Industry Consultation

Risk Evaluation Register – 2013/14

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 2013/2014 and Section Z of the BSC.

This document relates to the Performance Assurance Operating Period (PAOP) 6 starting 1 April 2013 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; and
- 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 2013/14.

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 28 June 2012.

The closing date of the consultation is 20 July 2012

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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 Risk Evaluation Methodology (REM) for industry consultation earlier in the year and it was approved by the PAB in March 2012, for use in Performance Assurance Operating Period[1] (PAOP) 6, effective from 01 April 2013.

The RER, reviewed in line with the approved REM, is Appendix 2 of this document and lists the risks for PAOP 6. As a result of this review ELEXON proposes changes to some Settlement Risks.

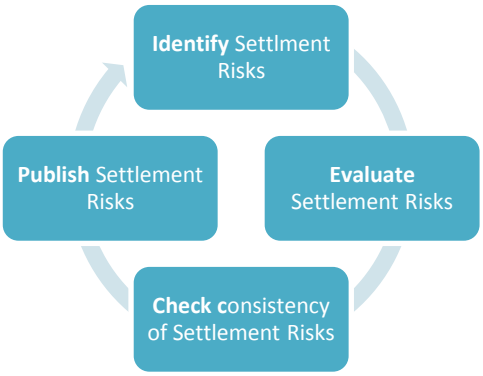
Performance Assurance Administrator (PAA)

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 PAB as delegated 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.

Glossary of Terms

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

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 2011/2012, to determine which Settlement Risks may need updating in this 2013/14 RER (PAOP 6).

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 5.

Section 3-4 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.

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 2013/14

Review of the RER

As prescribed in the REM 2013/2014, 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 2011/2012;
- Closed and new BSC Audit Issues[3];
- PARMS Serial data;
- Technical Assurance checks findings;
- Change Proposals and Modifications (Approved/Implemented); and
- 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 as described in pages 6 and 7 fall into four categories:

- New Settlement Risks;
- Changes to risk assumptions;
- Changes to probability/control; and
- Changes to UMS impact ratings.

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

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Updates to the RER 2012/2013

Within-period Revisions

The PAB may decide to revise the RER outside of this normal annual review process based on submissions from industry to support the need to revise any part of a specific Settlement Risk sooner than April 2013. The following within-period revisions are proposed for implementation following PAB approval.

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.

New Risks

Currently there is no Non Half Hourly (NHH) risk capturing 'incorrect Import/Export meter installation/configuration'. Historically the installation/configuration of NHH meters posed fewer problems to Settlement than Half Hourly (HH) meters. However, as micro-generators connect and export energy onto the Distribution System a number of issues have arisen which present potential risks to Settlement.

1. When a micro-generator connects to a Distribution System but the import Supplier doesn't/can't check the meter to make sure it is not running backwards.
2. Separate MOAs can be appointed for Import and Export meters which can result in a lack of clarity of ownership and/or responsibility of the appropriate meters.

In essence we are seeing that NHH meters are becoming more complex and we believe there is a gap in the RER.

ELEXON proposes a new risk to address this gap by introducing a NHH risk to mirror the HH risk SR0116 'The risk that Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement'. We believe that the risk is potentially more probable for NHH than it is for HH metering systems and therefore we propose a probability of 4 and an impact of 3.

Settlement Risk	Risk Description	Prob/Imp/Ctrl	Net sig.	Role Codes
SR2868	The risk that Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement.	4/3/Low	12	NHHDC NHHMOA LDSO NHH Supplier

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Changes to Risk Assumptions

Due to the implementation of Change Proposal (CP) 1335 'Creation of New Auxiliary Meter Technical Details Data Flows' in November 2011, we propose the following changes to risk assumptions be applied as summarised in the table below.

