

CP1463 'Process for ELEXON to calculate category 1 non-compliance materiality'



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About This Document

This document is the Change Proposal (CP) 1463 Final CP Report which ELEXON has published following the final decision from the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) to approve CP1463.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, and proposed implementation approach. It also summarises the ISG and SVG's views on the proposed changes and the views of respondents to the CP Consultation, along with the final decision on whether to approve this change.
- Attachments A and B contain the approved redlined changes to deliver the CP1463 solution.
- Attachment C contains the full responses received to the CP Consultation.

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1 Why Change?

Performance of materiality calculation of a category 1 non-compliance

During a site visit, the Technical Assurance Agent (TAA) might identify a category 1 non-compliance¹ 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 the TAA Annual Report. The TAA presents its Annual Report to the Performance Assurance Board (PAB) in May and to the Balancing and Settlement Code (BSC) Panel in June.

Following a request from the Technical Assurance of Metering Expert Group (TAMEG) in May 2015, ELEXON considered alternative methods for calculating the materiality of category 1 non-compliances that would provide a more accurate value than the current estimate. Whilst investigating an alternative method, ELEXON identified that, following the implementation of [CP1265 'Technical Assurance Documentation Changes Following Review'](#) in 2009, the current calculation had been removed from [BSC Procedure \(BSCP\) 27 'Technical Assurance of Half Hourly Metering Systems for Settlement Purposes'](#). However, ELEXON did not update the Working Instruction used by the TAA, so the TAA continued to use the previous calculation.

ELEXON reported to the TAMEG that the calculation had been removed from BSCP27 and suggested an alternative calculation (i.e. the same as the existing calculation of the materiality of a Trading Dispute), which would be performed by ELEXON rather than the TAA. At its meeting in May 2015 ([TAMEG 22](#)), TAMEG requested that ELEXON present the proposed alternative method for calculating category 1 materiality to the PAB. At its meeting on 30 July 2015, the PAB considered the proposed method and analysis that demonstrated its accuracy compared to the original method ([PAB174/07](#).) It agreed that ELEXON's proposed method should provide a more accurate calculation of materiality of each category 1 non-compliance. This is because the proposed method uses metered data and the correct error period. The PAB recommended that ELEXON raise a CP to implement the proposed method.

Consequently, on 11 January 2016 ELEXON raised [CP1454 'Amendment to the category 1 materiality calculation'](#). The CP proposed that, in order to provide a more accurate materiality for each category 1 non-compliance, ELEXON performs a calculation in the same way that it calculates the materiality of a Trading Dispute. CP1454 was approved by the ISG at its meeting on 22 March 2016 ([ISG179/01](#)) and by the SVG at its meeting on 5 April 2016 ([SVG182/02](#)), for implementation on 30 June 2016 as part of the June 2016 BSC Systems Release.

What is the issue?

Respondents to the CP1454 CP Consultation and ISG Members considered that BSCP27 should contain more detail of the method that ELEXON proposed to use to calculate materiality. This would support transparency of the arrangements and ensure that any future proposal to change the calculation is subject to BSC CP governance procedures (i.e. [BSCP40 'Change Management'](#)).

¹ A non-compliance has been identified which is deemed to be currently affecting the quality of data for Settlement purposes (BSCP27, section 1.14).

Currently, there is an obligation within BSCP27 on the Central Data Collection Agent (CDCA) and Half Hourly Data Collectors (HHDCs) to provide complete and accurate Metering System data upon request to the TAA or ELEXON for the purposes of Technical Assurance. This includes a requirement for the HHDC to provide the current actual consumption data to the TAA within five Working Days from the receipt of the request made by the TAA, which, itself, must be submitted within two Working Days of completion of the Inspection Visit. However, BSCP27 has no explicit obligation on the CDCA and HHDCs or associated timescales for providing Half-Hourly (HH) data for the entire affected period of the category 1 non-compliance, in order to estimate the materiality of the net error.

ELEXON noted that although the method used for the category 1 non-compliance calculation will be the same as that used for Trading Disputes, the Trading Disputes process, as set out in [BSCP11 'Trading Disputes'](#), allows ELEXON to request HH data but only whilst a Trading Dispute is 'open'. That is data cannot be requested for any other purpose.

