assumptions and noted controls
- Settlement Risk Impact ratings
- Settlement Risk Probability ratings
- Settlement Risks that should be removed
- Settlement Risks that should be added

The proposed changes from the current RER are summarised in section 2 of this document (page 5)

Annual Performance Assurance Timetable

The APAT gives the dates for the key milestones in the development and approval of the Risk Management Plans for all Performance Assurance Parties for 2012/13.

Target Audience

All BSC Parties, BSC Agents and Performance Assurance Parties as defined within the BSC.

This document has been reviewed and endorsed by PAB on the 30 June 2011.

The closing date of the consultation is 22 July 2011

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Any questions?

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1 Introduction

Summary of the Risk Evaluation Register (RER)

A Settlement Risk is the risk of any failure in a BSC process which affects Settlement or is otherwise required in connection with Settlement.

As set out in Section Z, 5.5.1 of the BSC, the Performance Assurance Board (PAB) shall:

- Identify and evaluate risks which are Settlement Risks, by applying the Risk Evaluation Methodology (REM); and
- Prepare and maintain a document (the "Risk Evaluation Register") setting out Settlement Risks, and the significance of each risk on Settlement in relation to a specific Performance Assurance Operating Period.

Risk Evaluation Methodology (REM)

The REM describes how the Performance Assurance Board (PAB) will :-

- Identify Settlement Risks;
- Evaluate Settlement Risks; and
- Assess the materiality of Settlement Risks.

ELEXON issued the REM for industry consultation earlier in the year and it was approved by the PAB in March 2011, for use in Performance Assurance Operating Period[1] (PAOP) 5, effective from 01 April 2012.

The RER, reviewed in line with the approved REM, is Appendix 2 of this document and lists the risks for PAOP 5. As a result of this review ELEXON proposes changes to some Settlement Risks.

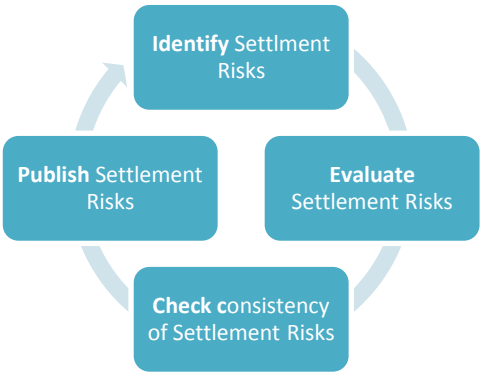
Performance Assurance Administrator (PAA)

ELEXON, acting on the behalf of the PAB

The changes and the rationale behind them are described in Section 2 of this document. We have also highlighted the changes in the spreadsheet attachment.

Purpose

The RER is an integral part of the Performance Assurance Framework and our approach to reviewing the register is described in the REM. The RER is derived from the activities detailed in sections 2 - 5 of the REM:



[1] The Performance Assurance Operating Period is the twelve month period described by the Annual Performance Assurance Timetable in respect to which the Performance Assurance Board will deploy the Performance Assurance Framework. The Annual Performance Assurance Timetable is approved by the BSC Panel and published on the ELEXON website

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SVA Settlement Risks

The identification and evaluation of Supplier Volume Allocation (SVA) Settlement Risks will be documented generically and by role, rather than by reference to specific Performance Assurance Parties (PAPs). All SVA Settlement Risks are captured in Appendix 2 of this document on the 'SVA Settlement Risks' tab.

CVA Central Systems Settlement Risks

The RER supports the PAB and the Panel to identify all CVA Settlement Risks. All CVA risks are deemed to be significant in terms of both probability of failure and impact on Settlement. All CVA and Central Systems Settlement Risks[2] are captured in Appendix 2 of this document on the 'CVA Settlement Risks' tab.

Review of the RER 2012/2013

ELEXON has analysed outputs from Performance Assurance Techniques (PATs) and other sources for 2010/2011, to determine which Settlement Risks may need updating in this 2012/13 RER (PAOP 5).

We would like to draw your attention to Section 2 of this document which highlights those changes. All other elements of the RER remain unchanged from PAOP 4.

Section 3-5 provides background information on the RER.

