

PUBLIC

Risk Operating Plan 2019/20



Status: For consultation
Date effective from: 01 April 2019

RISK OPERATING PLAN

RISK OPERATING PLAN



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EXECUTIVE SUMMARY

The Risk Operating Plan (ROP) is a key Performance Assurance document, as it sets out how ELEXON, as the Performance Assurance Administrator (PAA), will seek to mitigate Settlement Risks within the Electricity Market.

Using the approved Risk Evaluation Methodology (REM) to score and evaluate risks, documented in the Risk Evaluation Register (RER), this plan creates a prioritisation and focus of that register, as instructed by the Performance Assurance Board (PAB).

For 2019/20, there are a number of risks that the PAB is placing greater focus on, which are related to correct installation of metering equipment and resolution of faults, and retrieval and management of metered data:

- SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all – risk no. 3
- A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 5
- A fault with CVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved – risk no. 23
- SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met – risk no. 7
- CVA metered data is not retrieved, or processed correctly, or at all, by the CDCA – risk no. 21
- Unmetered Supplies volumes are calculated incorrectly or not at all – risk no. 11
- The energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System – risk no. 16
- Revenue Protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement – risk no. 18

The combined forecast error that is likely manifest in 2019/20 without mitigation is £296m. We present this number as a useful view of the scale of potential Settlement Error only - it would be misleading to sum the forecast error of each risk to a total amount of error, due to the amount of assumptions and as individual errors can manifest in multiple risks as the impact works along the "meter-bank" process.

We anticipate approximately £23m can be mitigated through application of assurance techniques, forecast cost of which is approximately £3.4m. Key mitigation techniques planned to be deployed in the year include developing additional Material Error Monitoring reports, Technical Assurance of Performance Assurance Party checks (targeted audits), and provision of guidance on specific areas of BSC obligations to support parties' compliance. We will also carry out several analysis exercises to better understand various aspects of the risks, including prevalence of root causes.

PAB will report progress towards these goals through the year, and in the 2019/20 annual report after the year end.

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Developments in BSC assurance

The Risk Operating Plan for 2019/2020 represents a key step change in our approach to risk mitigation.

Having re-assessed our approach to calculating and assessing the impact of each Settlement Risk (using the revised REM) and establishing a new, refreshed summary of risks in the RER, the ROP considers these documents, alongside the Performance Assurance Board Strategy, to provide a clear plan to address errors and inaccuracies within Electricity Settlement. The PAB and the PAA will continually review and adjust each Settlement Risk as it evolves throughout the coming year. This means that we can ensure our approach to Settlement Risk is as relevant, accurate and reflective of the marketplace, as industry events, changes and issues occur.

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INTRODUCTION

The Balancing and Settlement Code (BSC), Section Z 5.6, requires the Performance Assurance Board (PAB) to determine which Performance Assurance Technique (PAT) it considers should be applied for each Settlement Risk on the Risk Evaluation Register¹ (RER) for each year. The PAB will then prepare a plan (the Risk Operating Plan - ROP) setting out the technique deployment and the estimated cost of the techniques for the year (the Performance Assurance Operating Period – PAOP).

The PAB reviews the ROP annually, primarily based on the PAB's strategy (see below). A draft is published for Performance Assurance Parties (PAP) and other interested parties to comment on. Appropriate changes are made following consideration of any comments, after which the PAB (delegated from the Panel) is asked to approve and adopt the ROP.

