

PUBLIC

Risk Operating Plan 2015/16

For PAB endorsement

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RISK OPERATING PLAN 2015/16

CONTENTS

INTRODUCTION.....3

Description of the Risk Operating Plan3

How to use the Risk Operating Plan and ledger3

Management of Central Volume Allocation (CVA) and Central Systems Settlement Risks3

Management of Supplier Volume Allocation (SVA) Settlement Risks3

PERFORMANCE ASSURANCE TECHNIQUES5

Application of Performance Assurance Techniques to top Settlement Risks 13

AMENDMENTS TO THE RISK OPERATING PLAN15

Deployment of Performance Assurance Techniques 15

ESTIMATED COSTS FOR EXERCISING PERFORMANCE ASSURANCE TECHNIQUES.....18

REFERENCES.....19

FURTHER INFORMATION19

RISK OPERATING PLAN 2015/16

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 Balancing and Settlement Code (BSC). The ROP sets out how the Performance Assurance Board (PAB) will provide assurance in respect of Settlement Risks and the estimated cost of delivering this assurance. It describes the Performance Assurance Techniques (PATs) can be deployed against each Settlement Risk for each class of Performance Assurance Party (PAP).

How to use the Risk Operating Plan and ledger

The Risk Operating Plan ledger is a shorter version of the Risk Evaluation Register. It sets out the PATs applied to each risk and who the impacted class of PAP are for that risk. By filtering the ROP ledger by class of PAP (e.g. Supplier, Data Collector, Meter Operator Agent) a Party/agent is able to identify all the Settlement Risks that impact them and what PATs can be applied to those risks. The ROP document then sets out the PATs that may be applied to each class of PAP and identifies any changes to the deployment of PATs for a particular Performance Assurance Operating Period (1 April to 31 March). For example Requalification (R-QUAL) is listed as a PAT that can be applied to SR0022¹ and Suppliers are listed as an impacted class of PAP against that risk. However, by referring to the Performance Assurance Technique table in the ROP document a Supplier will know that R-QUAL is a PAT which is not applied against Suppliers.

Much of the PAB's focus is directed towards the top Settlement Risks where there is a greater emphasis on performance improvement. For this reason the top Settlement Risks, applicable PATs and impacted class of PAP are provided in Table 2 of this document.

Management of Central Volume Allocation (CVA) and Central Systems Settlement Risks

In order to manage CVA and Central Systems Settlement Risks PATs are deployed as mandated within the BSC. 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 be subject to the Supplier Volume Allocation Qualification, re-Qualification and Removal of Qualification processes; and
- CVA Metering Systems will be within the scope of the Technical Assurance of Metering Systems technique delivered by the Technical Assurance Agent.

Management of Supplier Volume Allocation (SVA) Settlement Risks

¹ The risk that HHMOAs do not provide correct Meter Technical Details to the HHDCs resulting in Meter readings being misinterpreted or not collected.

RISK OPERATING PLAN 2015/16

A minimum net significance threshold of 4 has been set, below which no assurance techniques will be applied, unless mandated by the BSC. This is based on the gross probability and impact scoring set out in the Risk Evaluation Methodology.

High Impact Settlement Risks

Any Settlement Risks identified as having the most severe impact (i.e. a Gross Impact of 5) will be subject to Performance Assurance Techniques irrespective of the minimum net significance threshold. There are currently no Settlement Risks that fulfil this criterion.

Types of Performance Assurance Techniques

While a PAT is assigned to a Settlement Risk, it may not be deployed in all cases.

Mandatory Performance Assurance Techniques are those PATs that the PAB is required to apply to a class of PAPs because they are mandated by the BSC (e.g. Supplier Charges). Mandatory PATs may provide assurance in respect of one or more identified Settlement Risks.

Standard Performance Assurance Techniques are the default PATs that the PAB will apply uniformly across the class of PAPs that have been assigned the Settlement Risk in question. Standard Performance Assurance Techniques may not always be applied to a class of PAP and, where this is the case, an explanation will be provided in the Risk Operating Plan.

