

CP Progression Paper

CP1454 'Amendment to the category 1 materiality calculation'

ELEXON



Committees

Imbalance Settlement
Group/Supplier Volume
Allocation Group



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About This Document

This document provides information on new Change Proposal (CP) CP1454 and outlines our proposed progression timetable for this change, including when it will be issued for CP Consultation in the next suitable Change Proposal Circular (CPC) batch.

We are presenting this paper to capture any comments or questions from Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) Members on this CP as BSCP27 is a jointly owned document before we issue it for consultation.

There are three parts to this document:

- This is the main document. It provides a summary of the solution, impacts, anticipated costs, and proposed implementation approach, as well as our proposed progression approach for this CP.
- Attachment A contains the CP1454 Proposal Form.
- Attachment B contains the proposed redlined changes to deliver the CP1454 solution.

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1 Why Change?

Current process for non-compliances

During a site visit, the Technical Assurance Agent (TAA) might identify a Category 1 Non-Compliance and then perform an estimated materiality calculation of the impact on Settlement accuracy. At the end of each Audit year, the TAA reports the number of non-compliances identified and the combined materiality in its annual report. The TAA presents its Annual Report to the Performance Assurance Board (PAB) and to the Balancing and Settlement Code (BSC) Panel in May and June. The most recent TAA Annual Performance Assurance (APAR) Report ([2014/2015](#)) reported that the materiality of non-compliances identified during the audit year was estimated at:

- 17,390 MWh in the Supplier Volume Allocation (SVA) market and
- 1,173.8 MWh in the Central Volume Allocation (CVA) market.

The TAA provides both the SVA and CVA estimated materiality figures to the BSC Auditor who, by extrapolation, estimates the materiality of Settlement Error over the industry as a whole.

How does the TAA currently calculate materiality?

The current process used by the TAA to calculate the materiality of a Category 1 Non-Compliance is as follows:

- Identify the applicable Code of Practice (CoP) against which the Category 1 Non-Compliance has been identified e.g. CoP4;
- Select a value at the midpoint of the range dictated by the specific CoP;
- Identify the likely load factor to be applied. It is recognised that in many cases this will be dependent on the nature of the site's operation; and
- Derive the potential materiality for over the course of a whole year, based on 8760 hours in a year.

The above four steps form the following calculation for materiality of a Category 1 Non-Compliance:

CoP midpoint * percentage error detected * assumed average load * annual hours = MWh.

When applying the calculation to a Category 1 Non-Compliance, the materiality figure in MWh is an estimate due to the following reasons:

- The TAA is not aware of how long an error has been outstanding; and
- The assumed average load is only estimated using one Half Hourly (HH) period.

What is the issue?

Whilst investigating an alternative method, ELEXON identified that the current calculation had been removed from [Balancing and Settlement Code Procedure \(BSCP\) 27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'](#). However, the

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Working Instruction used by the TAA was never updated and we have been unable to locate any communication advising the TAA of a change.

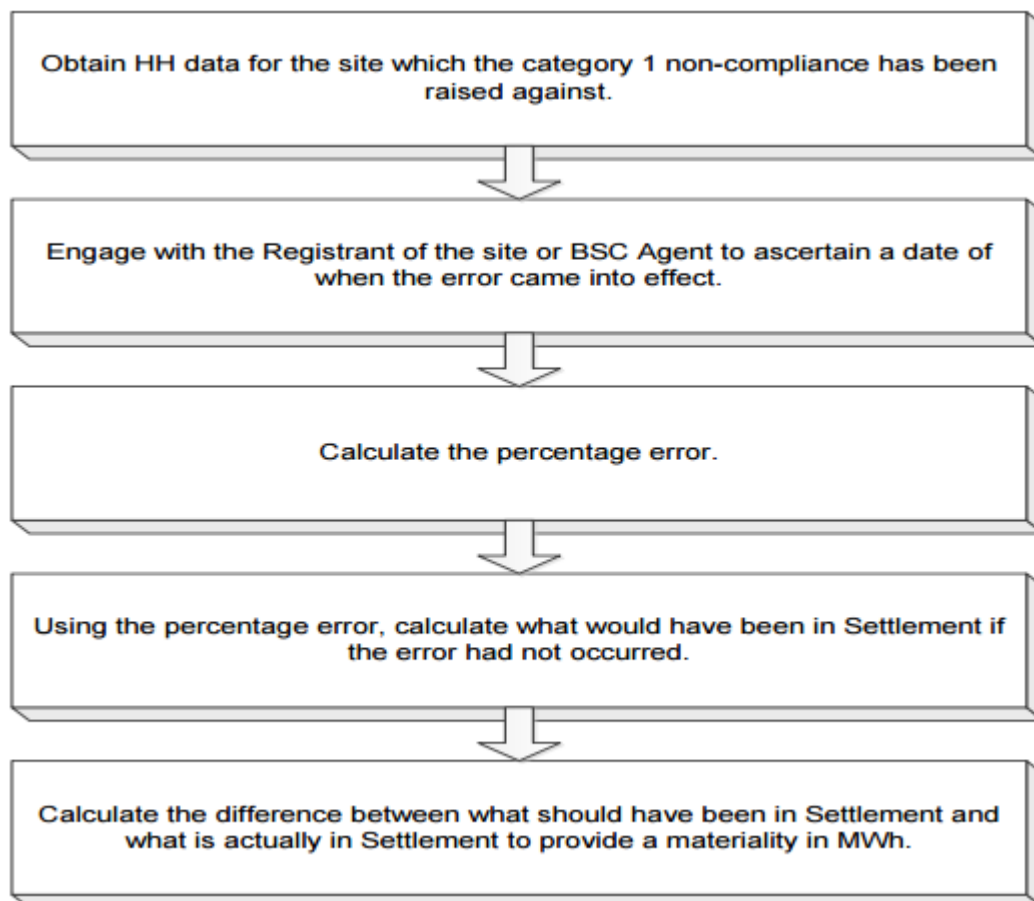
The Technical Assurance of Metering Expert Group (TAMEG) asked us to consider an alternative method that would provide a more accurate value than the current estimate. ELEXON, therefore, took an action from the TAMEG meeting in May 2015 ([TAMEG 22](#)) to present the proposed method for calculating category 1 materiality to the PAB.