Note: If you advise on materiality changes to Settlement Risks (i.e. Net Significance) in your consultation response, we will require a clear rationale alongside supporting evidence to enable us make an informed recommendation to the PAB for approval.

Glossary of Terms

A full glossary of terms can be found in Appendix 1 of this document.

Performance Assurance Techniques

The implementation of any provision or process that mitigate Settlement Risks either by detecting/ preventing the occurrence, or correcting the effects, as defined in BSC Section Z.

[2] CVA risks include all risks relating to Metering Systems registered within the Central Meter Registration Service (CMRS) together with all risks relating to Central BSC Agents and BSCCo

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2 Changes to the RER for 2012/13

Review of the RER

As prescribed in the REM 2012/2013, ELEXON has analysed the outputs of PATs which showed evidence of where recent/current issues indicated changes in probability/impact and also whether new processes are to be implemented that will provide new controls to Settlement Risks. The review included:

- Closed Trading Disputes during 2010/2011;
- Closed and new BSC Audit Issues[3];
- PARMS Serial data;
- Technical Assurance checks findings;
- Change Proposals and Modifications (Approved/Implemented);
- Industry inputs on relevant Settlement Risks.

The outputs of the above were linked to the associated Settlement Risks and, as a result, we assessed which Settlement Risks required modification.

The complete RER spreadsheet is Appendix 2 of this document.

The proposed changes are described in the rest of this section; they fall into four categories:

- New Settlement Risks;
- Changes to Net Significance;
- Consolidation of risks; and
- Changes to risk descriptions.

[3] At the time of reviewing the RER, the auditors' finalised findings were not available

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Within Period Revision Updates

New Risks

We identified a gap in the RER around Suppliers not notifying change of DA to other associated agents. During the design of the original RER, this was considered and omitted on the assumption that this was covered by SR0090 "The risk that NHHDCs do not calculate and send EACs/AAs to the correct NHHDAs", i.e. the DC not knowing who the DA is would be a cause.

Last year we added two new risks SR2834[4]/SR2835[5] to address the gap of Suppliers not notifying change of DC to other agents, to maintain the consistency throughout the RER i.e. as similar risks for MOAs were present.

The new PARMS Serial SP12 (Timely notification of changes of the Data Aggregator via D0148) will provide better measure for instances of Suppliers notifying change of DA in a timely fashion.

Therefore we propose two new Risks (HH/NHH) to address this gap and we have used the same probability, impact and control as SR2834/2835. However once we have sufficient new PARMS Serial data, we will review these risks and propose 'within period revisions' for PAB's consideration if appropriate.

Within-period revision

A revision by the PAB of the Risk Evaluation Register, Risk Operating Plan or Risk Management Plan as applicable in relation to a PAOP after such register or plan has been adopted for such PAOP

Settlement Risk	Risk Description	Prob/Imp/ctrl	Net Sig	Role Codes
SR2839	The Risk that Suppliers do not notify change of HHDA to other associated agents resulting in the HHDCs not sending consumption data to the correct HHDAs resulting in default data being entered into Settlement.	3/3/Low	9	HH Supplier HH DC HH DA
SR2840	The Risk that Suppliers do not notify change of NHHDA to other associated agents resulting in the NHHDCs not sending consumption data to the correct NHHDAs and resulting in default data being entered into Settlement.	2/3/Low	6	NHH Supplier NHH DC NHH DA

These two risks will be added to the RER as a Within-Period Revision, therefore will be effective in the 2011/12 RER. As the Net Significances are less than 12, they will not attract a BUSRR.

Business Unit Settlement Risk Rating (BUSRR)

The BUSRR is a broad indication of relative risk. It indicates whether a business unit is considered as higher risk (RED), lower risk (GREEN), or about average risk (AMBER) within the context of each Settlement Risk
Guidance on BUSRRs can be found on the website.

[4] The Risk that Suppliers do not notify change of DC to other associated agents resulting in the HHMOAs not sending MTDs to the right DCs and meter readings being misinterpreted or not collected
[5] The Risk that Suppliers do not notify change of DC to other associated agents resulting in the NHHMOAs not sending MTDs to the right DCs and meter readings being misinterpreted or not collected

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Updates to the RER 2012/2013

Changes to Net Significance

We have carried out analysis on the output of PAF techniques and are recommending changes to the Net Significance of some risks based on the outcome.