All Trading Disputes raised by ELEXON must be referred to the Trading Disputes Committee (TDC), as set out in BSC Section W 'Trading Disputes'. In order to make best use of the TDC's and ELEXON's time and resource, ELEXON endeavours to carry out a preliminary validation of each dispute prior to entering the Trading Disputes process. At its August 2015 meeting, the TDC noted an increased number of disputes raised by ELEXON, which did not meet one or more Trading Dispute validity criteria (materiality over £3,000, valid Dispute Deadline, existence of Settlement Error). ELEXON's analysis of category 1 non-compliances found by the TAA in 2015 that of 24 non-compliances, only four met the Trading Disputes' criteria and would therefore have enabled ELEXON to request HH data from the HHDC.

As such ELEXON may not be able to request HH data for a category 1 non-compliance calculation if the TAA category 1 non-compliance does not necessitate a Trading Dispute.

Approved solution

ELEXON raised [CP1463 'Process for ELEXON to calculate category 1 non-compliance materiality'](#) on 9 May 2016. CP1463 amends BSCP27 in order to introduce:

- a clear process for ELEXON to request data and participants to provide data
- details of the method for ELEXON's calculation of an error's materiality.

CP1463 builds on CP1454 by providing more detail of the calculation in BSCP27. In particular the change proposes to include the calculation method along with the timescales for carrying out the calculation in BSCP27.

In addition it places an obligation on ELEXON to request HH consumption data for the period affected by the category 1 non-compliance for the purposes of calculating the materiality of the identified error. It also places obligations on the HHDC and the CDCA to provide this data upon request. The change introduces timescales for requesting the data by ELEXON and the provision of the data by the CDCA and HHDCs.

Including a new obligation and the associated timescales to fill this gap within BSCP27 would be consistent with the current provisions set out in this document (where the TAA requests actual consumption data). It would also increase the effectiveness of the process whereby ELEXON receives the HH consumption data in time to complete the materiality calculations.

Attachment A contains details of all proposed changes to BSCP27.

Proposer's rationale

CP1454 CP Consultation respondents and ISG Members highlighted that there would be a benefit in adding the method for calculating the materiality of category 1 non-compliances into BSCP27. This would support transparency of the arrangements and ensure that any future proposal to change the method is subject to BSC CP governance procedures.

Approved redlining

Attachments A and B contain the approved changes to BSCP27 and the CDCA Service Description to deliver CP1463.

3 Impacts and Costs

Central impacts and costs

CP1463 will require changes to BSCP27 and the CDCA Service Description. No system changes are required.

The central implementation costs for CP1463 will be approximately £240 (one ELEXON man day) to implement the relevant document changes.

Central Impacts	
Document Impacts	System Impacts
<ul style="list-style-type: none">BSCP27CDCA Service Description	<i>None</i>

CP1463 will primarily impact ELEXON as it will be responsible for completing the calculation of materiality.

CP1463 also updates the CDCA Service Description to reflect the new requirements on the CDCA to provide HH consumption data for the period affected by the category 1 non-compliance.

Minor changes to ELEXON's internal working processes will be required to implement the solution; however it will not require any additional resource from ELEXON to deliver. ELEXON will raise a Trading Dispute for each category 1 non-compliance as business as usual (BAU) and will calculate the materiality as part of the Trading Dispute investigation.

The CDCA will be required to provide HH consumption data for the period affected by the non-compliance. The CDCA confirmed that, due to the small number of category 1 non-compliances on CVA sites², this requirement would be absorbed into BAU.

BSC Party & Party Agent impacts and costs

CP1463 will impact HHDCs, who will need to provide HH data in a set timetable for the period affected by the category 1 non-compliance. Minor process changes will be required to implement the solution. The CP Consultation confirmed that HHDCs would be impacted. One respondent added that, irrespective to the volume of requests, this will need to be a manual process in terms of receipt and response to the request. No changes will be required in advance; however the tight timescales may not always be achievable in practice. Another respondent noted that they will need a new front end mechanism for a user to extract the HH consumption data required. They will also need a new business process for receiving, extracting and sending the data.

