

PAB168/04 SR0081 SETTLEMENT RISK MONITORING

MEETING NAME Performance Assurance Board

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Purpose of paper Decision

Classification Public

Summary ELEXON has been monitoring SR0081 for a trial period of six months in an attempt to address the decrease in Half Hourly Settlement performance. ELEXON is proposing to increase the Probability and Impact of Settlement Risk 81 and continue monitoring SR0081 through Settlement Risk Report and Supplier Dashboards.

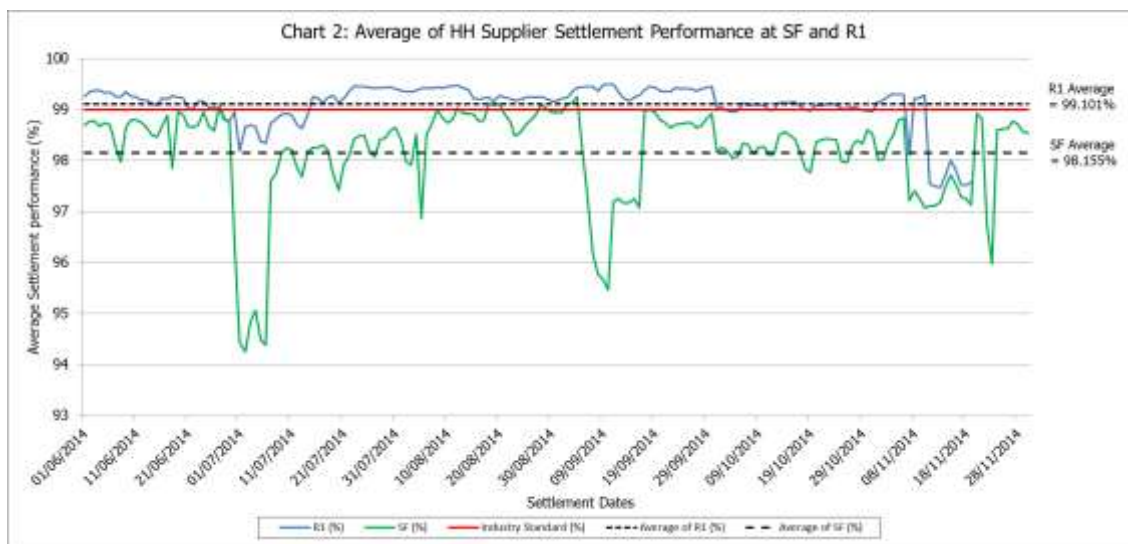
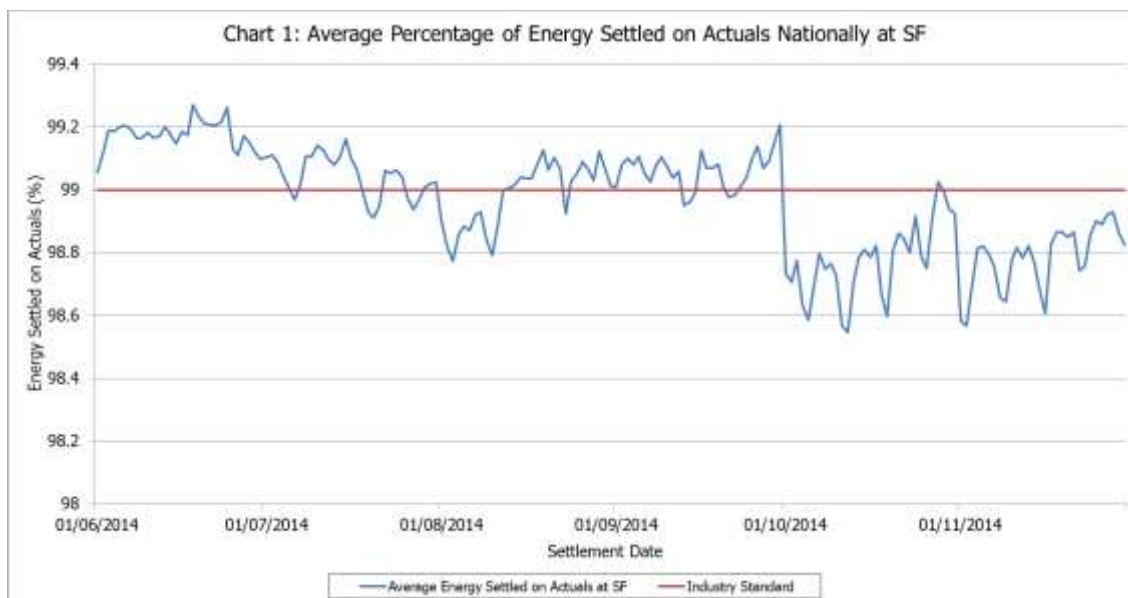
1. Background