Non-Standard Performance Assurance Techniques are extra PATs that the PAB may consider applying to derive additional assurance that one or more PAPs in a particular class of PAPs are addressing the Settlement Risks that have been assigned to it. Where Non-Standard Performance Assurance Techniques are applied an explanation will be provided in line with the relevant Balancing and Settlement Code Subsidiary Document. Where the PAB observes significant failures, over a range of risks, it will look to deploy Breach and Default and Removal of Qualification techniques.

Performance Assurance Techniques Triggered by Performance Assurance Parties

Qualification, Re-Qualification and Bulk Change of Agent are PATs that can be triggered by a class of PAP. Where a Settlement Risk is below the minimum net significance threshold these PATs will still be recorded against those Settlement Risks.

Within Period Revisions

Whilst the ROP will be reviewed on an annual basis in line with the Annual Performance Assurance Timetable, a 'within period revision' of the ROP may be performed to facilitate variations to risks and/or assurance techniques. This provides the flexibility to refocus should a significant risk arise during the Performance Assurance Operating Period.

RISK OPERATING PLAN 2015/16

PERFORMANCE ASSURANCE TECHNIQUES

There are 16 PATs available to manage Settlement Risks. These techniques and the class of PAP that they may be applied to are summarised in Table 1 below. Further details on the PATs are in the [PAF Techniques Guiding Principles](#) and in the [Risk Evaluation Methodology](#).

