ELEXON

Industry Consultation

Risk Operating Plan – 2011/12

The Risk Operating Plan (ROP) sets out the Settlement Risks and the Performance Assurance Technique(s) that the Performance Assurance Board (PAB) will apply to manage Settlement Risks relating to Supplier Volume Allocation, Central Volume Allocation and Central Systems processes.

The estimated overall costs to BSCCo of implementing such Performance Assurance Technique(s) in the Performance Assurance Operating Period are also recorded.

The ROP should be read in conjunction with the Risk Evaluation Methodology, the Risk Evaluation Register and Section Z of the BSC.

This document relates to the Performance Assurance Operating Period commencing the 1 April 2011 and will be reviewed by the PAB in accordance with the Annual Performance Assurance Timetable.

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.

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 2011/12.

Risk Operating Plan Consultation

The ROP has been reviewed and issued for you to provide comments on:

- Techniques deployed against Settlement Risks in the ROP Matrix (Attachment 1)
- Changes highlighted in section 2 of this document which include two Within Period Revisions (WPR):
    - Techniques to be available for deployment for two new risks;
    - BSC Audit (minor change).
    - Technical Assurance of Metering Systems (minor change)

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 26 August 2010. The closing date of the consultation is 17 September 2010.

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1 Introduction

Description of the ROP

The ROP is part of the risk based PAF as defined in Section Z of the BSC. It outlines the focus of the PAB's attention for the forthcoming Performance Assurance Operating Period (PAOP4) – 2011/2012. The ROP sets out how the PAB will provide assurance in respect of Settlement Risks and the estimated cost of delivering this assurance. It aligns Performance Assurance Techniques (PAT) to each Settlement Risk and each relevant class of Performance Assurance Party[1] (PAP) as described in the RER. This alignment provides the PAB with the authority to deploy techniques to manage these Settlement Risks.

The key areas of focus and changes for 2011/2012 are summarised in section 2 which will be the basis for this consultation.

Key Areas of Concerns

As prescribed in the REM, Settlement Risks with a net significance of 4 and above are managed by the PAA through the use of applicable PATs and this will also be overseen by the PAB on an exception basis. Within these risks, the PAB can deploy more PATs in order to manage those with the highest net significance (net significance 12 and above). There is also more frequent and detailed reporting; with a greater focus being placed on resolution. The list of top Settlement Risks is included in Appendix B.

Management of Settlement Risks

The BSC Panel approved 16 PATs, summarised below, to manage the Settlement Risks outlined in the RER. Further details on the PATs are in the PAF Techniques Guiding principles document (Attachment 2). Further details on the application of PATs are included in the REM and management of CVA and SVA risks is in Appendix B.

Performance Assurance Technique	Technique Category	Technique Type
Qualification	P	NS
Re-Qualification	P	NS
Bulk Change of Agent	P	NS
Education	P	S
Performance Monitoring & Reporting	D	M
Material Error Monitoring	D	S
Technical Assurance of Metering Systems	D	S
BSC Audit	D	S

[1] This document focuses on Settlement Risks and classes of Performance Assurance Party. It contains no reference to any individual Performance Assurance Party.

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.

Risk Evaluation Register (RER)

The RER sets out the Settlement Risks identified and evaluated by the Performance Assurance Board (PAB) in accordance with the Risk Evaluation Methodology (REM)

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Performance Assurance Technique	Technique Category	Technique Type
Technical Assurance of PAPs	D	NS
Peer Comparison	I	S
Removal of Qualification	I	NS
Default	I	NS
Supplier Charges	R	M
Error and Failure Resolution	R	NS
Trading Disputes	R	S
Change Mechanisms	R	S

P= Preventative; D= Detective; R= Remedial; I= Incentive; S= Standard; NS= Non-Standard; M= Mandatory.

2 ROP 2011/2012 Review

This section summarises the focus of the PAB for the 2011/2012 ROP and highlights any changes from the current ROP 2010/2011. The ROP matrix (Attachment 2) is provided separately as an attachment to this document and the changes are highlighted.

SVA Settlement Risks

As specified in the REM, PATs will continue to be deployed on all SVA Risks with a net significance of 4[2] and above unless otherwise determined by the PAB.

