

---

<b>Meeting name</b>	VASMG
<b>Date of meeting</b>	30 September 2003
<b>Paper Title</b>	ISSUE 6 (3) - NAMING
<b>Purpose of Paper</b>	For information
<b>Synopsis</b>	This paper further details an example of how a Naming corrective technique may be applied.

---

## **1. INTRODUCTION**

- 1.1 The VASMG has previously met to discuss Issue 6 (Supplier Charges). Previous sessions saw a discussion on the effectiveness of the current Supplier Charges technique, agreement on the desired principles of a corrective technique and agreement of three potential techniques for further definition. This paper explores the option of using performance naming as a corrective technique.
- 1.2 The paper explores two possible ways of using naming as a corrective technique. The first is on the principle of Peer Comparison (PC) and the second explores the use of naming by exception.

## **2. PEER COMPARISON**

- 2.1 PC is a technique already used within the current Performance Assurance Framework (PAF). PC graphs can be generated for a number of PARMS Serials, showing performance on a quarterly basis. The PAB has only authorised Supplier percentage energy Serials (Serials 1, 3 and 5) for distribution to Suppliers. The data for these reports is taken from settlements and Suppliers are given the opportunity to validate this data before it is used in any PAF techniques. Other PARMS Serials, dependent on Supplier Agent based reports, have not been authorised for distribution partly due to issues with data quality. One PC graph is issued per Supplier in a paper format. Neither the raw data for the graphs nor the graphs themselves are available in the public domain.
- 2.2 The Panel and PAB has also explored the possibility of using public PC for trying to compel Suppliers and Supplier Agents to resolve the long standing industry issue of erroneously large EACs/AAs. The Panel consulted with industry on the idea to publicly apply PC to this issue but the Panel were constrained by a number of issues, as follows:
  - The PC needs to be clearly linked to a defined obligation within the Code
  - The PC should try to avoid any subjectivity in its application
  - The PC should not conflict with the restriction to publish Trading Data (Section B, para 3.3.9)

These issues would need to be addressed for any form of PC to work.

- 2.3 A sensible proposal that could be made by a Party wishing to pursue a PC technique may be as follows:

*Public PC to be published using the Supplier Serials only (currently Supplier Serials 1, 3, 5 and 7 - later under SP08 when P99 is implemented).*

*The PC is to be published on the ELEXON website on a quarterly basis, [20WDs] after the end of the quarter, (showing Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec periods) in the form of one graph showing performance from best to worst Supplier on a GSP by GSP basis for each reconciliation run [This could be restricted to the NHHRF performance and HHR1(and/or HHRF) only as these are the key reconciliation runs for performance].*

*Suppliers will have the opportunity to validate the data to be used in the PC tables by means of a [2WDs] query period. Appeals will be considered firstly by the Performance Assurance Administrator (PAA) who will tender a written response within [5WDs] to the Supplier. A Supplier may appeal the decision of the PAA to the PAB and make representation at the next PAB meeting, the PAB will give a response, in writing, within [2WDs] of that meeting. The PAB decision will be binding.*

*Any Supplier within the PC appeal process will be excluded from the reports published on the website until the appeal is resolved through the PAA response or the PAB decision. A revised graph will be published on the website once appeals have been considered.*

*Any legal text should contain a statement of deemed consent that Suppliers agree to the publishing of this information in accordance with the rules and the timetable described.*

- This proposal links the PC applied to clear obligations within the Code as set out in Annex S-1.
- The timetable for reporting is quarterly as performance improvements can be measured reasonably over a quarter, monthly publication may not allow sufficient time for Suppliers improvements to show through and may therefore be less effective and fair than quarterly publication.
- The proposal uses data taken from settlements and that is deemed to be suitable for settlements. The same data is used in the PC referred to in 2.1 and has never been successfully challenged.
- The proposal has an appeal mechanism (roughly the same as the current PC appeal mechanism) to allow Suppliers to avoid incorrect naming.
- The PC technique should be written into the Code to give it full effect. The legal text must contain a statement that Suppliers agree to the publication of this information or make reference to the fact that B 3.3.9 does not apply. We already have PC that is exclusive to the participants involved, non public disclosure would be pointless.
- It would be necessary to ensure the PAB are authorised to perform their role by updating the PAB duties under Section J of the Code.