- 1.1 At the July 2014 PAB Meeting, ELEXON proposed to trial Half Hourly (HH) performance monitoring by creating a BUSRR for Settlement Risk 81 (SR0081). This trial was proposed to last for an initial period of six months.
- 1.2 The reason behind the proposal was the decreasing trend that could be seen in HH Performance.
- 1.3 The criteria for the SR0081 BUSRRs were agreed in the July PAB meeting (PAB162/09) and have been trialled using actual data for the past six months, presented to the PAB meetings from July 2014 to December 2014 inclusive.
- 1.4 ELEXON agreed to present the results of the trial at the end of the initial six month period.

2. Current status of SR0081

- 2.1 The Risk Evaluation Register (RER) defines SR0081 as:
"The risk that HHDCs do not process valid HH readings resulting in estimated data being entered into Settlement."
- 2.2 The Gross Probability and Gross Impact are both currently set at 2, which gives a Gross Significance of 4. The Risk has a control rating of "Low"; therefore the Net Significance is also 4.
- 2.3 The rationale behind the low Net Significance value is that national HH Settlement performance had been maintained above 99% at the SF Settlement Run prior to 2014. While there has been decreasing trend observed since the peak in 2010 as noted in PAB158/01, the overall national performance had not dropped below 99% until September 2014. This is illustrated in Chart 1 for the period 1 June 2014 – 30 November 2014.
- 2.4 In 2014 the national HH Settlement performance dipped below the 99% level for 86 days out of the 183 day period from 1 June 2014 to 30 November 2014.
- 2.5 Chart 2 shows the average of Suppliers' HH performance at SF and R1 looking at the period 1 June 2014 to 30 November 2014. During this period at SF, average Supplier performance across the industry has been below 99% at 98.10%. The average improves at R1 to 99.10% at industry level.
- 2.6 The improvement of average Supplier performance from SF to R1 as seen in Chart 2 indicates that Suppliers are identifying issues at SF and are able to rectify those issues before R1.

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2.7 Currently, Suppliers are charged for HH underperformance through the Supplier Charges associated with PARMS Serial SP08b. The Supplier Charge for Serial SP08b is currently set at £0.20/MWh for energy settled below 99% at SF and a charge of £2.17/MWh for energy settled below 99% at R1. However, there is currently no formal monitoring of HH Performance reported to PAB. BSC Annex S-1 paragraph 2.28 states the requirement for HH Suppliers to settle at least 99% of energy on Actual reads.