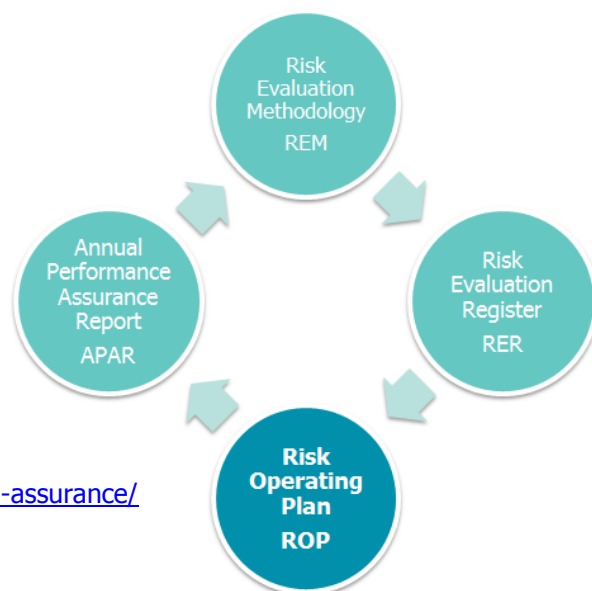
This document describes for assurance year 2019/20:

- the PAB's risk appetite through the Target Impact² set for each Settlement Risk
- the planned technique deployment to achieve the target impact
- the planned technique deployment to strengthen controls or mitigate events³
- the estimated costs of such deployment

ROP Ledger

This document is accompanied by the ROP Ledger, a spreadsheet setting out the detail of the planned technique deployment, with rationale to risks, controls and events.

This ROP is effective from April 2019 to March 2020



Where to find out more

- Contact Risk@elexon.co.uk
- Visit <https://www.elexon.co.uk/reference/performance-assurance/>

¹ The Risk Evaluation Register is available on the ELEXON website [\[link\]](#)

² The Impact is a £ error value forecast according to the Risk Evaluation Methodology – see the methodology for more information [\[link\]](#); the Target Impact is the £ error value that expresses the PAB's tolerance for the error

³ Events are scenarios that may impact multiple risks; they are described within the RER

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The PAB Strategy

The PAB Strategy for Performance Assurance Operating Period (PAOP) 2019/20 can be found here [\[link\]](#); in summary, the strategic objectives are:

- Regularly review future Industry changes and developments and consider consequential impacts on the Performance Assurance Framework (PAF), so that the RER reflects sources of risk in the relevant period, and the Performance Assurance Board (PAB) can determine appropriate technique deployment
- Ensure accurate allocation of Settlement volumes is a priority within performance management and risk mitigation through risk reviews, deployment of mitigating techniques and performance reporting
- Develop a more flexible approach to PAB meetings, membership and resources to allow the PAB to provide adaptable, consistent and effective performance assurance
- Create clear and visible communication channels between the PAB, PAPs and Ofgem, highlighting notable negative and positive performance and giving clarity to all stakeholders
- Provide transparency and feedback throughout the implementation period of the PAF. Review recommendations, to ensure the approach established reflects the changes approved by the PAB, and that PAPs understand the expectations placed on them and information required for them.

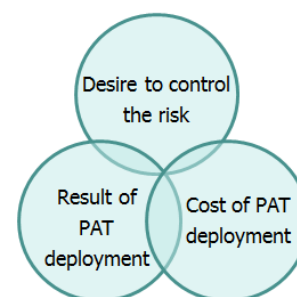
Risk appetite

The PAB Strategy informs the PAB’s consideration of risk appetite: the type and amount of Settlement Risk that can be tolerated in the coming year, when availability and cost of appropriate mitigation is factored in. The risks are evaluated using the REM⁴, and the results are captured in the RER.

The PAB will consider the extent to which each Settlement Risk should be controlled, what is feasible with the PATs available, and what is a reasonable amount to invest in those PATs.

The PAB will determine for each Settlement Risk

- a **target impact**, expressed in financial terms
- a **variance** from the current impact
- any **reduction in the volatility** that the PAB wishes to achieve



These are included within the RER e.g.:

RER									ROP			
ID	The risk that...	Impact	Impact Rationale	Impact band	Lower Impact	Upper Impact	Volatility	Volatility rationale	Target Impact	Variance	Target rationale	Target volatility
#	Title	£		1-5	£	£	H/M/L		£	£		Tolerate / reduce

⁴ The Risk Evaluation Methodology describes how risks are assessed and rated [\[link\]](#)

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Within-period revisions

The ROP is reviewed on an annual basis in line with the Annual Performance Assurance Timetable⁵ to be ready for the next PAOP on 1 April. A 'within-period revision' of the ROP may be applied to vary risk appetite or PAT deployment at any time in the year, to refocus risk management if required.