### **3. NAMING BY EXCEPTION**

- 3.1 The Code currently permits ELEXON, as the BSCCo to publicly name, on the ELEXON website, Parties whose Credited Energy Indebtedness exceeds either 80% or 90%. This is naming by exception and is permitted due to the rules being written into the Section M of the Code.
- 3.2 This naming by exception could be applied to other measurements, given the appropriate amendments to the legal text of the Code. This technique would need to give consideration to similar principles as described for PC:

- The naming should be clearly linked to an obligation

- The naming should try to avoid any subjectivity in its application
- The naming should not conflict with the restriction to publish Trading Data (Section B, para 3.3.9)

3.3 A sensible proposal that could be made by a Party wishing to pursue a naming by exception technique may be as follows:

*Public naming to be used for Suppliers who **consistently** fail to meet the performance standard in accordance with Annex S-1, of settling 97% of NHH energy on Annualised Advances, at RF for any RF run carried out during any three month Calendar period. The Party name and 4 digit Supplier Id will be posted on the ELEXON website for thirty days from 'the date of qualification'. [This could apply to any other NHH Standard or on a monthly basis for HH performance].*

*The date of qualification shall be 3WDs after the sending of the performance data for the last calendar day in the third reporting month, to the Supplier.*

*An alternative to this approach would be to post names for performance being less than 75% of the standard and removing the name when a Supplier reaches a consistent performance level above 90% of the standard.*

*Suppliers will have the opportunity to validate the data to be used in the naming process by means of a 2WDs query period. Appeals will be considered firstly by the PAA who will tender a written response within 5WDs to the Supplier. A Supplier may appeal the decision of the PAA to the PAB and make representation at the next PAB meeting, the PAB will give a response, in writing, within 2WDs. The PAB decision will be binding. Any Supplier whose name was not published as a result of an appeal which is later rejected will have their name published from the date of the PAB rejection for thirty days.*

- This proposal links the naming process to a defined performance standard within Annex S-1 of the Code.
- The proposal uses data from settlements, deemed to be suitable for settlements.
- The proposal allows a breach of the obligation to occur for three calendar months prior to the naming taking place, this is a generous period of time to allow for performance issues to be resolved or migration
- The proposal has an appeal mechanism for Suppliers.

#### 4. PRINCIPLES OF CORRECTIVE TECHNIQUE

4.1 This section outlines how the technique measures up against the principles agreed by VASMG:

- **Simplicity** The idea of PC is straight forward and simple. The idea of exception naming is again straight forward and the rules for entry and exit can be easily communicated.
- **Transparency and Clarity** Both forms of naming are clear and very transparent to all.
- **Significant in Magnitude** The potency of public naming should have a significant impact on Suppliers and encourage efforts to improve performance.
- **Predictable** Each supplier will know they will be named under PC. Each Supplier will know if they have qualified for naming by exception.

- **Securely Based** The data used for these techniques is taken from settlements and Suppliers will have the opportunity to query their data.
- **Automated and Consistent** These techniques could be automated using PARMS.
- **Explicitly linked to a clearly desired outcome** The outcome is to encourage Suppliers to achieve the standards or improve their performance to become a top performer.
- **Reflective of Performance and Progressive** This approach is directly attributable to performance.
- **Immediate** The technique could be quickly applied upon receipt of the data.

## **5. SUPPLIER CHARGES AND NAMING**

- 5.1 The naming technique could be used to complement any refined Supplier Charge technique within the PAF. However, there is no reason to wait for the resolution of the SC issue before any Party, who wishes to, to raise a Modification Proposal related to this technique.

**David Jones**

**Assurance Consultant**