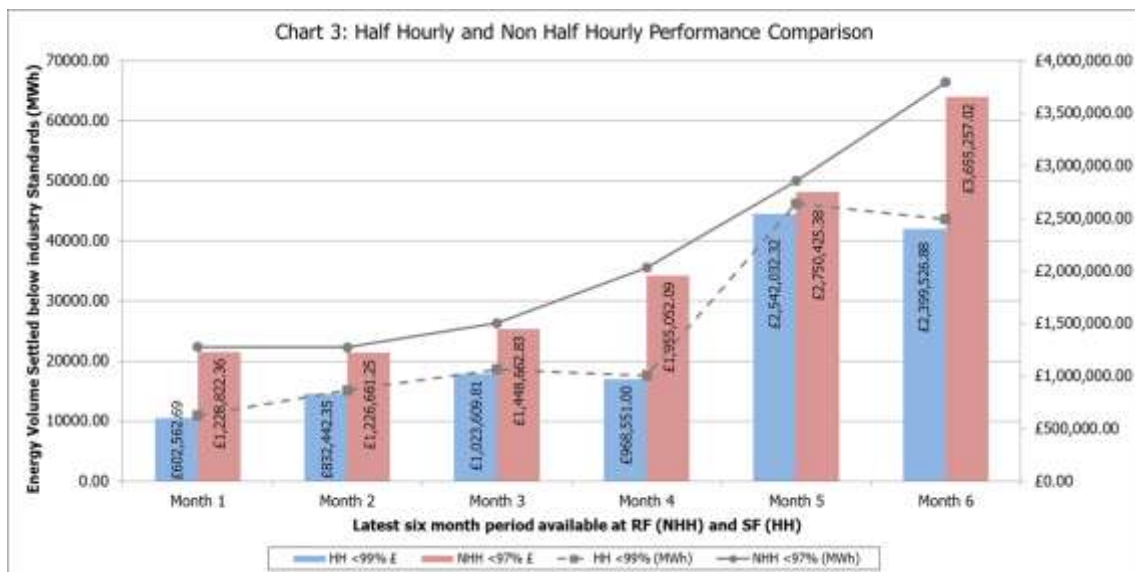
3. Summary of six month trial monitoring of HH Performance

3.1 The results from the past six months of monitoring are shown in Appendix 1.

3.2 Chart 3 below shows the energy volumes and monetary impact of energy settled below 99% for the past six months at SF for Half Hourly Performance (1 June 2014 – 30 November 2014) and below 97% for the past six months at RF for NHH Performance (1 May 2013 – 31 October 2013). The monetary impact has been

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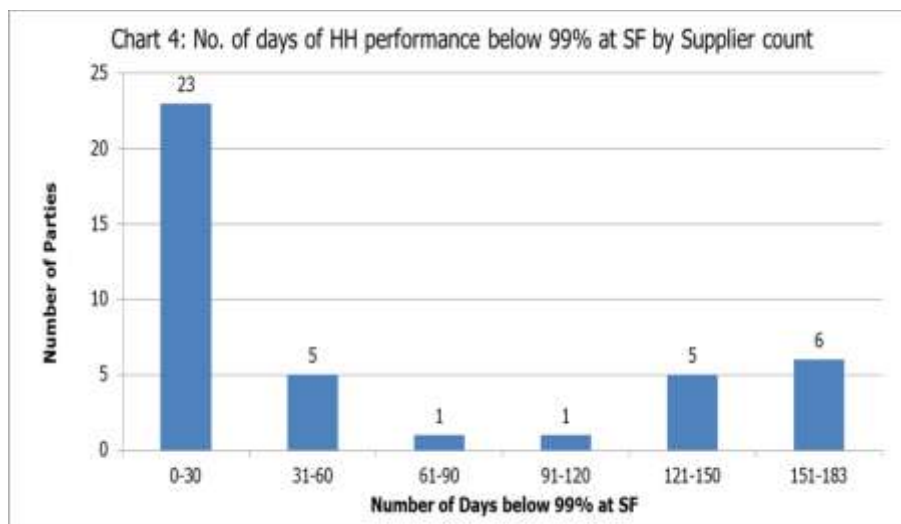
calculated with the current Credit Assessment Price (CAP)¹ of £55/MWh to give an estimate of the materiality of the energy affected by underperformance.