CP1463 will not impact any other BSC Parties or Party Agents.

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² In the last three years the TAA identified six category 1 non compliances on CVA sites (three in 2013 and three in 2015), two of which had been raised for the same site. Only two of them required a Trading Dispute.

BSC Party & Party Agent Impacts

BSC Party/Party Agent	Impact
HHDCs	Changes are required to implement the solution

Approved Implementation Date

CP1463 is approved for implementation on **3 November 2016** as part of the November 2016 BSC Systems Release.

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

Six respondents agreed with the proposed Implementation Date. However, two respondents disagreed due to system changes that would be required and stated that they would require a minimum six month lead time from approval to industry implementation. Another respondent disagreed with the proposed Implementation Date because it believes the ultimate purpose of this proposal is unclear. ELEXON notes that the process introduced in CP1463 is the same as the process used for the Trading Disputes materiality calculation. Therefore, there should not be any requirement for a system change as ELEXON would expect Parties to already have appropriate arrangements in place for responding to HH Settlement data requests as part of the Trading Dispute process.

You can find the full responses in Attachment C.

5 Initial Committee Views

ISG's initial views

The ISG considered CP1463 at its meeting on 21 June 2016 ([ISG182/02](#)).

The ISG had no initial comments on this CP and did not request any additional questions be asked in the CP Consultation.

SVG's initial views

The SVG considered CP1463 at its meeting on 5 July 2016 ([SVG185/05](#)).

The SVG had no initial comments on this CP and did not request any additional questions be asked in the CP Consultation.

6 Industry Views

This section summarises the responses received to the CP Consultation. You can find the full responses in Attachment C.

Summary of CP1463 CP Consultation Responses				
Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the CP1463 proposed solution?	7	1	0	0
Do you agree that the draft redlining delivers the intent of CP1463?	4	3	1	0
Will CP1463 impact your organisation?	3	5	0	0
Will your organisation incur any costs in implementing CP1463?	2	6	0	0
Do you agree with the proposed implementation approach for CP1463?	6	2	0	0
Do you have any further comments on CP1463?	1	6	1	0

Comments on the CP

Seven of the eight respondents agreed with the proposed solution indicating that this change will bring clarity to the process.

The respondent that disagreed with this CP commented that it describes how access to HH data will improve the calculation of materiality, but does not specify the purpose of the materiality calculation. They also noted that the CP references an annual report and also the raising of Trading Disputes but does not clearly state whether the materiality calculation is required for one or both. The respondent also advised that the proposed timescales for response by the HHDCs are very short and could be prone to failure. For example if the normal ELEXON contact at an organisation was out of the office or away from their desk for a day, a large proportion of the permitted time could be lost. The respondent believes these persons would generally not have the ability to run data reports by themselves and thus a request would need to be made to other teams which may cause delays. They further noted that the date range affected by the non-compliance may not be known at this time, as further investigation by other teams may be required. The respondent concluded that, unless the timescales for response are critical to a subsequent process, which they did not believe was apparent from the document, they do not support the proposed solution.

We note that the purpose of the materiality calculation has been presented to the PAB ([PAB174/07](#)), and is intended to estimate the materiality of the Settlement Error associated with a category 1 non-compliance. The TAA reports, in its annual report to the PAB and to the BSC Panel, the number of non-compliances identified and their combined materiality. Furthermore, 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.

The materiality calculations are also used for the purposes of the Trading Disputes process, whereby ELEXON, as part of its preliminary checks, performs an assessment of the category 1 non-compliances against the three Trading Disputes criteria³. If the materiality of the category 1 non-compliance is estimated to be over the £3,000 threshold, and the other two Trading Disputes criteria are met, a Trading Dispute is raised.

We further note that the timescales for the HHDC data provision have been set in line with the Trading Disputes process, whereby a BSC Party is required to respond within five Working Days to ELEXON's requests for assistance (including requests for HH Settlement Data) as outlined in [BSCP11 5.1.4](#). As ELEXON is required to perform the materiality calculations of the category 1 non-compliances in the same fashion that the materiality of a Trading Dispute is calculated, we consider it appropriate to apply the same timescales to the requests for HH Settlement data.