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|---|---|--------|---|---|
| Qualification (QUAL) Non-standard | The process is designed to provide assurance that new organisations entering the market in certain roles have developed their systems and processes to an appropriate standard in order to meet their obligations under the BSC. This constitutes the approval of "Qualified status" to new participants (applicants) seeking to enter Settlement based upon: a declaration from an officer of the applicant that it will meet the requirements of the BSC and an independent review of evidence and risk-based witnessing of testing. | HH/NHH | DA DC MA MOA LDSO Supplier SMRA UMSO | Defined in Section J of the BSC and detailed in BSCP537 "Qualification Process for SVA Parties, SVA Party Agents and CVA MOAs". Section Z of the BSC sets out PAB's responsibilities with regard to the Qualification process. |
| Re-Qualification (R-QUAL) Non-standard | Once an organisation is Qualified in a certain role (other than Suppliers), that organisation is required to maintain its Qualified status through the re-Qualification process when it makes material Changes to its previously Qualified systems and/or processes. This requires re-approval of "Qualified status" for existing participants (applicants) seeking to make material changes to their systems and processes: a declaration from an officer of the applicant that it will continue to meet the requirements of the BSC and | HH/NHH | DA DC MA MOA LDSO SMRA UMSO | Defined in Section J of the BSC and detailed in BSCP537 "Qualification Process for SVA Parties, SVA Party Agents and CVA MOAs". Section Z of the BSC sets out PAB's responsibilities with regard to the Re-Qualification process. |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|---|---|--------|---|--|
| | an independent review of evidence and risk-based witnessing of testing. | | | |
| Bulk Change of Agent (BCoA) Non-standard | Where responsibilities change for large volumes of Metering Systems, this preventative technique ensures that such Bulk Changes of Agent are only carried out where the Panel is satisfied that the Supplier, Supplier Agents and SMRAs involved can undertake the necessary procedures in a controlled and competent manner without adversely impacting their daily operations and other Suppliers within the SMRS; thereby protecting the integrity of Settlements. | NHH | DA DC MA MOA Supplier | Defined in Section J of the BSC and detailed in BSCP513 "Bulk Change of NHH Supplier Agent". |
| Education Non-standard | Publication of guidance on common (market) issues identified by the PAF and on the best ways to address them. This may include a view of root causes of these issues. It may also reference other areas of the BSC that may help in monitoring or controlling the issue in some way. This excludes sharing of business operational practices as these are confidential and are an area where competitive advantage may be gained. In addition to these communication and education mechanisms, ELEXON assigns an Operational Support Manager (OSM) to each BSC Party and Party Agent when they accede to the BSC. The OSM provides a first point of contact and is able to provide support and guidance | HH/NHH | DA DC MA MOA LDSO Supplier SMRA UMSO | Section C3.1.1 (e) of the BSC states that BSCCo is responsible for the provision of such facilities, services and information in connection with the implementation of the BSC as it may provide or the BSC Panel may require. |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|--|--|--------|---|--|
| | regarding the BSC arrangements. | | | |
| Performance Monitoring and Reporting (PM) Mandatory | <p>The Performance Reporting and Monitoring process constitutes a detective technique that complements the BSC Audit and Technical Assurance processes through the provision of quantitative data designed to identify performance at key control points in Settlement processes.</p> <p>The Performance Assurance Reporting and Monitoring System (PARMS) Serials and Standards are defined Service Levels on Suppliers, Non Half Hourly and Half Hourly Data Aggregators, Non Half Hourly and Half Hourly Data Collectors, Non Half Hourly and Half Hourly Meter Operator Agents and Supplier Meter Registration Service Agents (SMRS).</p> <p>The purpose of the Serials is to provide assurance that participants are meeting their obligations in the BSC and Code Subsidiary Documents. The Serial determines the process being measured, and the Standards are the measurement points within the process.</p> | HH/NHH | DA DC MOA Supplier SMRA | <p>The Serials and Standards are established in Annex S-1 of the BSC and identified within Section J of the BSC as being further defined in BSCP533 "PARMS Data Provision".</p> <p>Section Z of the BSC sets out PAB's responsibilities with regard to performance monitoring and reporting.</p> |