PAB 123/09 details the findings from the TA checks investigating how Licensed Distributor System Operators and Meter Operator Agents manage and maintain Metering System Records. The findings of the TA checks showed weaknesses in performance of commissioning. The PAB endorsed our recommendation to review Settlement Risks where commissioning were identified as a control.

The commissioning[6] of Metering Equipment can often only be done at installation and before a site is energised. It is neither practical nor realistic to shut down a customer at a later date if the opportunity to commission has been missed. This means that improper or no commissioning at the outset can conceal significant Settlement errors, in some cases, for many years. The primary cause of this is that the Equipment Owner and the MOA generally do not coordinate installation.

The table below shows the risks we suggest should have revised Net Significances.

[6] Associated with the primary supply to a customer such as CT and / or VTs

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig	Proposed EFD	Monitoring the Risks[7]
SR0022	The risk that HHDCs do not use the correct Meter Technical Details resulting in Meter readings being misinterpreted or not collected.	12 (5/3/Med)	The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving[8] & commissioning processes. Therefore we feel Low (from Medium) will be a better reflection for the strength of control.	HHDC HHMOA HH Supplier	15 (5/3/**Low**)	1 April 2012	We currently monitor this risk via the BUSRRs in the Settlement Risks Report as it has a Net Significance over 12.
SR0037	The risk that LDSOs connect and energise supplies before HHMOAs have installed, commissioned and energised Metering Systems, resulting in energy not being accounted for in Settlement.	3 (1/3/Low)	We propose changing the probability of this risk from **1** to **3**. This risk has shown to be more prevalent and the Trading Disputes Committee (TDC), has processed 23 Trading Disputes in the last 24 months where Settlement errors were related to Meters being programmed incorrectly and errors in equipment installation[9].	HHMOA LDSO HH Supplier	9 (**3**/3/Low)	1 April 2012	This risk will not be reported as part of the SRR and will not attract a BUSRR as the net significance is less than 12.
SR0112	The risk that HHDCs use data from faulty Metering Systems resulting in incorrect data being entered into Settlement.	7 (3/4/High)	The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving[8] & commissioning processes. Therefore we feel Medium (from High) will be a better reflection for the	HHDC HHMOA LDSO HH Supplier	10 (3/4/**Med**)	1 April 2012	No changes to performance reporting for this risk.

[7] PAT deployment will be considered during the ROP Review which will start in August
[8] This issue continues to be part of the BSC Auditor's Statement of Significant Matters (SSM14) which refers to proving tests not being performed
[9] This was coupled with missing commissioning records, suggesting that the commissioning of parts of the Metering System may not have taken place (if they had, and these records were passed on to the MOA who commissioned the Meter, it is without question that these issues would have been highlighted). It was calculated for the purpose of the Trading Disputes that the materiality amounted to over £643,000. The TDC upheld 11 of these disputes with a materiality of £609,000.

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig	Proposed EFD	Monitoring the Risks[7]
			strength of control. Note that there are additional controls at the DC for this risk compared to SR0022 meaning that the control strength here is medium compared to low for SR0022	HHDA			
SR0116	The risk that Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement.	10 (4/3/Med)	The BSC Auditor and TA Checks have indicated more weaknesses than previously understood with the proving[10] & commissioning processes. Therefore we feel Low (from Medium) will be a better reflection for the strength of control. **Note: By applying this change, this risk will become a Top Settlement Risk**	HHDC HHMOA LDSO HH Supplier	12 (4/3/**Low**)	1 April 2012	Subject to PAB approval in August, we will be reviewing the data we hold on this risk and decide how we can devise BUSRR for this risk. Should this be the case, we will start reporting on this risk from 1 April 2012.

[10] This issue continues to be part of the BSC Auditor's Statement of Significant Matters (SSM14) which refers to proving tests not being performed

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Consolidation of Risks

The Unmetered Supplies risks were reviewed by the Unmetered Supplies Group (UMSUG) in April 2012 (Paper 101/01 – Review of Unmetered Supplies Risks). It was proposed to consolidate three of the Risks (table below).