Within-period revisions of the ROP are approved by the PAB and may be published for comment by PAPs and other interested parties if the PAB considers it a material change.

Next steps

The PAB deploys the techniques as planned in this ROP against individual PAPs via Risk Management Determinations (RMD), in order to meet the Target Impacts. A log of RMDs is maintained by the PAB Secretary, except for techniques such as Supplier Charges or PARMS Serials, which are mandated to all PAPs in the relevant party type on a continuous basis.

ELEXON will produce the Annual Performance Assurance Report (APAR) for each PAOP, which will provide commentary on what was actioned and achieved in the year, and a comparison of costs against those forecast in the relevant ROP.

⁵ <https://www.elexon.co.uk/reference/market-compliance/performance-assurance/performance-assurance-processes/>

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PERFORMANCE ASSURANCE TECHNIQUES

There are 16 Performance Assurance Techniques (PAT) available to the PAB to manage Settlement Risks. A summary of the PATs and cost to serve information is below; full details are available on the ELEXON website [\[link\]](#).

Performance Assurance Technique	Technique Category	Technique Type
Qualification	Preventative	Non-standard Triggered by applicant; no flexibility in deployment
Re-Qualification	Preventative	Non-standard Triggered by PAB or PAP
Bulk Change of Agent (BCoA)	Preventative	Non-standard Triggered by Supplier
Education	Preventative	Non-standard Fully flexible – triggered by PAB
Performance Monitoring & Reporting	Detective	Mandatory Applicable to all relevant parties as per the BSC
Material Error Monitoring (MEM)	Detective	Standard Fully flexible – triggered by PAB
Technical Assurance of Metering Systems (TAM)	Detective	Standard Partly flexible – PAB manages scope
BSC Audit (BSCA)	Detective	Standard Partly flexible – PAB manages scope
Technical Assurance of PAPs (TAPAP)	Detective	Non-standard Fully flexible – triggered by PAB
Peer Comparison	Incentive	Standard Partly flexible – PAB decides Serials
Removal of Qualification	Incentive	Non-standard Fully flexible – triggered by PAB
Breach and Default	Incentive	Non-standard Fully flexible – triggered by PAB
Supplier Charges	Remedial	Mandatory Applicable to all relevant parties as per the BSC

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Error and Failure Resolution (EFR)	Remedial	Non-standard Fully flexible – triggered by PAB
Trading Disputes	Remedial	Non-standard Partly flexible – deployed for errors meeting BSC criteria
Change Mechanisms	Remedial	Non-standard Fully flexible, triggered by PAB

Mandatory PATs - Techniques which the PAB is required to deploy to a PAP because they are mandated by the BSC (e.g. Supplier Charges).

Standard PATs - Default techniques, assigned to the relevant Settlement Risk, that the PAB will usually deploy uniformly across PAPs (e.g. Material Error Monitoring); any exceptions will be described in the ROP.

Non-Standard PATs - Techniques that the PAB may consider deploying to mitigate the Settlement Risks to meet the Target Impact. Where the PAB deploys a Non-Standard PAT it will make a Risk Management Determination (RMD) in line with BSC Section Z 5.7.

Other Assurance Activities – In order for ELEXON to better understand a Settlement Risk, we carry out analysis and reporting to provide greater insight into the impact of a Settlement Risk. In addition, we may require further information from BSC Parties; these will be requested via formal RFI (Request for Information) as required.

