



# Risk Operating Plan 2013/14 Industry Consultation

## Risk Operating Plan 2013/14 – Industry Consultation

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

The estimated overall costs to the Balancing and Settlement Code Company (BSCCo) of implementing such PATs in the Performance Assurance Operating Period (PAOP) are also recorded.

The ROP should be read in conjunction with the [Risk Evaluation Methodology \(REM\)](#), the [Risk Evaluation Register \(RER\)](#) and [Section Z](#) of the Balancing and Settlement Code (BSC).

This document relates to the PAOP 6, 1 April 2013 – 31 March 2014 and will be reviewed by the PAB in accordance with the Annual Performance Assurance Timetable (APAT).

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### Risk Operating Plan Consultation

The ROP is being issued for you to provide comments on how we are proposing to deploy the PATs in 2013/14. In particular we seek comments on:

- the proposed deployment of techniques against one new risk; and
- any specific PATs or areas of the Performance Assurance Framework (PAF) that could be reviewed to improve efficiency and effectiveness.

**Target Audience** - All BSC Parties, BSC Agents and Performance Assurance Parties (PAPs).

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**This document has been reviewed and endorsed by the PAB on the 27 September 2012.**

**The closing date of the consultation is 19 October 2012.**

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#### Performance Assurance Board (PAB)

The 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 (APAT)

The APAT gives the dates for the key milestones in the development and approval of the Risk Management Plans (RMP) for all PAPs.



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# Risk Operating Plan 2013/14 Industry Consultation

## 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 PAOP 6 – 2013/2014. The ROP sets out how the PAB will provide assurance in respect of Settlement Risks and the estimated cost of delivering this assurance. It describes how PATs could be deployed against each Settlement Risk / class of PAP<sup>1</sup> combination in the RER. The PAB uses the ROP to select which PATs to switch on against individual PAPs.

The ROP for 2013/14 is summarised in section 2, which will be the basis for this consultation.

### Management of Settlement Risks

As prescribed in the REM, Settlement Risks with a net significance of four<sup>2</sup> and above are managed through the use of applicable PATs and performance against them overseen by the PAB on an exception basis. The PAB will likely deploy more PATs against those with the highest net significance (net significance 12 and above). There is also more frequent and detailed reporting for these top risks and a greater focus on performance improvement. The top Settlement Risks for 2013/14 are in Appendix 1.

The REM sets out the 16 available PATs, summarised below. Further details are in the [PAF Techniques Guiding Principles](#) on the ELEXON website.



#### Risk Evaluation Methodology (REM)

The REM describes how the 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 PAB in accordance with the REM.

Performance Assurance Technique	Technique Category	Technique Type
<b>Qualification (Qual)</b>	P	NS
<b>Re-Qualification (re-Qual)</b>	P	NS
<b>Bulk Change of Agent (BCoA)</b>	P	NS
<b>Education</b>	P	NS
<b>Performance Monitoring &amp; Reporting</b>	D	M
<b>Material Error Monitoring (MEM)</b>	D	S
<b>Technical Assurance of Metering Systems (TAM)</b>	D	S
<b>BSC Audit (BSCA)</b>	D	S

<sup>1</sup> This document focuses on Settlement Risks and classes of PAP. It contains no reference to any individual PAP.

<sup>2</sup> With the exception of the 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 four without specific PAB approval.



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<b>Technical Assurance of PAPs (TAPAP)</b>	D	NS
<b>Peer Comparison (PC)</b>	I	S
<b>Removal of Qualification</b>	I	NS
<b>Default</b>	I	NS
<b>Supplier Charges</b>	R	M
<b>Error and Failure Resolution (EFR)</b>	R	NS
<b>Trading Disputes</b>	R	NS
<b>Change Mechanisms</b>	R	NS

Categories: P= Preventative; D= Detective; R= Remedial; I= Incentive

Types: S= Standard; NS= Non-standard; M= Mandatory



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## 2 ROP 2013/14 Review

This section summarises the focus of the PAB for the 2013/14 ROP and highlights changes from the current 2012/2013 ROP. The full ROP matrix is provided as a companion spreadsheet to this document on the [consultation](#) page of the ELEXON website.

### SVA Settlement Risks

This section describes notable changes to deployment of PATs against risks.

#### New Settlement Risk (Within Period Revision PAOP 5)

As more micro-generators connect and export energy onto the Distribution System a number of issues have arisen which present potential risks to Settlement:

- 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; and
- Separate Meter Operator Agents (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 Non Half Hourly (NHH) meters are becoming more complex. In order to address this we created a new risk which the PAB approved as a within period revision (WPR) to the RER, effective 23 August 2012 (PAB139/04):

- **SR2868** (net significance: 12) – The risk that NHH Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement.

We propose the following techniques be available for deployment against this risk effective following PAB approval of the ROP on 29 November 2012.

Risk Ref	Risk Valid From	Net Significance	ROP Effective From	Technique Name	Role Name
<b>SR2868</b>	23 Aug 2012	12	1 Apr 2013	Qual	NHH Supplier, NHH MOA
				R-Qual	NHH MOA
				BSCA	NHH Data Collector (DC), NHH Supplier, NHH MOA, Licensed Distribution System Operator (LDSO)
				TAPAP	NHH Supplier, NHH MOA, NHH DC, LDSO
				EFR	NHH Data Collector, NHH Supplier, NHH MOA, LDSO



#### **Within-period revision (WPR)**

A revision by the PAB of the RER, ROP or a RMP within a PAOP or after the deliverable has already been approved for use.



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## **Performance Assurance Techniques**

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This section gives an overview of how we intend to deploy the PATs in 2013/14.