Risk	Current Description	Prob/Imp/Ctrl	New Description	Additional Controls	EFD
SR0084	The risk of inaccuracies in UMS inventories (whether on establishment of a new inventory or following amendment to an inventory) resulting in the derivation of unrepresentative EACs which are entered into Settlement.	3/3/low	The Risk that UMSOs use inaccurate inventory data, standing data (Charge Codes/Switch Regimes) or apply the wrong calculations to create EACs resulting in EACs being inaccurately derived and entered into Settlement.	There will be two new set of controls added to this risk: Audit Inventory Best Practice (implementation date tbc) and National Terms of Connection (NTC)[11] (implementation date tbc)	1 April 2012
SR0100	The risk that UMSOs do not use approved switching regimes or charge codes or that charge code data is of poor quality resulting in EACs being inaccurately derived and entered into Settlement.	2/3/med	Risk closed and included in SR0084		31 March 2012 (Risk closure)
SR0106	The risk that UMSOs apply the wrong methodology to create EACs resulting in energy being under- or over-accounted in Settlement.	2/1/low	Risk closed and included in SR0084		31 March 2012 (Risk closure)

[11] Currently customers do not have connection agreement, no clauses to allow UMSO to perform Audit – therefore the NTC will add additional control to this risk

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Changes to Risk Descriptions

During the review of the RER, we propose the following non material changes to risk descriptions be applied as summarised in the table below.

Risk	Proposed changes	Net sig	Rationale	EFD
SR0058	The risk that on change of HHDC for UMS, new HHDCs do not receive UMS equivalent ~~Meter Technical Details~~ Meter Output File from Meter Administrators resulting in estimated data being entered into Settlement.	2	The Unmetered Supplies User Group (UMSUG) reviewed this risk and concluded that equivalent Meter Technical Details (MTD) does not accurately reflect the data that is passed on MA; hence the description of the risk has been changed to reflect this.	26 Aug 2011
SR0059	The risk that on change of Meter Administrator, new Meter Administrators do not receive ~~equivalent Meter Technical Details from Suppliers~~ supporting information from UMSO and/or old MA resulting in estimated data being entered into Settlement.	2	The UMSUG reviewed this risk and concluded that equivalent MTDs does not accurately reflect the information that is passed on, moreover according to BSCP 520, supporting information includes: • Summary of inventory from UMSO and • Transfer information as defined BSCP520 - 3.4.4 from old MA; assuming new MA has requested information	26 Aug 2011
SR0103	The risk that Meter Administrators incorrectly calculate HH consumption values or fails to provide HH advances ~~or UMS equivalent Meter Technical Details~~ to HHDC resulting in incorrect energy volume allocation.	5	For consistency with SR0058, UMS equivalent MTD has been removed from the risk description.	26 Aug 2011

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Further Considerations

Issue 41 (Improving the Quality and Accuracy of Data Flows) was raised recently and highlighted:

- The significant flows that are thought to have the most impact on Suppliers in the NHH SVA Market sector
- Analysis showing the critical flows (D0149, D0150, D0086, D0152. D0010, D0170, D0300) to improving Settlement Risk & Billing
- High operational costs associated with resolving issues caused by late/missing/invalid flows
- Proposal for the group to analyse the impact of late/missing/invalid flows on Settlement Risks, identify the impact and evaluate suitable options.

Although Issue 41's scope is investigating the associated problems and exploring measures that extend beyond the RER, there are overlaps. Currently all but one flow (D0170) are mapped to Settlement Risks including top Settlement Risks; e.g. SR0024 & D0150 (The risk that NHHMOAs do not provide Meter Technical Details to the correct NHHDCs resulting in Meter readings not being collected).

From previous consultations, discussion with some parties and Issue 41, we would like you to consider the following in the table below.