New Settlement Risks (WPR PAOP3)

Two new Settlement Risks were identified and approved as a WPR (PAB 114/07) for 29 July 2010:

- SR2834 (net significance: 9) - 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** .
- SR2835 (net significance: 6) - 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**.

We propose the following techniques be available for deployment within the ROP against these risks.

Within-period revision (WPR)

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

[2] With the exception of BSC Audit and mandatory Performance Assurance obligations outlined in the BSC, no PATs will be deployed for Settlement Risks that have a net significance lower than 4.

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Risk Ref	Risk Valid From	Net significance	ROP Effective From	Technique Name	Role Name
SR2834	29-Jul-10	9	29-Aug-10	Qual	HH Data Collector, HH Meter Operator, HH Supplier
				R-Qual	HH Data Collector, HH Meter Operator
				PM	HH Data Collector, HH Supplier
				BSCA	HH Data Collector, HH Meter Operator, HH Supplier
				TAPAP	HH Data Collector, HH Meter Operator, HH Supplier
				PC	HH Supplier
				EFR	HH Data Collector, HH Meter Operator, HH Supplier
SR2835	29-Jul-10	6	29-Aug-10	Qual	NHH Data Collector, NHH Supplier, NHH Meter Operator
				R-Qual	NHH Data Collector, NHH Meter Operator
				CoA	NHH Data Collector, NHH Supplier, NHH Meter Operator
				PM	NHH Data Collector, NHH Supplier, NHH Meter Operator
				BSCA	NHH Data Collector, NHH Supplier, NHH Meter Operator
				TAPAP	NHH Data Collector, NHH Supplier, NHH Meter Operator
				PC	NHH Supplier
				EFR	NHH Data Collector, NHH Supplier, NHH Meter Operator

It is also worth noting that from 1 April 2011, SR0119[3] had its net significance dropped from 12 to 9 (PAB114/07), however there will be no change to the PATs deployed against it.

Performance Assurance Techniques

BSC Audit (minor WPR change for PAOP3)

The BSC Audit scope for 2011/2012 will continue to address most identified Settlement Risks. Currently the BSC Audit is not available SMRS role code for SR0020[4], we propose a WPR within PAOP3 (2010/11) to the ROP to reflect this.

[3] The risk that a NHH metered site that meets the criteria for mandatory HH metering does not have a HH meter installed within required timescales resulting in energy potentially being allocated to the wrong Settlement Period or collected outside required timescales.
[4] The risk that SMRAs fail to notify HHDAs of change of HHDC resulting in old/default data being used in Settlement (net significance 2) .

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Audit issues have also been mapped to Settlement Risks and where issues are linked to top Settlement Risks, this is encompassed within the monthly Settlement Risk Report via EFR scores[5] in BUSRR that is presented to PAB.

Technical Assurance of PAPs (Changes for PAOP4)

The scope of work for TA Checks is discussed in the ROP PAB cover paper (PAB115/05) and summarised as follows:

- Checks retained in the scope for PAOP 4 - Post Qualification, Confirmation of Agent Compliance, Dispute Exit, PARMS Drill Down
- Checks delayed within PAOP3 – HH MTD accuracy
- Checks considered but not recommended for PAOP 4 – Revenue protection

Performance Reporting & Monitoring (WPR changes for PAOP4)

Performance Monitoring will continue to be applied to Settlement Risks that can be measured by PARMS Serials.

CP1334[6]: The CP introduces a new set of PARMS Serials and will be implemented in June 2011. Deployment notes against specific risks will need to be reviewed in advance of go live; where necessary WPRs to the ROP will be made.

New Serial: As part of a request from SVG, consideration will be given whether to develop a new serial for the new data flow in CP1335[7] relating to auxiliary Meter Technical Details (PAB115/06). As with the other new serials, the ROP will be amended accordingly.

D0095 Exceptions: Currently PARMS Serial SH03 measures the number of D0095 exceptions but is not monitored by ELEXON. The PARMS Serial review concluded that the Serial should no longer be submitted as it provided limited reporting value. The BSC Audit currently looks at D0095 resolution; any poorly performing Suppliers could be placed under EFR for performance improvement.

Material Error Monitoring (no change for PAOP4)

Material Error Monitoring (MEM) will be deployed as it is currently; will continue in respect of erroneous Estimates of Annual Consumption and Annualised Advances, erroneously de-energised Non Half Hourly Metering Systems and errors in Unmetered Supplies.