Escalation

Where the PAB observes significant failures by a PAP over one or more Settlement Risk, and has exhausted all escalation steps within the Error and Failure Resolution (EFR) process (BSCP 538⁶) without sufficient improvement, it may consider initiating Breach and Default (for BSC Parties) or Removal of Qualification (for Party Agents).

⁶ <https://www.elexon.co.uk/bsc-and-codes/bsc-related-documents/bscps/>

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PLANNED PERFORMANCE ASSURANCE TECHNIQUE DEPLOYMENT

This section describes planned deployment of the PATs in 2019/2020 to meet the Target Impacts for the risks being prioritised this year (those with the highest Impact score or otherwise determined to be in focus). For full details of planned PAT deployment, refer to the accompanying ledger [\[link\]](#).

PAT deployment

A few PATs must be deployed as per the BSC provisions such as Performance Monitoring and Reporting (PARMS) and Supplier Charges. However most can be deployed flexibly by the PAB on a case-by-case basis.

For instance, the PAB can propose new questions to the Self-Assessment Document⁷ for Qualification applicants as a preventative action for Settlement Risks. Audits such as Technical Assurance of Metering (TAM) inspections, Technical Assurance of Performance Assurance Parties (TAPAP) checks or the BSC Audit can be deployed against individual PAFs or risk areas (e.g. types of Metering System or specific processes).

Planned analysis

In accordance with our revised approach to risk mitigation, some elements of our plan may require us to establish a more comprehensive understanding of a Settlement Risk. This may be achieved via analysis and reporting, either using existing or new data sources. In order to provide clarity on this, we have included any actions such as this within our focussed risks described on pages 11 -18 and in the ROP Ledger.

Target Impact and Volatility

In setting the Target Impact and Volatility values, we have estimated the level of improvement we could see over the year. This is a forecast value that we believe is achievable. However, there will be various factors outside of PAT deployment that could affect it – many of the Settlement Risks are primarily influenced by party actions, which the PAF can only incentivise and report on rather than directly control.

⁷ <https://www.elexon.co.uk/reference/market-entry/sva-qualification/>

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Risk Operating Plan for focussed risks

Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
3	SVA Metering Equipment is installed, programmed or maintained incorrectly including where Commissioning is performed incorrectly or not at all	£43m Volatility – H	Impact is driven by assessment of the Category 1 and Category 2 non-Compliances from the annual Technical Assurance of Metering Audit Due to the introduction of new Commissioning data flows in November 2018 (CP1496 and CP1497), we could see this risk reduce in future	£40m	While the changes introduced in Nov 2018 will reduce the impact, there will be a structured approach to the PATs in use across the year which should seek to reduce the impact further still. We do not anticipate a reduction in volatility	MC EFG Commissioning issues	All	Analysis
						Future changes to Commissioning compliance	All	Change
						Recently implemented changes	MOA LDSO	MEM
							MOA LDSO	EFR Analysis
							All	Education
						Monitoring new Data flows	MOA LDSO	BSC Audit
						Performance Management	MOA LDSO	Re-qualification / Breach and Default
						Third Party Activities	LDSO Supplier	Change
						Process Management	All	
						Other Codes and Associations	All	Analysis

Meter Installation is a source risk and as such requires close attention to manage and mitigate. There has been significant changes and progress to this risk in recent months, with new data flows released to aid in the management of Commissioning, in particular. In order to monitor the impact of these changes, we propose applying investigative techniques and analysis against these changes, in addition to continuing deployment of performance improvement techniques, such as EFR.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
21	CVA metered data is not retrieved, or processed correctly, or at all, by the CDCA	£31.1m Volatility - M	Impact is driven by assessment of metered data for Settlement processes from Balancing Mechanism Units (BMUs) or Grid Supply Points (GSPs) from BSC Central Systems. Estimating data for a single CVA site has the potential to have a large impact on Settlement, as outlined in the estimated impact range	£24m	Specific focus in this area, looking at Service Level Agreements, should drive the impact down	Lack of Audit Controls	CVA MOA	BSC Audit
							CVA MOA	TAM
						Understand Central Service Processes	CVA MOA	Service delivery
								Service delivery
							CVA MOA	Analysis
						Improve CVA awareness	CVA MOA	CVA consumption estimation
Education								