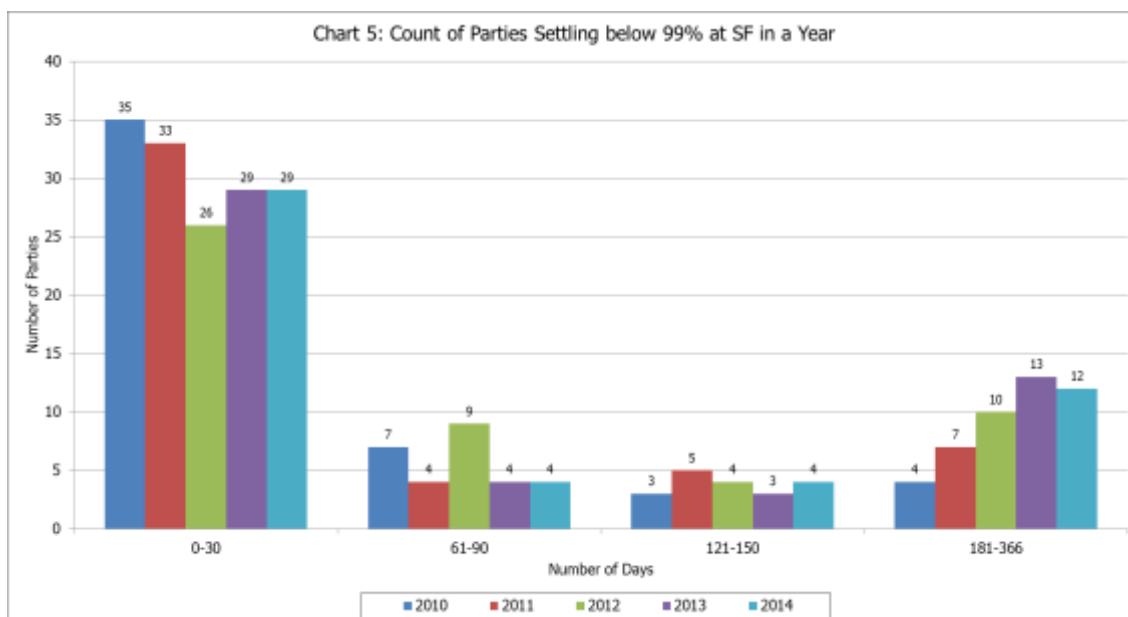
- 3.3 Over the six month period, the materiality of HH underperformance at SF has increased to a level comparable to the materiality of NHH underperformance at RF. This is not unexpected, given the decrease in performance reported to PAB in previous months.
- 3.4 The recent monitoring of HH Settlement performance shows that the probability of Suppliers settling below 99% has increased. Chart 4 illustrates the number of Suppliers which have settled below 99% for one day or more within the period 1 June 2014 – 30 November 2014. 12 Suppliers have been settling below 99% of their energy volume for more than half of the six months period and six of those Suppliers have settled below 99% for at least five out of the six month period.

¹ Credit Assessment Price for the period 23 October 2014 to 11 February 2015

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3.5 Chart 5 compares the number of days Suppliers have settled below 99% at SF for 2010 to 2014. The number of Suppliers settling below 99% for more than six months of a year has been increasing since 2010. This increase has clearly impacted the national Settlement performance as seen in Chart 1 where HH Settlement performance dropped below 99%.



4. ELEXON's proposal of SR0081 monitoring

- 4.1 Due to the continued decrease of HH Performance, ELEXON believes that the Gross Probability, Gross Impact and Net Significance for SR0081 should be reviewed and amended to reflect the current situation.
- 4.2 The Probability of SR0081 has increased as shown by the increase in the number of days Suppliers are settling below 99%. The Impact of the drop in HH performance is that current national Settlement performance is below 99% and continuing to decrease. These show the need for reviewing both the Gross Probability and Impact with the potential of increasing both these ratings.