Risk	Proposed changes to Risk Assumptions	Net sig	Rationale	EFD
SR0024	This could be a new Metering System, or a change of DC. Alternatively it could be that the MOA simply does not send Meter Technical Details to the NHHDC. This also covers the D0313 data flow (Auxiliary Meter Technical Details) for AMR Metering Systems.	12	CP1335 mandates the use of Auxiliary Meter Technical Details data flow D0313 for AMR meters. This change was implemented in November 2011.	23 August 2012
SR0027	Examples of changes include reconfiguration or replacement of MS or changes to SSCs. This includes where LDSOs have made the changes, passed the information to MOAs but MOAs have not passed information to DCs as well as where MOAs are responsible for making changes. This also covers the D0313 data flow (Auxiliary Meter Technical Details) for AMR Metering Systems.	10	CP1335 mandates the use of Auxiliary Meter Technical Details data flow D0313 for AMR meters. This change was implemented in November 2011.	23 August 2012
SR040	This includes the failure to provide any Meter Technical Details whether such an action is initiated by a Supplier request or otherwise. This includes the NHHDC's failure to process and use correct Meter Technical Details. This also covers the D0313 data flow (Auxiliary Meter Technical Details) for AMR Metering Systems.	7	CP1335 mandates the use of Auxiliary Meter Technical Details data flow D0313 for AMR meters. This change was implemented in November 2011.	23 August 2012

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Changes to Probability/Controls

The Unmetered supplies risks were reviewed by the Unmetered Supplies Group (UMSUG) in May 2012. It was proposed to increase the probability of SR0084 and SR0085 from 3 to 4 and to increase the control strength of SR0086 from low to medium. We agree with the UMSUG in relation to changing the probability of SR0084 and SR0085 for the reasons outlined in the table below. In relation to raising the control strength of SR0086 to medium however we felt that the UMSUGs reasoning for adjusting this control was flawed. UMSUG suggested the control strength be increased because Material Error Monitoring (MEM) was undertaken three times a year therefore providing a strong control. We would argue that MEM is a PAT (and therefore not a control but a mitigating action) and as such the control is not strengthened by this action. We propose to maintain the control strength at low.

The table below summarises our proposed changes.

Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig (Prob/Imp/Ctrl)	Proposed EFD	Monitoring the Risks[4]
SR0084	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.	9 (3/3/Low)	We propose changing the probability of this risk from 3 to 4. An increased number of new Charge codes and an increased level of complexity in the calculation methodology.	NHH Supplier UMSO	**12** (**4**/3/Low)	23 August 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.
SR0085	The risk of inaccuracies in UMS inventories (whether on establishment of a	9 (3/3/Low)	We propose changing the probability of this risk from 3 to 4. An increased number of new Charge Codes and an increased level of complexity in in the	HH Supplier UMSO	**8** (**4**/2/Low)	23 August	This risk will not be reported as part of the SRR and will not attract a BUSRR as

[4] PAT deployment will be considered during the ROP Review which will start in August

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig (Prob/Imp/Ctrl)	Proposed EFD	Monitoring the Risks[4]
	new inventory or following amendment to an inventory) resulting in the derivation of unrepresentative HH energy values which are entered into Settlement.		calculation methodology.				the net significance is less than 12.

Changes to UMS ratings

While analysing the changes suggested by the UMSUG we discovered an issue around the level of impact applied to UMS risks in general. It was noted that the impact of risks related to UMS range between 1[5] and 4[6]. We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low i.e. Impact Rating of 2 'The impact of the Settlement Risk is not severe enough to pose a threat to PAPs' businesses, but is significant enough for industry to consider addressing via corrective measures'. Consequently we propose reducing the impact of SR0064, SR0084 – 88, SR0093, SR0100, SR0103 and SR0106 to a rating of 2.

The table below summarises our proposed changes.

[5] The Settlement Risk is not severe enough to pose a threat to PAPs' businesses and could be dealt with using normal business procedures; or the cost and effort required to address the Settlement Risk outweighs the benefit.
[6] The Settlement Risk has the potential to impact one or more Grid Supply Point (GSP) Groups and would have a significant impact on the business plans of multiple PAPs.