Risk	Description	Net Sig (Prob/Imp/Ctrl)	Current Controls	Considerations for RER consultation
SR0047	The risk that on change of NHHDC, new NHHDCs do not receive 14 months of historic NHH Metered Data/final Meter Reading resulting in new NHHDCs being unable to validate and process subsequent readings and hence the use of default or old data in Settlement.	10 (4/3/Med)	This is potentially a time-bound risk which reduces as actual meter readings are collected by the new NHHDC over time, however the absence of history may prevent subsequent readings being processed. The Underpin process (where the NHHDC can request the reading history from the Supplier)	Are the probability/impact and control correctly captured for this risk? NC02 (NHHDC to NHHDC Meter Reads & History) has a 12 month average of 92.6% sent on time, indicating that the occurrence of this risk is high. PARMS performance has been largely unchanged over the last 12 months, we believe a probability of 4 to be a good reflection of the stats. CP1334 will replace NC02 with NC11 in July 2011. The assumption is that the history will be received before RF thus lessening the impact on Settlement (impact 3). Are the controls we noted against this risk effective for your business, thus is Medium a correct reflection of the control?

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SR0095	The risk that change of Supplier reads are not entered into Settlement following change of Supplier for a Non Half Hourly Metering System resulting in energy being misallocated between Suppliers	7 (4/3/High)	Change of Supplier Read Dispute Process. Deemed Meter Reading. Use of Point of Sale readings. NOSI Flow. Supplier Agreed Reading Process.	This risk is the culmination of a number of actions by new and old Suppliers/agents. Are the probability/impact and control correctly captured for this risk? Our analysis of the data related to this risk indicated the occurrence of the issue warranted a high probability (4) and this is consistent with the other measurable risks (probability of 4) within the RER. The deeming process will reduce the impact on Settlement although it may not mitigate against the misallocation of energy between Suppliers, hence the impact of 3. A recent review of the deeming process (PAB paper 118/05) concluded that it was generally being performed correctly but as it was used in circumstances where data was already missing/of poor quality, deemed reads would be inaccurate to a degree. Though investigation of erroneously large EACs and AAs, CoS readings and the data used to calculate these readings have been identified as the main cause of erroneously large EACs and AAs. The controls are assumed to be high as it provides several opportunities for the Suppliers to enter the reads. Are these controls effective enough to be classified as high?
D0170 (On initial appointment or change of agent, metering system related details are requested to be transferred). This is not currently captured against any Settlement Risks. The risk to Settlement is that the required flow is not sent (on time), regardless of which methods of requesting it have been used.				There are numerous events when a D0170 could be sent. In the RER we would need to associate it to a particular event and data items e.g. during a CoS the New NHHDC will send request for Old NHHDC to send Meter register reading and associated EAC. Why are D0170s required to be sent (i.e. why is the required flow not sent on the initial trigger)? Are D0170s generally successful in obtaining the required data? Which event that requires a D0170 flow poses the biggest risk to your business? Do you think that the D0170 in itself does not pose a Settlement Risk or do you think that there should be a D0170 Settlement Risk – and why?

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PAB Strategy

The PAB Strategy has several work streams that are reviewing Settlement Risks:

EAC/AA Project

We have been looking at the monitoring and reporting of Erroneous Large EAC/AAs, under the Material Error Monitoring technique, used to measure SR0072. The project focuses on a number of areas including the root causes behind the creation of erroneous EAC/AAs, the EAC/AA Trading Disputes and the Non Half-Hourly Data Aggregator error thresholds. We will be holding a break out session after the SVA Forum in September where market participants will be invited to provide their views.

Meter Technical Details

We are currently reviewing all the MTD risks (HH & NHH) and the processes involved with those risks and there will be an industry expert workshop on 29 June. Should there be any proposed changes to the Net Significances of these risks, we will recommend them to the PAB as part of approval of the RER in August 2011.

Party Agents

We are looking at the performance of Party Agents in the PAF and in particular their contribution to Supplier performance. We are doing this through an agent process review and gap analysis which will highlight the following:

- Processes/events currently monitored under PAF;
- Other processes requiring monitoring that can be tracked through existing mechanism and/or new methods; and
- Current control framework and its effectiveness at mitigating Settlement Risks.

The findings from this work stream would then likely influence the deployment of PAF Techniques and if there is information that warrants a change to Net Significance of relevant risks, this will be proposed as 'Within Period Revisions' during RER 11/12 or 12/13 as appropriate, for the PAB's consideration.