| Material Error Monitoring (MEM) Standard | <p>The Material Error Monitoring process constitutes a detective technique that complements the BSC Audit, Technical Assurance and Trading Disputes processes through the provision of quantitative data designed to quantify the contribution made by Performance Assurance Parties to error and the impact of</p> | NHH | DA DC LDSO MA MOA Supplier SMRA UMSO | <p>Section C3.1.1 (n) of the BSC states that BSCCo is responsible for monitoring whether any Party is or could be in Default of the BSC (in accordance with Section H3). Data is collected by the PAB in order to calculate and track identified material errors on a regular basis.</p> |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|--|--|--------|---|---|
| | such errors on Performance Assurance Parties. | | | <p>This monitoring supports a range of assurance mechanisms including, but not limited to, the BSC Audit as noted in section Z7.1.2(f) of the BSC. It enables BSCCo to model and communicate the impact of identified settlement errors.</p> <p>The PAB establishes each set of reporting requirements as it considers necessary or appropriate in accordance with Sections Z1.4.2 and Z1.4.3 of the BSC.</p> |
| <p>Technical Assurance of Metering Systems (TAM)</p> <p>Mandatory, Standard, Non-standard.</p> | <p>The Technical Assurance Agent (TAA) service consists of a combination of sampled and targeted visits to sites with HH Metering Systems registered in SVA and CVA and is designed to monitor the compliance of these Metering Systems with respect to the requirements stated in the BSC and its Subsidiary Documents, in particular the Metering Codes of Practice (CoP). This provides a level of assurance that the metered values being passed into Settlement are representative of actual consumption.</p> | HH | DC LDSO MOA Supplier | <p>The Technical Assurance of Metering Systems is identified in Section Z of the BSC and the functions and activities of the Technical Assurance Agent (TAA) are set out in Section L of the BSC and detailed in BSCP 27 "Technical Assurance of Half Hourly Metering Systems for Settlement Purposes".</p> <p>Section Z of the BSC sets out PAB's responsibilities with regard to the Technical Assurance of Metering Systems process.</p> |
| <p>BSC Audit (BSCA)</p> <p>Standard</p> | <p>The BSC Audit involves reviewing systems and business processes at Suppliers, Supplier Agents and SMRS Agents, as well as the Central Settlement Systems in order to provide a level of assurance that the calculations and allocations that have been performed within Central Volume Allocation (CVA) and Supplier</p> | HH/NHH | DA DC MA MOA LDSO Supplier SMRA UMSO | <p>The BSC Audit is set out under section H5 of the BSC. The BSC requires that the BSC Audit is a compliance-based audit.</p> |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|---|--|--------|--|---|
| | <p>Volume Allocation (SVA) are in accordance with the BSC and its subsidiary documents.</p> <p>The scope of the BSC Audit is set by the Panel for each Audit year and includes the determination of the annual Audit Materiality Threshold.</p> <p>The BSC Auditor bases his opinion for a 'qualified' or 'unqualified' audit on the level of cumulative error discovered in Settlement against the acceptable level of error as defined by the Materiality Threshold. The Materiality Threshold was increased for the Audit Year starting in April 2005 following an industry consultation and is now set at 1. 5TWh which represents approximately 0.5% of the total annual electricity supplied across Great Britain.</p> | | | |
| <p>Technical Assurance of Performance Assurance Parties (TAPAP)</p> <p>Non-standard</p> | <p>The service consists of a combination of routine and targeted checks and site visits which seek to ensure that each Supplier or Supplier Agent continues to meet its obligations in respect of the BSC.</p> <p>The scope of work for Technical Assurance is agreed by the PAB on an annual basis. The scope is designed to cover gap areas, recently introduced requirements and significant market issues. Targeted checks may also be performed by BSCCo as and when required. Checks can either be performed centrally or as part of a site visit to a market participant.</p> | HH/NHH | <p>DA</p> <p>DC</p> <p>MA</p> <p>MOA</p> <p>LDSO</p> <p>Supplier</p> <p>SMRA</p> <p>UMSO</p> | <p>The process of Technical Assurance is identified in Section Z of the BSC and defined in BSCP535 "Technical Assurance".</p> <p>Section Z of the BSC sets out PAB's responsibilities with regard to the Technical Assurance process.</p> |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|--|---|--------|---------------------------------------|--|
| Peer Comparison (PC) Standard | Peer Comparison is designed to encourage performance improvement and compliance with the required standard through the publication of named Peer Comparison data to Trading Parties and also publicly on the BSCCo website. Suppliers and Supplier Agents are required to submit data for certain key performance Serials (Serials are defined above in the Reporting and Monitoring section). Graphs showing comparative performance levels are produced by BSCCo and then authorised for use by the PAB. A copy is also sent to all participants who appear on the graphs. | HH/NHH | Supplier | The process is identified in the BSC under section Z and is detailed in BSCP534 "PARMS Techniques". Section Z of the BSC establishes PAB's responsibilities with regard to Peer Group Comparison. |