### **BSC Audit (potential for changes for PAOP 6)**

The BSC Audit contract ends in September 2013. The BSC Audit scope is currently under review and we are considering a risk based approach going forward instead of the current compliance based approach. Any changes to the risks or deployment of techniques that arise from this review will be presented to PAB and may be recommended as a WPR.

### **Technical Assurance of PAPs (potential for changes for PAOP 6)**

We are currently investigating the fault investigation process for Half Hourly (HH) and NHH MOAs, DCs, Suppliers and LDSOs to see what improvements can be made to the process. Any changes to the risks or deployment of techniques that arise from this review will be presented to PAB and may be recommended as a WPR.

At the time of writing this report we are proposing that only the standard checks be available for deployment in 2013/14 i.e. Post Qualification, Confirmation of Agent Compliance, Dispute Exit and PARMS Drill Down.

### **Supplier Charges (potential for changes for PAOP 6)**

Supplier Charges will continue to be deployed as they are currently, i.e. against Serials SP01 (the delivery of routine performance reports), SP02 (the delivery of routine performance logs), SP04 (the installation of HH Metering) and SP08 (% of energy/Metering Systems settled on actual data/annualised advances). Following implementation of the new PARMS Serials an initial review of Supplier Charges has been completed and shows:

- There has been a marked improvement in all Parties submission rates (SP01) since the introduction of the new PARMS Serials; and
- There are a number of changes being progressed (P272<sup>3</sup> and P280<sup>4</sup>) which could affect areas associated with Supplier Charges which means that it is not appropriate to review the Supplier Charge for the SP04 Serial at this time.

It has therefore been agreed that there may be value in undertaking a review of Supplier Charges once the outcome of the changes being progressed is known. Based on the current timetable for these changes the earliest we would consider starting a review would be quarter 4 of 2013.

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<sup>3</sup> Mandatory Half Hourly Settlement for Profile Classes 5-8.

<sup>4</sup> Introduction of New Measurement Classes.



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### Material Error Monitoring (potential for changes for PAOP 6)

We will continue to deploy Material Error Monitoring (MEM) against erroneous Estimates of Annual Consumption and Annualised Advances (EAC/AA), incorrect Energisation Statuses of NHH Metering Systems and errors in Unmetered Supplies consumption volumes.

The findings of our review of error thresholds, frequency and exceptions were presented to the PAB in May 2012 (136/06). The PAB instructed ELEXON to carry out further analysis into the EAC/AA threshold with a view to reducing industry levels. Any changes to the risks or deployment of techniques that arise from this review will be presented to PAB and may be recommended as a WPR.

### Qualification and Re-Qualification (potential for changes for PAOP 6)

The Qualification Service Provider contract comes to an end in 2013. We are currently working towards a competitive re-procurement process to secure the Qualification/re-Qualification services. As part of this work we are reviewing the process as a whole.

It is possible that changes to the deployment of techniques may be recommended before 1 April 2013 or as a WPR. Until then Qualification and re-Qualification will continue to cover all of the key Settlement processes.

### Other Techniques (no changes for PAOP 6)

PARMS, Peer Comparison, EFR, TAM, Bulk Change of Agent, Breach & Default, Removal of Qualification, Change Mechanisms, Education and Trading Disputes may be deployed against any relevant 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.

## 3 Estimated Costs for Exercising Performance Assurance Techniques

The projected cost of delivering the Performance Assurance Framework in 2013/14 is shown below along with the July Full Year (FY) forecast for 2012/13<sup>5</sup> and the previous ROP forecast for comparison.

Cost Type	2013/14 Projection (£)	July FY 2012/13 Forecast (£)	ROP 2012/13 Forecast (£)
<b>Operational</b>	950,000	946,140	960,882
<b>Contractual</b>	3,100,000*	2,555,833	2,219,154
<b>Total</b>	4,050,000	3,501,973	3,180,036

\*ELEXON budget projection – Year 2 of the 2012/15 Budget.

<sup>5</sup> This is a combination of actual expenditure to July and forecast to the year end.



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3.2 The 2013/14 forecast operational costs are estimates based on current staff numbers, day rates and staff time allocated to PAF activities. The contractual costs for 2013/14 are based on ELEXON budget projections and may be subject to change. The increase in expenditure for 2013/14 is related to additional costs of re-procuring the Audit, Technical Assurance and Qualification and Re-Qualification Services. Further details can be found in the [2012/13 Business Plan](#) on the ELEXON website.

## 4 References and Additional Information

Document
<a href="#">Risk Evaluation Methodology 2013/14</a>
<a href="#">Risk Evaluation Register 2013/14</a>
<a href="#">Performance Assurance Techniques</a>
<a href="#">PAF Techniques Guiding Principles</a>
<a href="#">Glossary</a>

## 5 Further Information

If you have any questions or require further information on the ROP please contact:

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### Appendix 1

#### Top Settlement Risks for 2013/14

SRIN	Risk Description	Net Sig.
SR0022	The risk that HHDCs do not use correct Meter Technical Details resulting in Meter readings being misinterpreted or not collected.	20
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
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
SR0111	The risk that NHH Metering Systems are tampered with resulting in under-accounting of energy in Settlement.	12
SR0112	The risk that HHDCs use data from faulty Metering Systems resulting in incorrect data being entered into Settlement.	12
SR0116	The risk that Import/Export Metering Systems (HH) are incorrectly installed/configured resulting in inaccurate data entering Settlement.	12
SR02868	The risk that Import/Export Metering Systems (NHH) are incorrectly installed/configured resulting in inaccurate data entering Settlement.	12