Proposed solution

CP1454 'Amendment to the category 1 materiality calculation' was raised by ELEXON on 11 January 2016.

It proposes that in order to provide a more accurate materiality of each Category 1 Non-Compliance, a calculation is performed by ELEXON in the same way that the materiality of a Trading Dispute is calculated.

The following steps would be taken by ELEXON:



Proposer's rationale

At its meeting on 30 July 2015, the PAB [\(174/07\)](#) considered the proposed method and analysis that demonstrated its accuracy compared to the original method. It agreed that ELEXON's proposed method can provide a more accurate materiality of each Category 1 Non-Compliance. This is because it will be based on actual data and the correct error period. It therefore recommended that a CP be raised in line with the above proposed method.

Proposed redlining

Attachment A contains the proposed changes to BSCP27 to deliver CP1454.

3 Impacts and Costs

Central impacts and costs

CP1454 will require changes to BSCP27. No system changes are required and there will be no impact on BSC Agents.

The central implementation costs for CP1454 will be approximately £240 (one ELEXON man day) to implement the relevant document changes.

Central Impacts	
Document Impacts	System Impacts
BSCP27	<i>None</i>

BSC Party & Party Agent impacts and costs

CP1454 is expected to impact the TAA and ELEXON. We believe that minor process changes will be required to implement the solution, however it will not require any additional resource from ELEXON. A Trading Dispute would be raised for each Category 1 Non-Compliance as Business as Usual (BAU) and ELEXON would calculate the materiality as part of the Trading Dispute investigation.

No other BSC Parties or Party Agents are expected to be impacted but we seek confirmation of this through this CP Consultation.

BSC Party & Party Agent Impacts	
BSC Party/Party Agent	Impact
TAA	Changes will be required to implement the solution
ELEXON	

4 Implementation Approach

Recommended Implementation Date

CP1454 is proposed for implementation on **30 June 2016** as part of the June 2016 BSC Systems Release.

The June 2016 Release is the next available Release that can include this CP.

5 Proposed Progression

Progression timetable

The table below outlines the proposed progression plan for CP1454:

Progression Timetable	
Event	Date
CP Progression Paper presented to ISG for information	26 Jan 16
CP Progression Paper presented to SVG for information	02 Feb 16
CP Consultation	08 Feb 16 – 04 Mar 16
CP Assessment Report presented to ISG for decision	22 Mar 16
CP Assessment Report presented to SVG for decision	05 Apr 16
Proposed Implementation Date	30 Jun 16 (June 16 Release)

CP Consultation questions

We intend to ask the standard CP Consultation questions for CP1454. We do not believe any additional questions need to be asked for this CP.

Standard CP Consultation Questions
Do you agree with the CP1454 proposed solution?
Do you agree that the draft redlining delivers the CP1454 proposed solution?
Will CP1454 impact your organisation?
Will your organisation incur any costs in implementing CP1454?
Do you agree with the proposed implementation approach for CP1454?

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6 Recommendations

We invite you to:

- **NOTE** that CP1454 has been raised;
- **NOTE** the proposed progression timetable for CP1454;
- **PROVIDE** any comments or additional questions for inclusion in the CP Consultation; and
- **NOTE** that we will also present CP1454 to the SVG for initial comment on 2 February 2016.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
APAR	Annual Performance Assurance Report
BAU	Business as Usual
BSC	Balancing and Settlement Code (<i>industry Code</i>)
BSCP	Balancing and Settlement Code Procedure
CoP	Code of Practice (<i>Code Subsidiary Document</i>)
CP	Change Proposal
CPC	Change Proposal Circular
CVA	Central Volume Allocation
HH	Half Hourly
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
PAB	Performance Assurance Board (<i>Panel Committee</i>)
SVA	Supplier Volume Allocation
SVG	Supplier Volume Allocation Group (<i>Panel Committee</i>)
TAA	Technical Assurance Agent
TAMEG	Technical Assurance of Metering Expert Group

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
2	Performance Assurance Reports on the ELEXON website	https://www.elexon.co.uk/reference/market-compliance/performance-assurance/performance-assurance-reports/
2	BSCP page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
3	TAMEG 22 page on the ELEXON website	https://www.elexon.co.uk/meeting/tameg-22-2/
4	CP1454 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1454/
4	PAB 174 page on the ELEXON website	https://www.elexon.co.uk/meeting/pab-174/

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