We would like to highlight that the error in NHH energisation status has been well under the threshold for over two years. Unmetered supplies have also dropped below the threshold during the last two quarters. We would like to get your views on whether to make any changes on these areas of focus for MEM.

Peer Comparison (no change for PAOP4)

Peer comparison will continue to focus on:

- Percentage of Half Hourly and Non Half Hourly energy settled on actual readings;
- Percentage of Non Half Hourly energy settled on defaults;

[5] This is applicable only after EFR is switched on for a Settlement Risk
[6] CP Title: New PARMS Serials
[7] CP Title: Mandating use of Auxiliary Meter Technical Details Data flow

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- Retrospective appointment of Supplier Agents;
- Notification of appointments to Supplier Agents;
- Installation of Half Hourly metering[8];
- Provision and quality of Half Hourly Meter Technical Details;
- Provision of Non Half Hourly Meter Technical Details.

Supplier Charges (no change for PAOP4)

Supplier Charges will continue to be deployed as it is currently, i.e. against Serials SP01, SP02, SP04 and SP08. The results of the Supplier Charges Consultation was inconclusive (PAB108/10) and it was determined that a Supplier Charges Review should be explored via a scoping exercise and workshop this autumn with the interested parties. We propose put this on hold and consider whether to revisit this based on PAB Strategy and once the new PARMS Serials are live.

Error and Failure Resolution (no change for PAOP4)

Error and Failure Resolution will continue to be deployed where relevant non-compliance is identified.

Technical Assurance of Metering Systems ((minor WPR change for PAOP3))

We are only proposing minor change to the deployment of this technique, summarised as follows:

SR0025[9]: TAM to be available for deployment against the HHMOA & HH Supplier role codes as the TAM Technique can identify where the MOA has not sent MTDs to the DC.

SR0071[10]: TAM to be available for deployment against HH Supplier role codes as the TAM Technique can identify where Energisation Status is incorrect.

There are no types of SVA HH Metering Systems that are giving cause for concern that could form the Specific Sample under the deployment of the Technical Assurance Metering technique. It is proposed that 100 CVA Metering Systems are inspected as in PAOP3.

Qualification (and Re-Qualification) (no change for PAOP4)

(Re-)Qualification will continue to cover all of the key Settlement processes and PAB will be able to request Technical Assurance 'Post Qualification' checks in relation to any issues that are highlighted.

Any changes to the ROP following the planned review (see below) will be deployed as a WPR.

Other Techniques (no change for PAOP4)

Breach & Default, Removal of Qualification, Change Mechanisms, Education and Trading Disputes may be deployed against any risk, if certain conditions are met e.g. a particularly material issue arises or a BSC Party or Party Agent fails in a number of areas.

[8] SR0119 currently measures the installation of HH metering and with the net significance of this risk dropped as part of the RER 2011/2012 review, this will drop out of the top Settlement Risks.
[9] The risk that HHMOAs do not provide Meter Technical Details to the correct HHDCs resulting in Meter readings not being collected
[10] The risk that the Primary and Secondary Suppliers fail to coordinate the energisation/de-energisation of their MSIDs resulting in incorrect energisation dates for one or more MSIDs and hence error in the volume of energy entering settlement.

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Annual Performance Assurance Report

The Annual Performance Assurance Report (APAR) describing activities under the PAF in PAOP2 (2009/10) was presented to the PAB in July 2010 (PAB 114/08). It highlighted the following areas of focus for 2011/2012 to be addressed under a PAB strategy:

- Refinement of the Qualification process
- BSC Party Agents[11]
- Top Settlements Risks[12]
- A Smart adjusted PAF [13]

For measuring the success of the PAFs, new KPIs will be developed with measurement targets against specific PAF deliverables.

3 Estimated Costs for Exercising Performance Assurance Techniques

The cost of delivering the Performance Assurance Framework in 2011/12 is estimated to be:

Costs	Forecast (£)
Operational	1,177,841
Contracted	2,186,660
Total	3,364,501

4 Within Period Revisions for 2010/11

Three WPRs for PAOP3 2010/11 have been identified. These will be implemented in the ROP from 26 August 2010:

- SR0020 – Audit available for Licensed Distribution System Operators
- SR0025 – TAM available for HH Supplier and HHMOA
- SR0071 – TAM available for HH Supplier
- SR2834 – New risk; deployment of multiple PATs
- SR2835 – New risk; deployment of multiple PATs

There are other projects and work undertaken that may have a bearing on the ROP (as highlighted in section 2, e.g. implementation of new PARMS Serial). Any further WPRs for PAOP3 or PAOP4 will be presented to the PAB for approval.