| Removal of Qualification Non-standard | The PAB may remove previously granted Qualified status for Supplier Agents based upon historic performance and non-compliance with BSC requirements. As Suppliers must use Qualified Supplier Agents this constitutes a significant response to a breach of the BSC. | HH/NHH | DA DC MA MOA SMRA UMSO | Defined in Section J of the BSC and detailed in BSCP537 "Qualification Process for SVA Parties, SVA Party Agents and CVA MOAs". Section Z of the BSC sets out the PAB's responsibilities with regard to the Removal of Qualification process. |
| Breach and Default Non-standard | Formal notification may be provided to a BSC Party of persistent or material breach of the BSC. A failure to address this breach in all material respects with all reasonable diligence and so far as reasonably practicable may constitute a 'Default'. The Panel may apply specific provisions to Defaulting Parties including (but not limited to): notifying each other Party of such Default, suspending the | HH/NHH | LDSO Supplier | The breach and Default provisions are set out in section H3 of the BSC. Section Z of the BSC establishes PAB's responsibilities with regard to the PAB Escalation Cycle detailed in BSCP534 "PARMS Techniques" which may lead to escalation to the Panel. |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|--|--|--------|-----------------------|---|
| | right of the Party to submit: Energy Contract Volume Notifications, Metered Volume Reallocation Notifications, Bid-Offer Pairs, or, with the prior approval of the Authority, the right to register further Metering Systems and BM Units, or expelling the Party from the BSC in accordance with Section A5. | | | |
| Supplier Charges (SC) Mandatory | <p>Supplier Charges constitute liquidated damages that Suppliers incur for failing to meet applicable Performance Levels set out in the BSC. Pursuant to the BSC, each Supplier has agreed that each of the Supplier Charges represent a genuine pre-estimate of loss likely to be suffered by other Parties as a result of the failure of a Supplier to meet the appropriate Performance Level.</p> <p>The PARMS system calculates Supplier Charges per calendar month (reporting period) and by Grid Supply Point Group (GSPG). The charges are capped for each Supplier based on the Supplier energy take in the GSPG thus limiting the liability of any participant in any one reporting period.</p> <p>Ninety percent of the total capped Supplier Charges are then redistributed to other Non Half Hourly Suppliers in each GSPG pro-rated according to the energy registered to each Supplier for that month with a further ten percent of the total charge distributed to Trading Parties.</p> | HH/NHH | Supplier | <p>Supplier Charges are applied for failure to meet obligations set out in Annex S-1 of the BSC and are applied only to those Serials defined within Annex S-1. The process for managing Supplier Charges is detailed within BSCP536 "Supplier Charges".</p> <p>Section Z of the BSC sets out PAB's responsibilities with regard to Supplier Charges.</p> |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|---|---|--------|---|--|
| <p>Error and Failure Resolution (EFR)</p> <p>Non-standard</p> | <p>The Error and Failure Resolution (EFR) processes are managed by BSCCo and constitute a remedial assurance technique that is composed of a number of activities. The objective of the technique is to provide a structured and managed framework for the rectification of Party and Party Agent issues including areas of non-compliance and underperformance against obligations and standards prescribed in the BSC. The process includes the provision of general support and information. This technique ensures that action is taken to resolve issues identified in the detective techniques, in particular issues found during the BSC Audit and Technical Assurance checks.</p> | HH/NHH | <p>DA DC MA MOA LDSO Supplier SMRA UMSO</p> | <p>Section C3.1.1 (n) of the BSC states that BSCCo is responsible for monitoring whether any Party is or could be in Default of the BSC (in accordance with Section H3). The Error and Failure Resolution Process allows BSCCo to track areas of non-compliance and is identified in the BSC under section Z and detailed in the associated BSCP. Section Z of the BSC establishes PAB's responsibilities with regard to Error and Failure Resolution which interfaces with the PAB Escalation Cycle detailed in BSCP534 "PARMS Techniques".</p> |
| <p>Trading Disputes</p> <p>Non-standard</p> | <p>The process for resolving Trading Disputes is a remedial technique that provides a mechanism for the correction of identified Settlement errors. A Trading Query or Trading Dispute can arise where errors in the data, processes and/or rules used for the purposes of Settlement are identified and where such errors affect the amounts paid to or from Trading Parties. Trading Queries and Disputes can also arise as a result of errors in the determination of whether a Party is in Credit Default.</p> | HH/NHH | <p>DA DC MA MOA LDSO Supplier SMRA UMSO</p> | <p>The process for settling Trading Disputes under the BSC is set out in Section W of the BSC and is detailed in BSCP11 "Trading Queries and Trading Disputes". Section W of the BSC sets out TDC's responsibilities with regard to Trading Disputes.</p> |