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3 Risk Evaluation Register Structure

Settlement Risks are evaluated using the approach set out in the REM (sections 2 - 3)

All SVA Settlement Risks are logged using the data fields specified below.

Column	Description	Applicable to
Settlement Risk Identification Number	Unique number extracted from the RER	SVA Risks CVA Risks
Effective from Date/Effective to Date	Operational period of the risk	SVA Risks CVA Risks
Workflow Status	Indicates whether the risk has been approved by PAB	SVA Risks CVA Risks
Originator	the source of the initial identification of the risk	SVA Risks CVA Risks
Risk Category	classification of risks into subgroup categories	SVA Risks CVA Risks
HH/NHH	Indicates whether it is applicable in the half hourly or non half hourly market	SVA Risks
Risk Description	Detailed description of the risk	SVA Risks CVA Risks
Gross Settlement Risk Probability[12]	How likely a Settlement Risk is to occur if there are no controls in place	SVA Risks CVA Risks (Set to 5)
Gross Settlement Risk Impact[12]	How severe the impact of a Settlement Risk would be (should it happen) if there are no controls in place	SVA Risks CVA Risks (Set to 5)
Gross Settlement Risk Significance	The Gross probability multiplied by the Gross impact	SVA Risks CVA Risks (Set to 25)
Noted Controls	The key mechanisms that should be applied routinely to the processes for deriving Trading Charges from recorded energy production or consumption	SVA Risks
Controls Strength[12]	The effectiveness of the identified controls when taken in aggregate	SVA Risks CVA Risks (Currently Low)
Net Significance	Gross significance multiplied by a factor based on the Strength Controls as defined in the REM	SVA Risks CVA Risks (Currently 25)
Assumptions	Any specific assumptions made in relation to the risk	SVA Risks

[12] Definitions of probabilities, impact and control strength used are provided in Appendix 1

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Column	Description	Applicable to
Relevant Performance Assurance Parties[13]	Specific classes of Performance Assurance Parties who may be required to support the application of one or more Performance Assurance Techniques in the event that the PAB chooses to deploy techniques to manage the risk.	SVA Risks

[13] Settlement Risks are relevant to any Performance Assurance Party which might send, receive or take action in respect of processes, controls or data which relate to the risk in question. The Supplier is a relevant Performance Assurance Party in respect of Settlement Risks relating to the activities of the Party Agent. This is consistent with the provisions of Section J of the BSC which note that Parties shall be responsible for every act, breach, omission, neglect and failure of appointed Party Agents. It should also be noted that, in the context of the Risk Evaluation Register, relevant Performance Assurance Parties may not directly contribute to or be directly impacted by Settlement Risks. They are identified on the Risk Evaluation Register as they could be required to support the application of one or more Performance Assurance Techniques in the event that the PAB chooses to deploy techniques to manage this Settlement Risk

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4 General Assumptions

Independent Assessment of Risks

It has been assumed that predecessors[14] to Settlement Risks have been completed successfully, i.e. the cumulative impact of errors has been excluded from the risk evaluation process. This ensures that Settlement Risks which arise later in the Settlement process do not automatically qualify as highly significant and consequently divert attention from an earlier key control point.

For example, when considering the risk that the Non Half Hourly Data Aggregator (NHHDA) does not pass data to the Supplier Volume Allocation Agent (SVAA), the evaluation is based on the assumption that the aggregated data has been derived in accordance with the BSC – i.e. it is assumed that the Meter Technical Details that were used to interpret energy consumption for Metering Systems are correct and that Non Half Hourly Data Collectors have calculated energy consumption correctly etc.

This approach does not prevent Settlement Risks from covering a range of root causes (reasons for failures of the processes falling under the scope of each Settlement risk). For example, there are many reasons why the NHHDA might not pass data to the SVAA including but not limited to: NHHDA system failure (and failure of associated disaster recovery processes), failure to follow the published timetable due to manual error, mishandling of incoming data, failure to submit the data in the correct format resulting in rejection by SVAA etc.