[11] There is an acknowledgement that the Supplier Hub principle isn't always providing the necessary performance incentives. ELEXON believes that a full scale review of the Party Agent's involvement in the PAF should be carried out. ELEXON to hold a scoping workshop to identify key areas of focus and develop a set of milestones to work towards

[12] Address 3 Settlement Risks in the next three years in a similar way to 97%; starting with SR0072 (Erroneous EAC/AAs) and moving to Half Hourly Meter Technical Details. A third risk will be selected in April 2011

[13] ELEXON will hold a scoping workshop to assess the requirements of a smart adjusted PAF.

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5 Authorities

Version	Date	Author	Reviewer	Reason for review
0.1	06 August 2010	Zaahir Ghanty	Beth Brown Caroline Wright Jon Spence Jennifer Clark	For peer review
0.2	16 August 2010	Zaahir Ghanty	Beth Brown Caroline Wright Jon Spence Jennifer Clark	
0.3	19 August 2010	Zaahir Ghanty	Beth Brown	For PAB endorsement
0.4	26 August 2010	Zaahir Ghanty		Post PAB amendment

6 Distribution

Recipient	Version	Date	Reason
Performance Assurance Parties	1.0	26 August 2010	For Industry consultation
ELEXON Performance Assurance			

7 References

Document
Risk Evaluation Methodology 2011/2012
Risk Evaluation Register 2011/2012
Performance Assurance Techniques

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8 Appendix A

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	Annual timetable as described in Section Z, 5.2
BSC	The Balancing and Settlement Code
BSCCo	The Balancing and Settlement Code Company
BSCP	Balancing and Settlement Code Procedure
COMC	Change of Measurement Class
CVA Risk	The 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
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 Administrator (PAA)	As defined in section Z 5.1.1 of the BSC.
PAB	As defined in section Z 1.2 of the BSC.

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Term	Definition
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.
RPU	Revenue Protection Unit
Risk Evaluation Methodology (REM)	As defined in section Z 5.4 of the BSC.
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.
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 of 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	The definition of a Settlement Risk can be found under the Balancing and Settlement Code, section Z, paragraph 5.1.1 (a) and (b).
SVA Risk	The Risk associated with Supplier Volume Allocation.
UMS	Unmetered Supply
WPR	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

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9 Appendix B

Top Settlement Risks for 2011/2012

SRIN	Risk Description	Net Sig.
SR0072	The risk that NHHDCs process incorrect Meter readings, resulting in erroneous data being entered into Settlement.	16
SR0073	The risk that stolen energy notified by Revenue Protection units is not used in calculations by Suppliers and NHHDCs resulting in inaccurate data being entered into Settlement.	15
SR0074	The risk that NHHDCs do not collect and /enter valid Meter readings resulting in old/default data entering Settlement.	15
SR0022	The risk that HHMOAs do not provide correct Meter Technical Details to the HHDCs resulting in Meter readings being misinterpreted or not collected.	12
SR0024	The risk that NHHMOAs do not provide Meter Technical Details to the correct NHHDCs resulting in Meter readings being not collected.	12
SR0025	The risk that HHMOAs do not provide Meter Technical Details to the correct HHDCs resulting in Meter readings being not collected.	12
SR0028	The risk that HHMOAs make changes to the Metering System and do not inform the HHDCs resulting in Meter readings being misinterpreted or not collected.	12
SR0086	The risk that for UMS NHHDCs do not process new or updated EACs and associated Settlement details (D0052) resulting in inaccurate energy volume allocation (UMS).	12
SR0093	The risk that on concurrent change of NHHDC/NHHDA for UMS, new NHHDCs do not receive the latest UMS EAC from the old NHHDCs resulting in Metering Systems being settled on default EAC values which are likely to be inappropriate for Unmetered Supplies.	12
SR0111	The risk that NHH Metering Systems are tampered with resulting in under-accounting of energy in Settlement.	12