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig (Prob/Imp/Ctrl)	Proposed EFD	Monitoring the Risks[7]
SR0064	The risk that UMSOs do not update SMRS on disconnection resulting in HHDAs not being de-appointed and an overstatement of consumption.	3 (1/3/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	SMR HH Supplier UMSO HHDA	**2** (1/**2**/Low)	23 August 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.
SR0084	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.	9 (3/3/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2. We propose changing the probability of this risk from 3 to 4. An increased number of new charging codes and an increased level of complexity in the calculation methodology.	NHH Supplier UMSO	**8** (**4**[8]/**2**/Low)	23 August 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.
SR0085	The risk of inaccuracies in UMS inventories (whether on establishment of a new inventory or following amendment to an inventory) resulting in the	9 (3/3/Low)	We propose changing the probability of this risk from 3 to 4. An increased number of new charging codes and an increased level of complexity in in the calculation methodology. We believe that due to the low volume of unmetered energy the	HH Supplier UMSO	**8** (**4**[9]/**2**/Low)	23 August	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.

[7] PAT deployment will be considered during the ROP Review which will start in August
[8] Probability amendment proposed by UMSUG
[9] Probability amendment proposed by UMSUG

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig (Prob/Imp/Ctrl)	Proposed EFD	Monitoring the Risks[7]
	derivation of unrepresentative HH energy values which are entered into Settlement.		impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.				
SR086	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).	8 (2/4/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	NHHDC HHDA NHH Supplier UMSO	**4** (2/**2**/Low)	23 August 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.
SR0087	The risk that on change of NHHDA for UMS NHHDCs do not send the latest EAC to the new NHHDAs with the result that Metering Systems are settled on default values, which are likely to be inappropriate for Unmetered Supplies.	3 (1/3/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	NHHDC NHH Supplier UMSO NHHDA	**2** (1/**2**/Low)	23 August 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.
SR0088	The risk that UMSOs do not send new or updated EACs (and associated Settlement details) to the NHHDCs (D0052) resulting in	8 (2/4/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	NHHDC NHH Supplier UMSO	**4** (2/**2**/Low)	23 August 2012	This risk will not be reported as part of the SRR and will not attract a BUSRR as the net significance

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Settlement Risk	Description	Current Net Sig (Prob/Imp/Ctrl)	Proposed changes	Role Codes	Proposed Net Sig (Prob/Imp/Ctrl)	Proposed EFD	Monitoring the Risks[7]
	inaccurate energy volume allocation.			NHHDA			is less than 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.	8 (2/4/Low)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	NHHDC NHH Supplier UMSO NHHDA	**4** (2/**2**/Low)	23 August 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.
SR0103	The risk that Meter Administrators incorrectly calculate HH consumption values or fails to provide HH advances to HHDC resulting in incorrect energy volume allocation.	5 (2/3/Medium)	We believe that due to the low volume of unmetered energy the impact of all UMS risks should be low. Consequently we propose reducing the impact to 2.	HHDC HH Supplier UMSO MA	**3** (2/**2**/Medium)	23 August 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.

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Further Considerations

Third Party Access to Private Networks

The Electricity and Gas (Internal Market) Regulations 2011 came into force in November 2011. The regulations allow customers on private networks to choose their own Supplier. There are a number of potential risks associated with not complying with the regulations:

- The risk that the HHMOA carries out work on the third party Settlement Meter and does not provide the MTDs (D0268s) to the HHDCs; and
- The risk that the HHDC failing to subtract the consumption on the Third Party Meter from the Meter reading on the Boundary Point Meter.

Guidance published by Department of Energy and Climate Change (DECC) on the steps that private networks need to take in order to comply with the regulations specifically identifies two options currently supported in the BSC:

- Full Settlement metering; and
- Difference metering[10].

There is a risk that these processes may not support large volumes of requests by Suppliers for their potential customers. A number of stakeholders have asked for advice on the processes, and in relation to difference metering have suggested possible improvements, which are to be developed in time for implementation in the November 2012 Release.

