



Risk Operating Plan 2014/15 Industry Consultation

Risk Operating Plan 2014/15 – Industry Consultation

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 the PATs in the Performance Assurance Operating Period (PAOP) are also recorded.

The ROP should be read in conjunction with the [Risk Evaluation Methodology \(REM\) 2014/15](#), the [Risk Evaluation Register \(RER\) 2014/15](#) and [Section Z](#) of the Balancing and Settlement Code (BSC).

This document relates to the PAOP 7, 1 April 2014 – 31 March 2015.

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

This document has been reviewed and endorsed by the PAB on the 26 September 2013.



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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1 Introduction

Description of the Risk Operating Plan

The Risk Operating Plan (ROP) is part of the risk based Performance Assurance Framework (PAF) as defined in Section Z of the BSC. 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 for each class of Performance Assurance Party (PAP)¹ in the RER.

There have been no new or significant changes to Settlement Risks identified for 2014/15. We are introducing some changes to the deployment of TAPAP and TAM. Minor changes to the ROP ledger² are proposed in line with the TAPAP changes. The ROP for 2014/15 is summarised in section 2.

Management of Settlement Risks

As prescribed in the REM, Settlement Risks with a net significance of four³ 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 2014/15 are in Appendix 1.

The REM sets out the 16 available PATs, summarised on the following page. 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.

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

² The ROP ledger sets out the risks and the PAP's that the PATs will be deployed against in spread sheet format.

³ 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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| Performance Assurance Technique | Technique Category | Technique Type |
|--|--------------------|----------------|
| Qualification (Qual) | P | NS |
| Re-Qualification (re-Qual) | P | NS |
| Bulk Change of Agent (BCoA) | P | NS |
| Education | P | NS |
| Performance Monitoring & Reporting | D | M |
| Material Error Monitoring (MEM) | D | S |
| Technical Assurance of Metering Systems (TAM) | D | S |
| BSC Audit (BSCA) | D | S |
| Technical Assurance of PAPs (TAPAP) | D | NS |
| Peer Comparison (PC) | I | S |
| Removal of Qualification | I | NS |
| Default | I | NS |
| Supplier Charges | R | M |
| Error and Failure Resolution (EFR) | R | NS |
| Trading Disputes | R | NS |
| Change Mechanisms | 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 Review

Performance Assurance Techniques

This section gives an overview of how we intend to deploy the PATs in 2014/15.

BSC Audit (potential for changes for PAOP 7)

The BSC Audit Scope reflects the beginning of a move away from a 100% compliance based audit, towards one that is focused on both risk to Settlement and compliance. Consequently the approved 2013/2014 BSC Audit Scope was updated to include SR0022 and SR0072. Future BSC Audits will be updated to include these and any additional Settlements Risks.

Technical Assurance of Metering (changes for PAOP 7)

The BSC Panel and the PAB challenged ELEXON to provide additional assurance on Metering Systems that measure (or are capable of measuring) higher levels of energy. This is due to the significant impact these Metering Systems can have on the industry if they are installed incorrectly or become faulty. In response we proposed to increase the CVA main sample size from 5% to 14.75%. This was approved by the PAB at its August 2013 meeting. We acknowledge that this may create further workload for Registrants, Central Data Collection Agent (CDCA) and CVA Meter Operator Agents (MOAs). However we will endeavour to give as much notice as possible and work with these roles to ensure that the process goes as smoothly as possible.

Technical Assurance of Performance Assurance Parties (changes for PAOP 7)

The BSC Panel and the PAB have expressed concerns about the commissioning process. In response the PAB have approved a Technical Assurance of Performance Assurance Parties (TAPAP) check on commissioning records - why they are provided (or not) to the Technical Assurance Agent. The results of the checks will be used to build up our collective understanding of the issues and make the appropriate improvements to the processes.

The scope for the checks will be developed early in 2014 and checks undertaken between April and July 2014. The checks will be applied to MOAs and Suppliers against Settlement Risks 0022, 0112 and 0116 with net significances of 20, 16 and 12 respectively.

The PAT deployment rationale in the ROP ledger has been updated for HH MOAs against these settlement risks with:

"A TAPAP check on the general availability and accuracy of commissioning records for a HH Metering System (inclusive of measurement transformers) may be applied to MOAs with respect to this risk. We will select candidates based on performance in context of non-compliances applied by the TAA for commissioning records being inaccurate, incomplete or not provided for inspection."



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Supplier Charges (no for changes for PAOP 7)

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).

Material Error Monitoring (potential for changes for PAOP 7)

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. Data requested from Suppliers in support of this work is due 20/09/13, with ELEXON's analysis and recommendations to be presented to the PAB in October. 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 7)

KPMG will be appointed as the new Qualification Service Provider on 1 October 2013. It is possible that changes to the deployment of the techniques may be recommended following the September 2013 PAB meeting.

Until then Qualification and re-Qualification will continue to cover all of the key Settlement processes.

Other Techniques (no changes for PAOP 7)

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.



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3 Estimated Costs for Exercising Performance Assurance Techniques

The cost of delivering the Performance Assurance Framework in 2014/15 is shown below along with the 2013/14 forecast as published in the 2013/14 ROP and the July Full Year (FY) 2013/14 forecast⁴ for comparison.

| Cost Type | ROP 2014/15 Forecast (£) | July FY 2013/14 Forecast (£) | ROP 2013/14 Forecast (£) |
|--------------------|--------------------------|------------------------------|--------------------------|
| Operational | 913,500 | - | 950,000 |
| Contractual | 2,459,100 | 2,170,400 | 3,100,000 |
| Total | 3,372,600 | - | 4,050,000 |

Source: ELEXON Finance (provisional only).

The 2014/15 forecast contractual costs are provided by ELEXON's Finance team and are based on Yr2 of the 13/16 Budget. These figures are provisional at the time of writing and will be subject to change as contracts are finalised later in the year. The 2014/15 forecast operational costs are based on current staff numbers, daily rates and staff allocated time to PAF activities⁵.

4 References and Additional Information

| Document |
|--|
| <u>Risk Evaluation Methodology 2014/15</u> |
| <u>Risk Evaluation Register 2014/15</u> |
| <u>Performance Assurance Techniques</u> |
| <u>PAF Techniques Guiding Principles</u> |
| <u>Glossary</u> |

⁴ This is a combination of actual expenditure to July and forecast to the year end.

⁵ Operational costs for the delivery of PAF processes are not available as a July FY 2013/14 forecast. These costs are only calculated on an annual basis for the purpose of the PAF annual reports.



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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 2014/15

| 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 |
| 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 |
| 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 |
| 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. | 16 |
| 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 |