Consideration of Half Hourly and Non Half Hourly Settlement Risks

Many of the identified Settlement Risks arise at each Settlement Run. The Gross Probability and Gross Significance of a Settlement Risk may be different when assessed at each Settlement Run.

In the context of Settlement, the impact of an error arising in respect of a small number of Half Hourly Metering Systems is likely to have greater cash flow implications for Trading Parties than an error arising in respect of a small number of Non Half Hourly Metering Systems.

Furthermore, since almost all Half Hourly Metering Systems settle on actual metered data in all Settlement Runs, the Settlement processes that apply to Half Hourly Metering Systems tend to apply equally to each Settlement Run. Therefore the significance of Settlement Risks associated with Half Hourly Metering Systems is likely to be the same across Settlement Runs. Conversely, the proportion of Non Half Hourly Metering systems which settle on actual metered data increases over the course of each Settlement Run. Therefore it is only by the Final Reconciliation Run (RF) that the

[14] Procedures which occur earlier in the Settlement process and which might contribute to process steps directly relating to the Settlement Risk under consideration. Failures in these earlier procedures should be covered by other Settlement Risks.

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significance of Settlement Risks associated with Non Half Hourly Metering Systems is likely to be greatest.

Consequently, in order to avoid recording a multitude of duplicate Settlement Risks (a version of each Settlement Risk in respect of each Settlement Run) and still ensure that the evaluated significance is sufficient to cover all Settlement Runs, the following principles have been applied:

- Settlement Risks which relate to Half Hourly Metering Systems have been primarily assessed at the Initial Settlement (SF) Run; and
- Settlement Risks which relate to Non Half Hourly Metering Systems have been primarily assessed at the Final Reconciliation (RF) Run.

These principles do not limit application of Performance Assurance Techniques to these Settlement Runs only. Assurance will be delivered across all Settlement Runs as appropriate.

Generic Controls

A number of generic controls have been identified which apply to all risks and have therefore not been logged in Appendix 2 against individual risks. These include:

- Disaster Recovery processes;
- Change Management processes;
- System Security Controls;
- Appropriate System Design and Testing; and
- Processes for maintaining audit trails in relation to Settlement transactions.

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5 Within Period Revisions

The PAB may decide to revise the RER outside of this normal annual review process For example, the PAB could revise the current PAOP 4 RER based on submissions from industry to support the need to revise any part a specific Settlement Risk sooner than April 2012.

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6 Further Information

If you have any questions or require further information on the Risk Evaluation Register please contact:

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7 References

Document
Risk Evaluation Methodology 2012/2013

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Appendix 1: Glossary of Terms

Term	Definition
Annualised Advance (AA)	The rate of consumption for a Settlement Register over the period between two Meter readings. The value is nominally expressed as kWh/Year, but this is only for ease of understanding and cannot be relied upon as a true value.
Annual Performance Assurance Timetable (APAT)	As defined in section Z 5.2 of the BSC.
BSC	The Balancing and Settlement Code
BSCCo	The Balancing and Settlement Code Company
BSCP	Balancing and Settlement Code Procedure
BUSRR	Business Unit Settlement Risk Rating
CoMC	Change of Measurement Class
CVA Risk	A Settlement Risk associated with Central Volume Allocation.
Estimated Annual Consumption (EAC)	An estimated rate of consumption, nominally expressed in kWh/Year, that is used in Settlement until an AA is calculated.
Gross Settlement Risk	Gross risk is the probability, impact and significance that a Settlement Risk would have if no controls were applied. Gross risk, therefore, represents the 'worst case' scenario for each Settlement Risk.
HHDC	Half Hourly Data Collector
HHMOA	Half Hourly Meter Operator Agent
MA	Meter Administrator
MTD	Meter Technical Details
Net Settlement Risk	Net risk is the significance that a Settlement Risk would have when existing controls are taken into account.
NHHDC	Non Half Hourly Data Collector
NHHMOA	Non Half Hourly Meter Operator Agent
Performance Assurance Operating Period (PAOP)	As defined in section Z 5.1.1 of the BSC.
Performance Assurance	As defined in section Z 5.1.1 of the BSC.