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Management of CVA and Central Systems Settlement Risks

PATs will continue to be deployed in a manner consistent with their deployment prior to the Performance Assurance Effective Date in 2007 and as mandated within the BSC in order to manage CVA and Central Systems Settlement Risks. In particular:

- The scope of the BSC Audit will encompass Central Systems including the Balancing Mechanism Reporting Agent; Central Registration Agent; Central Data Collection Agent; CVA Meter Operator Agents; Energy Contract Volume Aggregation Agent; Funds Administration Agent; Market Index Data Provider(s); Settlements Administration Agent; and Supplier Volume Allocation Agent.
- CVA Meter Operators will remain subject to the SVA Qualification, re-Qualification and Removal of Qualification processes

CVA Metering Systems will remain within the scope of the Technical Assurance of Metering Systems technique delivered by the Technical Assurance Agent.

High Impact Settlement Risks

Any Settlement Risks with a Gross Impact of 5 (as identified on the RER) will be subject to PATs irrespective of the PAB-defined Net Significance threshold. There are currently no Settlement Risks that fulfil this criterion.

Performance Assurance Techniques Triggered by Performance Assurance Parties

Those PATs which can be triggered by PAPs and which provide assurance in respect of Settlement Risks below the de minimis Net Significance threshold will be recorded against those Settlement Risks. This includes Qualification, Re-Qualification and Bulk Change of Agent.

BSC Audit

The BSC Audit is currently undertaken using a compliance based approach. This follows from the BSC obligation to check compliance against the requirements of the BSC. A review of the BSC Audit terms of reference in 2009 concluded that the existing compliance-based approach provides the most appropriate mechanism for delivering the Audit as part of the PAF. The Auditor exercises flexibility by reporting issues based upon the material impact of the observed non-compliance.

The PAB has therefore determined that:

- The scope of the 2011/2012 BSC Audit will continue to address all identified Settlement Risks, providing an overall opinion based upon a comprehensive scope of work.

Management of SVA Settlement Risks

With regard to the PAB defined threshold, none, one or more PATs have been identified by the PAB for deployment in respect of each SVA Settlement Risk and each relevant class of PAP[14]. In developing this plan the PAB has employed a set of guiding

[14] 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

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principles for the deployment of PATs; these are set out in the PAT Guiding Principles document and are consistent with the considerations noted in the REM.

While a PAT is assigned to a Settlement Risk, it may not be deployed in all cases. In some situations an assessment will be made by the PAB on each PAP's contribution to a specific risk in accordance with the criteria set out in BSC Section Z, 5.7.1, namely assessing the PAP's contribution to a specific material Settlement Risk.

Only after this assessment will it be determined which technique to deploy to mitigate the risk. The ROP outlines which PATs may be varied in this way.

- **Mandatory Performance Assurance Techniques** are those PATs that the PAB is required to apply to a PAP who has been assigned the Settlement Risk in question because they are mandated by the BSC (e.g. Supplier Charges).

- **Standard Performance Assurance Techniques** are the default PATs that the PAB will apply to all PAPs who have been assigned the Settlement Risk in question. Standard PATs may be disapplied to a PAP and, where this is the case, an explanation will be provided.

- **Non-Standard Performance Assurance Techniques** are extra PATs that the PAB may consider applying to derive additional assurance that the PAP is addressing the Settlement Risks that have been assigned to it. Where additional Non-Standard PATs are applied to address a PAP Settlement Risk, an explanation will be provided in the PAP's Risk Management Plan.

The set of PATs aligned against Settlement Risks and relevant classes of PAP is set out in Attachment 1 'ROP Matrix' to this document. In addition, where the PAB observes significant failures, over a range of risks, it will look to deploy Default and Removal of Qualification techniques.

The PAB also reserves the right to deploy the Change Mechanism, Trading Disputes and Education techniques when appropriate. These techniques together with Supplier Charges relating to PARMS Serials SP01/02 do not feature in Attachment 1 but will be deployed as determined by the PAB.

Performance Assurance Party in respect of Settlement Risks relating to the activities of the Party Agents. 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 RER, relevant Performance Assurance Parties may not directly contribute to or be directly impacted by Settlement Risks. They are identified on the RER and the ROP 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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