Our focus for this risk is to understand the drivers and limitations for poor performance within CDCA. This will involve analysis of existing SLAs, material error and the Grid Supply Point estimation process. In addition, we will seek to improve industry understanding and knowledge of performance against this risk.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
23	A fault with CVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved	£30.2m Volatility - H	Impact is driven by assessment of changes made to CVA Metering equipment from the fault log of the CDCA. ELEXON note comparable volume of faults over previous years.	£28m	Improved focus against this risk, and a wider distribution of FR Reporting should promote control of this risk, reducing impact	Lack of formal reporting	MOA	TAM
							MOA	PARMS
							MOA	Analysis Education
						Performance Management	MOA	BSC Audit TAPAP
							MOA	MEM
							MOA	Peer Comparison
							MOA	EFR
							MOA	Re-qualification
						Future Changes	MOA	BSC Change

CVA Meter Operator Agents are the main Performance Assurance Party involved in this risk. For 2019/20, PAT deployment will be focused on enhancing measuring and monitoring of the risk and MOA performance. We will use additional data sources (including fault logs and the relevant PARMS Serial) and detective techniques to report on material non-compliance. If feasible we will set up routine Material Error Monitoring.

We will support CVA MOAs through education and incentive techniques to improve their processes, and deploy remedial PATs and escalation where necessary. We will also maintain a watching brief on Issue 75, Use of Internet Protocol (IP) address based communication methods for CVA Metering Systems, which may have implications for this risk.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
7	SVA Metered data is not retrieved, such that the proportion of estimated data being used in Settlement contributes to performance standards not being met	£26.8m Volatility - H	Driven by the assessment of Annual Consumption by MC and PC. The Industry performance and the failure to retrieve metered data and the costs associated	£22m	Further assessment of root causes and a refreshed approach to mitigation should enable a reduction in Impact and a reduction in volatility	Site Access Issues	Supplier	EFR
							DC	MEM
								Change
						Industry Knowledge	All	Education
						Poor Performance	Supplier	Breach and default
						Poor Performance	Supplier	Peer comparison
						Poor Performance	Supplier	Supplier Charges
						Poor Performance Insight	All	Analysis
						Poor Performance Insight	Supplier	TAPAP
Performance Monitoring	Supplier	PARMS						

In addition to established techniques deployed against this risk (EFR, MEM, Supplier Charges), we aim to provide further granularity and understanding around poor performance against this risk, by deploying investigative techniques, such as TAPAP to challenge and clarify reasons for Metered Data not being retrieved. We would like to investigate, amongst other data items, age of EACs. This risk will be investigated in conjunction with Risk 006 - Meter Technical Details transfer and processing.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
11	Unmetered Supplies volumes are calculated incorrectly or not at all	£17.6m Volatility - M	Impact is driven by assessment of volumes associated with UMS related Consumption Component Class (CCC) IDs from the DTN Data Flows.	£15.6m	Exploratory actions will allow us to re-assess risk impact more accurately and encourage reduction in volatility and a reduction in impact	UMS Compliance	Supplier	BSC Audit
							LDSO	BSC Audit
						Lack of clarity for UMSO process	LDSO	TAPAP
						UMSO does not provide EAC to DC or DC not utilising provided EAC	LDSO	MEM
						Format of UMS Data	All	Analysis