In the meantime SR0032 'The risk that HHDCs do not process Complex Site Supplementary Information correctly resulting in erroneous data entering Settlement' is covered in the RER. We recommend that this issue is examined further when the outcomes of the current investigation are known.

[10] This option is recognised as a type of 'Complex Site' in the BSC.

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PAB Strategy

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

Change of Supplier Process

The Change of Supplier (CoS) process in its current format is working quite well however, problems arise when there are issues with the quality or availability of the required information such as responding to data requests (e.g. D170s). ELEXON is currently investigating ways of improving communications between parties that may help resolve these issues.

A number of work streams/activities are also in play which may impact on the CoS process:

- The new Supply license conditions introduced as part of the third package legislation[11];
- MRA Issue Form (MIF85), raised to discuss the timescales of the Supplier Agreed Read process in light of the new licence requirement; and
- Expected developments, for example through Smart, which will impact the process.

We will maintain a watching brief on the activities listed above, reporting as necessary on any potential impacts that come out of them. We will review the CoS process in early 2013, when the outcomes of the Smart and other work streams have progressed sufficiently to indicate whether there are any areas that should be looked at and when.

Revenue Protection

Standing Issue 39[12] was raised to consider and develop options for the processing of unrecorded units into Settlement. Three options were outlined as part of the Standing Issue group's findings and presented to the BSC Panel in February 2011. None of the three solutions have yet been raised as Modifications.

A Code of Practice is being developed by a DCUSA working group and is planned, subject to approval, to be introduced in November 2012. This document will tighten up the reporting procedures for Revenue Protection businesses, meaning it would be possible to gather a more accurate picture of the amount of stolen units identified.

[11] The provisions of the European Third Package have now been implemented in Great Britain using licence conditions (see Standard Licence Condition 14A of the electricity and gas supply licences). These place requirements on Suppliers to ensure that the terms of new supply contracts allow customer transfers to take place within three weeks after any contractual cooling-off period has ended.

[12] Standing Issue 39 - Unrecorded Units identified by Revenue Protection Services. Full details on Standing Issue 39 are available on the ELEXON website here: http://www.elexon.co.uk/Pages/Issue39.aspx.

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Once the Code of Practice is in place and any Modifications to the BSC are progressed we will review and identify any areas concerning Revenue Protection that need further work.

In order to allow time for the new DCUSA reporting arrangements to bed in, and for the any Modifications to be raised to amend the BSC processes, we will revisit the initiation of work on Revenue Protection in early 2013.

Settlement Risk Controls Review

As outlined in the November PAB Strategy paper PAB130/07 and the ROP consultation responses paper PAB130/08, we proposed to review the controls identified for all SVA Settlement Risks. The review will look at:

- Consistent application of control strengths (High/Medium/Low) against all Settlement Risks;
- Detailed analysis of the top controls (e.g. those most frequently used) focussing on their effectiveness; and
- Recommendations for improving the controls.

It will run in parallel with the RER review (with initial work commencing in April 2012). The findings should be known by August 2012, and any changes will be presented as part of the RER approval in August. This may involve inclusion of additional guidelines for 'Controls' in the REM.

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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[13]	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[13]	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[13]	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

[13] 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[14]	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

[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 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[15] 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 impact 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

[15] 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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Settlement Run. Therefore the impact of Settlement Risks associated with Non Half Hourly Metering Systems is likely to be greatest by the Final Reconciliation Run (RF).

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 Further Information

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

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6 RER Forum

We are holding a Risk Evaluation Register (RER) Forum on **Monday 23 July 2012** at **10am**. This is an opportunity for you to discuss your consultation response informally in an open session, before the consultation closing date. The meeting will last approximately two hours and will be at ELEXON's office with teleconferencing facilities available. You can still register to attend, so if you'd like to come along please send your details to melinda.anderson@elexon.co.uk.

7 References

Document
Risk Evaluation Methodology 2013/2014

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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; and
- 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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