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Term	Definition
Administrator (PAA)	
PAB	As defined in section Z 1.2 of the BSC.
Performance Assurance Framework (PAF)	Performance Assurance Framework (PAF) consists of a complementary set of preventative, detective and corrective techniques designed to mitigate against risks to the BSC arrangements. The aim of the PAF is to provide independent, equitable, positive and consistent assurance regarding the integrity of Settlement, and to promote corrective actions to address any issues that are identified
Performance Assurance Party (PAP)	A Performance Assurance Party is a participant (or organisation) with Performance Assurance Risks (see the BSC section Z 5.1.1 (c) for more information).
Performance Assurance Technique (PAT)	As defined in section Z 5.3.2 of the BSC.
Risk Evaluation Methodology (REM)	As defined in section Z 5.4 of the BSC.
Risk Evaluation Register (RER)	As defined in section Z 5.5 of the BSC.
Risk Management Plan (RMP)	As defined in section Z 5.7 of the BSC.
Risk Operating Plan (ROP)	As defined in section Z 5.6 of the BSC.
Risk Probability	Risk Probability is represented by a score between 1 and 5 and is the likelihood of a Settlement Risk occurring, (1 being the least probably and 5 being the most probable).
Risk Impact	Risk impact is the impact that a Settlement Risk would have if it occurred. The Risk impact is represented by a number between 1 and 5 (1 being the least severe and 5 being the most severe).
Risk Significance	Risk Significance is the Risk Probability multiplied by the Risk impact
Settlement Risk	As defined in section Z 5.1.1 (a) and (b) of the BSC.
SVA Risk	A Settlement Risk associated with Supplier Volume Allocation.
UMS	Unmetered Supply

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Probability, Impact and Controls Ratings

Probability Rating	Description
5	It is highly likely that the Settlement Risk will occur during a single PAOP
4	It likely that the Settlement Risk is will occur during a single PAOP.
3	Approximately, the Settlement Risk is as likely to occur as not occur during a single PAOP.
2	It is unlikely that the Settlement Risk would occur during a single PAOP.
1	It is highly unlikely that the Settlement Risk would occur in a single PAOP.

Impact Rating	Description
5	The Settlement Risk has the potential to threaten the Balancing Mechanism and Industry Settlement procedures as a whole, causing severe problems for customers, Industry, the System Operator or ELEXON. Extreme Settlement Risks would have significant financial or political consequences on Performance Assurance Parties.
4	The Settlement Risk has the potential to impact one or more GSP Groups and would have a significant impact on the Business Plans of multiple Performance Assurance Parties
3	The Settlement Risk could have an impact on a particular area of Settlement and/or the Business Plans of one or more Performance Assurance Parties
2	The impact of the Settlement Risk is not severe enough to pose a threat to Performance Assurance Parties' businesses, but is significant enough for the Industry to consider addressing via corrective measures.
1	The Settlement Risk is not severe enough to pose a threat to Performance Assurance Parties' businesses and could be dealt with using normal business procedures or the cost and effort required to address the Settlement Risk outweighs the benefit.

Control Strength	Description
Low	Where the control strength is Low, or no controls exist, Net Settlement Risk significance will be Gross Settlement Risk significance multiplied by **1.0** (i.e. will equal Gross Settlement Risk significance.
Medium	Where the control strength is Medium, Net Settlement Risk will be Gross Settlement Risk significance multiplied by **0.8.**
High	Where the control strength is High, Net Settlement Risk will be Gross Settlement Risk significance multiplied by **0.6**.

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Appendix 2: Risk Evaluation Register for SVA, CVA and Central Systems Settlement Risks

The complete RER is set out in a companion spreadsheet, which forms Appendix 2 to this document. For purposes of this consultation, the RER spreadsheet is provided with this document as an attachment.

The spreadsheet has several tabs:

- Master RER with all CVA & SVA Risks
- CVA tab – consisting of only CVA and Central Systems Settlement Risks
- SVA NHH Tab – Non Half Hourly SVA Settlement Risks
- SVA HH Tab – Half Hourly SVA Settlement Risks

We have also filtered the SVA Risks further by Market participant Role Codes example NHHMOA – which are the risks impacting this particular role code. Note there will be duplication between these tabs as a Settlement Risk will impact more than one role code at a time.

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