RISK OPERATING PLAN 2015/16

| Performance Assurance Technique | Summary | HH/NHH | Impacted Class of PAP | BSC Obligation |
|---------------------------------------|---|--------|---|---|
| Change Mechanisms Non-standard | The PAB, on identifying a perceived weakness or defect in the arrangements set out in the BSC, may recommend to the Panel that a Modification Proposal is raised. Alternatively, the PAB may instruct ELEXON to raise a Change Proposal to address the identified defect. This provides a mechanism to correct areas of weakness within the design of Settlement under the BSC. This limits the scope of the technique to only those applications of the change process made in order to address specific defects relating to Settlement Risks. It is distinct from the more general Change Management function and the assurance that it may provide to Trading Parties. | HH/NHH | DA DC MA MOA LDSO Supplier SMRA UMSO | Amendments to the BSC, Code Subsidiary Documents, BSC Systems and associated documentation are subject to a formal change procedure as set out in Section F of the BSC. |

Table 1: Performance Assurance Techniques for Performance Assurance PartiesApplication of Performance Assurance Techniques to top Settlement Risks

The PAB will likely deploy more PATs against those risks with the highest net significance (net significance 12 and above). More frequent and detailed reporting is undertaken for these top risks and there is a greater focus on performance improvement. The top Settlement Risks for 2015/16, the PATs to be applied and the class of Performance Assurance Party (PAP) that are impacted by these risks are summarised in Table 2 below.

| Settlement Risk Number | Settlement Risk Title | Net Significance | PATs Applied* | Impacted Class of PAP |
|------------------------|---|------------------|---|------------------------------|
| SR0022 | The risk that HHDCs do not use the correct Meter Technical Details resulting in Meter readings being misinterpreted or not collected. | 20 | BSCA EFR PC PM QUAL R-QUAL TAM TAPAP | HHDC HHMOA HH Supplier |

RISK OPERATING PLAN 2015/16

| Settlement Risk Number | Settlement Risk Title | Net Significance | PATs Applied* | Impacted Class of PAP |
|------------------------|--|------------------|---|----------------------------------|
| SR0072 | The risk that NHHDCs process incorrect Meter readings, resulting in erroneous data being entered into Settlement. | 12 | BSCA EFR MEM PM QUAL R-QUAL TAPAP | HHDA HHDC HH Supplier |
| 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 | BSCA EFR TAPAP | NHHDC NHH Supplier |
| SR0074 | The risk that NHHDCs do not collect and / enter valid Meter readings resulting in old/default data entering Settlement. | 15 | BSCA EFR PC PM QUAL R-QUAL SC TAPAP | NHHDC NHHMOA NHH Supplier |
| SR0024 | The risk that NHHMOAs do not provide Meter Technical Details to the correct NHHDCs resulting in Meter readings being not collected. | 12 | PC PM | NHHDC NHH Supplier NHH MOA |
| SR0025 | The risk that HHMOAs do not provide Meter Technical Details to the correct HHDCs resulting in Meter readings being not collected. | 12 | BSCA PM EFR PC PM QUAL R-QUAL TAM TAPAP | HHDC HHMOA HH Supplier |
| 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 | BSCA EFR PC PM QUAL R-QUAL | HHDC HHMOA HH Supplier |

RISK OPERATING PLAN 2015/16

| Settlement Risk Number | Settlement Risk Title | Net Significance | PATs Applied* | Impacted Class of PAP |
|---|---|------------------|---|--|
| | | | TAM TAPAP | |
| SR0111 | The risk that NHH Metering Systems are tampered with resulting in under-accounting of energy in Settlement. | 12 | BSCA EFR QUAL R-QUAL TAPAP | NHHDC LDSO NHHMOA NHH Supplier |
| SR0112 | The risk that HHDCs use data from faulty Metering Systems resulting in incorrect data being entered into Settlement. | 12 | BSCA EFR QUAL R-QUAL TAM TAPAP | HHDA HHDC LDSO HHMOA HH Supplier |
| SR0116 | The risk that Import / Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement. | 12 | BSCA EFR QUAL R-QUAL TAM TAPAP | HHDC LDSO HHMOA HH Supplier |
| SR02686 | The risk that non Half Hourly Import / Export Metering Systems are incorrectly installed / configured resulting in inaccurate data entering Settlement. | 12 | BSCA EFR QUAL R-QUAL TAPAP | NHHDC LDSO NHHMOA NHH Supplier |
| *Please refer to Table 1 for explanation of acronyms. | | | | |

Table 2: Top Settlement Risks and impacted Performance Assurance Parties.