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- 4.3 Considering the materiality of energy settled below 99% at SF is comparable to the NHH materiality of energy settled below 97% at RF, ELEXON is proposing the Gross Probability be increased to 4 and the Gross Impact be increased to 3 mirroring the current Gross Impact for SR0074.
- 4.4 With the changes to the Probability and Impact along with the current low level of controls, the Net Significance (calculated from the Probability, Impact and Controls in place as detailed in the Risk Evaluation Methodology 2014-2015) will increase to 12.
- 4.5 Along with the increase of the Net Significance to SR0081 it will be classified as one of the Top Settlement Risks which are currently included in the monthly SRR and Supplier dashboards presented to PAB.
- 4.6 The trial period of the SR0081 monitoring was carried out at SF and RF. We propose changing this to monitoring only at SF. This is because an underperforming Supplier can be identified at SF by their OSM through the Supplier dashboards, and potentially gives the Supplier an opportunity to investigate the underlying issues and time to rectify these issues by R1.
- 4.7 If a Supplier obtains a RED BUSRR, this would highlight to the Supplier that there is an issue preventing settling on actuals and prompt a resolution action. If the issues are not resolved by R1, the underperforming Supplier will incur higher Supplier Charges through Serial SP08b.
- 4.8 The HH Performance monitoring will only include non-elective HH Metering Systems which are identified by Component Consumption Class Id (CCC Id) 1 and 9.
- 4.9 The current system build of the SRRT which produces the SRR and Supplier Dashboards does not consider elective Metering Systems (CCC Ids 23 & 28). There is currently an obligation for elective HH metering systems to settle at 99% by RF and this is monitored through Supplier Charges by PARMS Serial SP08c.
- 4.10 Due to the system limitation of the SRRT, the energy share calculated for HH and reported in the SRR and Supplier Dashboards does not include elective metering system which accounts for approximately 0.55% - 0.60% of the total HH energy volume.
- 4.11 We propose that the previous BUSRR criteria (see below) be maintained and applied to the SF performance.

MEASURE	RED	AMBER	GREEN
A Supplier settles at least 99% of its energy on Actuals at SF.	Less than 99% of HH Energy Settled on Actuals at SF at an aggregated level across all GSP Groups for the Reporting Period AND greater than 500MWh of Energy Settled on Estimates.	Less than 99% of HH Energy Settled on Actuals at SF at an aggregated level across all GSP Groups for the Reporting Period AND less than 500MWh of Energy Settled on Estimates.	99% (or greater) of Energy Settled on Actuals at SF at an aggregated level across all GSP Groups for the Reporting Period.

- 4.12 The current 500MWh adjustment is in place to avoid penalising smaller Suppliers with smaller market share where any underperformance may not have such a significant impact compared to Suppliers with bigger market shares.

5. Error Failure Resolution (EFR)

- 5.1 In line with current procedures, we propose that where Parties obtain three consecutive RED BUSRRs at SF, they will become a candidate for being placed into the EFR process.

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- 5.2 Parties obtaining three RED BUSRRs at SF would mean that a Supplier is encountering issues that prevent it from settling at 99%.
- 5.3 Once a Supplier is identified as a candidate for being placed into the EFR process, we would get approval from PAB to switch the EFR technique on for that Supplier.
- 5.4 Applying the criteria above, six Suppliers would have been recommended to be placed into EFR based on their SF BUSRRs for the last six month reporting period (August 2014 – Jan 2015).

6. Recommendations

- 6.1 We invite you to:
 - a) **APPROVE** that ELEXON continues monitoring SR0081 at SF through its inclusion to the Settlement Risk Report and Supplier Dashboards.
 - b) **APPROVE** that the Gross Probability, Gross Impact and Net Significance of SR0081 be revised and instruct ELEXON take the appropriate steps to make the changes.
 - c) **APPROVE** the criteria to consider placing Suppliers in Error Failure Resolution.

Appendices

Appendix 1 – Past Six Months BUSRRs (CONFIDENTIAL)

For more information, please contact:

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