Unmetered Supplies are an area in which the Performance Assurance Framework has some limitations to its mitigation ability, largely due to limitations within both the process that can be observed and the data available. Our aim in mitigating this risk is to establish stronger data sources, look at cross code links to better understand wider compliance issues. We aim to work with Suppliers and Unmetered Supply Operators to ensure that UMS inventories are accurate and up to date, to minimise settlement error.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT Approach
5	A fault with SVA Metering Equipment is not resolved, such that metered data is recorded incorrectly or cannot be retrieved	£35.8m Volatility - M	Impact is driven by assessment of all identified or suspected faults that should result in a Metering System investigation from the DTN Data Flows and HM14 PARMs.	£34m	There is an open Issue Group reviewing Fault Management, ELEXON expect improvements to the process to result from the completion of the issue group, with a small reduction in impact	Improve understanding of Fault Resolution Root Causes	MOA	TAM
							MOA	PARMS
							All	MEM
								Analysis
						Performance Management	All	Education
								BSC Audit
							All	TAPAP
							MOA	Peer Comparison
MOA	EFR							

For 2019/20, we propose to carry out analysis on the root causes of faults, and use the findings as well as output from detective techniques (the BSC Audit, TAM, PARMS and TAPAP) to identify material non-compliance in fault management processes. We also plan to set up routine Material Error Monitoring on fault resolution.

We propose to introduce additional incentives through Peer Comparison and support parties to improve their processes through education and EFR.

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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
16	The energisation status held in SMRS or by any party in the Supplier Hub does not match the physical energisation status of the SVA Metering System	£15.1m Volatility - H	Assessment of the mismatches Logical and Physical Energisation Status across PC and MC	£12m	Refreshed instance reporting alongside focus on Fault Resolution should see impact reduce in-year.	Incorrect notification of change	All	BSC Audit
								Education
								TAM
						Lack of Formal Reporting	All	MEM

Energisation Status mismatches cause a fundamental risk to Settlement. We have previously deployed techniques against this risk, however, we feel it is appropriate to re-assess this risk and provide a refreshed view of the performance against this risk, to enable parties to better manage and mitigate this risk.



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Risk ref	Risk Title	Impact	Impact rationale	Target Impact	Target Impact rationale	Risk factor / Control	PAP type	PAT/Approach
18	Revenue Protection processes are not managed sufficiently, such that unrecorded energy volumes are excluded from Settlement	£4.3m Volatility - M	Impact is driven by assessment of identified energy theft not being Settled from OFGEM reporting.	£4m	Volatility within this Risk calculation can be improved via improved data sources and analysis. We anticipate a minor reduction in impact.	Lack of data to understand Risk	All	Education
							Suppliers	TAPAP
						Ensure that identified volumes are submitted into Settlement	DC	BSC Audit
							DC	peer comparison
							Supplier	removal of qualification
							All	EFR
						Cross Industry Awareness	All	Trading Disputes
						Performance Management	All	RFI
	All	Analysis						

For 2019/20 the majority of the PAT deployment we are proposing is directed to finding out more about the risk and the data available to measure and monitor compliance with the BSC requirements.

We aim to carry out a piece of analysis, looking at use of alternative data sources (e.g. Theft Risk Assessment Service (TRAS) data) to identify the amount of energy we should expect to see being adjusted in Settlement as confirmed revenue protection volumes. Detective PATs will be deployed to identify areas of material non-compliance at Suppliers and Data Collectors that will lead to this risk manifesting. We will support parties through education and incentive techniques to improve their processes, and deploy remedial PATs and escalation where necessary.

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Risk Operating Plan for Events

Events are scenarios that are occurring or may occur that would affect multiple Settlement Risks and therefore it may be efficient to consider managing via the PAF as a scenario rather than via the multitude of affected risks.

The ROP Ledger contains a full summary of the events we have identified and how we propose to manage the impact of these events.

Examples of some of the events identified are listed below.