AMENDMENTS TO THE RISK OPERATING PLAN

Deployment of Performance Assurance Techniques

There have been no new or significant changes to Settlement Risks identified for 2015/16. We are, however, introducing some changes to the deployment of some of the Performance Assurance Techniques. These are summarised in below.

BSC Audit

The BSC Audit scope continues to shift from a 100% compliance based audit, towards one focused on both risk to Settlement and compliance. This approach will see a shift towards examining the controls around processes that

RISK OPERATING PLAN 2015/16

Parties have in place to mitigate risk. Parties will need to start considering controls this year, but will not be audited against them until 2015/2016 subject to PAB approval.

Change Mechanisms

A BSC Change Proposal (CP) is being raised to amend Trading Dispute raising forms so that a breach of, or misapplication of a stated BSC rule must be identified by the raising Party. It will be made clear that Parties that do not identify a Code breach or misapplication will be rejected. The proposed implementation date is 25 June 2015.

PAB continue to consider how changes made to the BSC to accommodate smart meters and the introduction of Electricity Market Reform may affect Settlement risks and whether any changes are required in terms of mechanics and deployment of assurance activities. Any changes to the ROP will be raised as a within period revision.

Issue 49 'Change of Measurement Class (CoMC) process for Advanced Meters' proposed a number of changes to address the problems with the CoMC process². PAB will monitor these changes to determine if any further amendments to the Code are required. The impact of [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) and [P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes \(DCP179\)'](#) will also be considered as part of this review.

Education

The definition of 'Education' is to be amended. It will retain the existing scope but make it clear that:

- Education is not intended to mitigate the entire risk of any possible failure or error in a step or process required under the Code;
- ELEXON shall provide support under these provisions on a reasonable endeavours basis and that, where applicable, such support will be subject to an agreed understanding of the particular query that has given rise to the Trading Dispute.

Education on commissioning requirements will be undertaken as part of the follow up to the implementation of [P283 'Reinforcing the Commissioning of Metering Equipment Processes'](#). Parties and agents will be contacted by ELEXON closer to the time.

Education on the implementation of a controls based framework for the 2015/2016 BSC Audit will be undertaken prior to the 2015/16 Audit. Parties and agents will be contacted by ELEXON closer to the time.

Material Error Monitoring

A review of the EAC/AA thresholds was undertaken in 2012/13 and resulted in industry levels being reduced. The current thresholds are shown in the table below. These thresholds became effective from 1 April 2014.

| Profile Class | Description | Threshold (kWh/Year/Register) | |
|---------------|---------------------------------|-------------------------------|---------|
| | | Upper | Lower |
| 1 | Domestic Unrestricted | 128,000 | -50,000 |
| 2 | Domestic with Switched load | 88,000 | -50,000 |
| 3 | Non-Domestic Unrestricted | 200,000 | -35,000 |
| 4 | Non-Domestic with Switched load | 140,000 | -35,000 |
| 5 | Load Factor < 20% | 220,000 | -35,000 |
| 6 | Load Factor 20% to 30% | 320,000 | -35,000 |

² [CP1409, CP1410, CP1411](#).

RISK OPERATING PLAN 2015/16

| | | | |
|---|------------------------|---------|---------|
| 7 | Load Factor 30% to 40% | 430,000 | -35,000 |
| 8 | Load Factor > 40% | 552,000 | -35,000 |

Qualification and Re-Qualification The implementation of P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8' will result in all Advanced Meters, that are currently in Non Half Hourly Profile Classes 5-8 being settled on a half hourly basis and Suppliers and agents will need to be Half Hourly (HH) qualified prior to being appointed to HH sites. Operational Support Managers will be contacting all Suppliers and agents to ensure that they are aware of the implications of P272 in relation to HH Qualification.

Supplier Charges

P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8' specifies that the definition of PARMS Serial SP04 should be expanded to include monitoring of Advanced Meters to ensure they are settled on a Half Hourly basis (SR0119³). A paper which is currently being drafted for the October PAB meeting discusses this further. Any changes to the ROP in relation to Supplier Charges will be delivered as a within period revision.

Technical Assurance of Metering Systems

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. The PAB approved an increase to the Central Volume Allocation main sample size from 5% to 14.75% to be applied from the 2014/2015 audit year to 2017/2018. The main sample size for Supplier Volume Allocation sites will continue to be 1%.

In addition, the TAA has highlighted that the number of Category 1.04 non-compliances (Half Hourly Metering Systems with incorrectly programmed Current Transformer/Voltage transformer (CT/VT) ratios) has increased year on year for the last five years and consider this to be a significant market issue. In response, we propose to work with the TAA to carry out a specific sample of around 100 sites with dual ratio CTs to help to identify root causes behind the non-compliances.

Currently ELEXON/PAB's working practice with the Technical Assurance Agent (TAA) is that only sites that are in Measurement Class C (which the Code defines as Half Hourly Metering Equipment at above 100 kWh Premises) are included in the TAA's sample for inspection i.e. the HH sites that will have the biggest impact on Settlement volumes if the Metering System or Meter Technical Details used by agents have an error.

ELEXON does not intend to change this arrangement following the implementation of P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8. However, BSCP27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes' provides the flexibility to determine the Metering Systems that are included in the TAA sample and the Technical Assurance of Metering scope. Therefore, the samples for both the main sample and any specific or targeted samples could change to include sites that are under 100 kWh if a case were made that it should.

Technical Assurance of Performance Assurance Parties

P283 'Reinforcing the Commissioning of Metering Equipment Processes' is to be implemented on 6 November 2014. The Modification places commissioning obligations on the Transmission Company and Licenced Distribution System Operators because the Registrant and Meter Operator Agent are often not well placed to complete Metering Equipment commissioning. We will implement a check on all Half Hourly (HH) Supplier, Meter Operators and LDSOs

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.

RISK OPERATING PLAN 2015/16

against Settlement Risks SR0022⁴, 0112⁵, 0113⁶, and 0116⁷ to verify that all aspects of P283 have been successfully implemented. This will be an onsite check and will be completed by early summer 2015.

We will assess the output of the increased CVA main sample size at the end of 2014/15 and recommend appropriate actions to the PAB. This may include further inspection visits, or further drill down checks of commissioning processes and/or records.

ESTIMATED COSTS FOR EXERCISING PERFORMANCE ASSURANCE TECHNIQUES

The cost of delivering the Performance Assurance Framework in 2015/16 is shown below.

| Cost Type | ROP 2015/16 Forecast (£) |
|-------------|--------------------------|
| Operational | 878,800 |
| Contractual | 1,583,464 |
| Total | 2,462,264 |

The 2015/16 forecast contractual costs are the latest revised figures⁸ from the BSC Budget 2014/17. These figures are subject to annual amendment to reflect contractual changes.

The 2015/16 forecast operational costs are based on current staff numbers, daily rates and staff allocated time to PAF activities. These figures are revised annually to reflect changing priorities, staff restructuring and future work streams. Currently no additional resources or budget requirements have been identified to deliver the 2015/16 ROP.

⁴ The risk that HHMOAs do not provide correct Meter Technical Details to the HHDCs resulting in Meter readings being misinterpreted or not collected.

⁵ The risk that HHDCs use data from faulty Metering Systems resulting in incorrect data being entered into Settlement.

⁶ The risk that the LDSO-owned Settlement Metering Equipment is not maintained resulting in incorrect data entering Settlement.

⁷ The risk that Import/Export Metering Systems are incorrectly installed/configured resulting in inaccurate data entering Settlement.

⁸ As of July 2014.

RISK OPERATING PLAN 2015/16

REFERENCES

| Table heading |
|---|
| Risk Evaluation Methodology 2015/16 |
| Risk Evaluation Register 2015/16 |
| Performance Assurance Techniques |
| PAF Techniques Guiding Principles |
| Glossary |

FURTHER INFORMATION

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