Area	Event	Consequence / risk management impact	Notes	Risk mitigation - PATs and other
Supplier Agents	Lack of (strong) commercial contract between Supplier and SMRS-registered Agent, e.g. where the customer has directly appointed agents - Customer Preferred Agents	<p>Could prove harder to resolve issues.</p> <p>Suppliers report it may be harder to influence Settlement performance. Some HHCs may not undertake manual reads where the meter is unable to remotely dial.</p> <p>Some HHMOAs do not install alternative communications on sites where the cost of doing so is prohibitive.</p> <p>Some HHDCs are not completing HHDC Annual Site visits.</p>	PAF can only respond to non-compliances and give guidance on best practice. Supplier Hub model being considered under Ofgem Significant Code Review.	<ul style="list-style-type: none"> - Education: PAB / ELEXON issue guidance on BSC compliance and best practice - Peer Comparison: existing Agent PC and new proposed reports for 2019/20
Priority of Settlement Risk	Performance Assurance Parties do not prioritise risks to Settlement due to lack of awareness and/or resource constraints including from external events such as Government policy decisions.	Less resource available for maintaining compliance with BSC processes and fixing non-compliances and issues in a timely and best practice way.	<p>An example will be the efforts being put into the Smart Meter rollout or price caps.</p> <p>Party engagement with OSM and Risk Manager give opportunities for discussing any related issues or points of concern.</p>	<ul style="list-style-type: none"> - Compelling communication aimed at senior managers, highlighting implications of non-compliance, benefits of mitigation within BSC and wider, and how we'll be asking them to help mitigate risks in the year. - Peer Comparison: existing, and new proposed reports for 2019/20
Party failure	Supplier of Last Resort (SoLR) events, and other instances where Parties or Party Agents cease operating	Can result in historical issues being harder to fix if the previous Party or Party Agent is not available to aid resolution. May affect multiple risks. The "new" Supplier is not liable for Settlement data/days (or error) before taking on the MPID, therefore there are limits on the PATs we can deploy to manage Settlement-impacting error for the "old" Supplier's period of responsibility. Error could remain uncorrected for more instances than previously anticipated, if the rate of SoLRs / number of MSIDs involved is higher than forecast.	Separate from the risk of Party Defaults.	<ul style="list-style-type: none"> - BSC Audit: proposed to review BSCCo and Supplier delivery of the SoLR processes to check for compliance and best practice

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Future changes

All Settlement Risks will be periodically reviewed, to a schedule or in response to an ad hoc trigger including on direction of the PAB. The review will be performed by the PAA, considering all aspects of each Settlement Risk, including risk indicator data, parties' performance against the risk, existing mitigation and external factors which may require the risk impact to be adjusted or for our approach to the risk to change.

If the PAA identifies any change that should be made to the risks in the RER or the PAT deployment in the ROP, the proposal will be presented to the PAB to approve. If the changes are material, the PAB will carry out a consultation with stakeholders. The changes may result in amended deployment of techniques to PAPs, via Risk Management Determinations.

Performance Assurance Technique reviews

As part of the continuing review of the Performance Assurance Framework, the suite of Performance Assurance Techniques (PATs) will be reviewed and assessed to ensure they provide effective assurance. Any updates or changes to PATs or their deployment, will be presented to the PAB.

SUMMARY OF COSTS FOR DELIVERING PERFORMANCE ASSURANCE TECHNIQUES

The estimated cost of delivering the Performance Assurance Framework (PAF) in 2019/20 is £3,413,850.

A breakdown of these costs is shown below

Cost Type	2018/2019 Forecast (£k)	2019/20 Forecast (£k)
Operational	£586	£645
Contractual	£2,563	£2,769
Total	£3,150	£3,414

Operational Costs

We have based the 2019/20 forecast operational costs on ELEXON staff's time allocated to PAF activities. This includes the role of Risk Manager, created to manage and co-ordinate risk management within the PAA.

Contractual Costs

We derived the 2019/20 contractual costs from the Balancing and Settlement Code (BSC) budget forecasts as of September 2018. These figures include RPI and are subject to amendment to reflect contractual changes and changes to indicative costs e.g. ad hoc and variable expenses.