One of the respondents in support of CP1463 queried how the requests would arrive. Due to the tight timescale for returning the data they need to make sure new requests are promptly picked up. For a high volume, they would prefer a Data Transfer Catalogue (DTC) data flow to be used so that they can automate the process. They also asked what the expected volume of requests was that they should expect to receive. This may determine how manual or automated their process should be. Finally, the respondent asked in what format they should return the HH consumption data and they again expressed preference for a DTC data flow to be used.

We note that an email request will be issued to the HHDC or the CDCA (as applicable) with a request for data. Parties would be expected to respond via email (in line with the Trading Disputes process set out in [BSCP11 5.1.4](#)) with HH Settlement data in kWh attached as an Excel spreadsheet. We believe creating a new DTC flow would be unjustifiably expensive and time consuming.

We further note that the TAA identified 23 category 1 non-compliances in 2015 and 13 category 1 non-compliances in 2016. Therefore, the volume of requests has been estimated at two per calendar month.

Comments on the proposed redlining

Four of the eight respondents agreed with the proposed redlining, while one did not have any comments.

Of the three respondents that disagreed, one respondent commented that on the whole, the redlining delivers the CP1463 proposed solution. However, they noted that in the new section 3.6A in BSCP27, step 3.6A.1 seems to create an endless loop as in the "Action" it states to "proceed to 3.6A". However, 3.6A.2 refers to "Within 5WD of 3.6.1B" and there is no step 3.6.1B. We have corrected the references to remove this error. We acknowledge this comment and we have updated the BSCP27 redlining accordingly.

Another of the respondents commented that they would like to see more clarity on the format of the HH data to be provided to ELEXON. The respondent wondered if the data would be acceptable in Excel format or if the values were provided in kWh. They also asked if reactive data is required or only active data. We note that the expected format would be Active Energy data in kWh on an Excel spreadsheet.

³ These criteria are: has Settlement Error occurred; does the materiality of the error exceed £3,000; and has the alleged error occurred within the valid Trading Disputes deadlines.

The final respondent that disagreed (the same respondent who disagreed with the proposed solution) believed that it is unclear what this CP is trying to address, and so were unable to comment effectively on the redlining.

ISG's final views

The ISG considered CP1463 at its meeting on 23 August 2016 ([ISG184/06](#)).

The ISG had no comments on CP1463.

SVG's final views

The SVG considered CP1463 at its meeting on 6 September 2016 ([SVG187/02](#))

An SVG Member asked why one respondent was strongly against this CP. They asked if the proposed timescale of five Working Days is long enough for the CDCA and HHDCs to provide HH data for the materiality calculation.

ELEXON noted that the proposed timescale is the same as that currently used for a Trading Dispute. In practice, an initial response in five Working Days is sufficient if there is a reason why the actual data provision will take longer. ELEXON noted that the purpose of the calculation is to determine the Settlement materiality of a non-compliance and that it is therefore important to do this as soon as reasonably possible.

Final decision

The ISG and SVG have:

- **APPROVED** CP1463 for implementation on 3 November 2016 as part of the November 2016 BSC Systems Release.

Appendix 1: Glossary & References

Acronyms

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

Acronyms	
Acronym	Definition
BAU	business as usual
BSC	Balancing and Settlement Code (<i>industry Code</i>)
BSCP	Balancing and Settlement Code Procedure (<i>Code Subsidiary Document</i>)
CDCA	Central Data Collection Agent (<i>BSC Agent</i>)
CP	Change Proposal
CPC	Change Proposal Circular
DC	Data Collector (<i>Party Agent</i>)
DTC	Data Transfer Catalogue
HH	Half Hourly
ISG	Imbalance Settlement Group (<i>Panel Committee</i>)
PAB	Performance Assurance Board (<i>Panel Committee</i>)
SVG	Supplier Volume Allocation Group (<i>Panel Committee</i>)
TAA	Technical Assurance Agent (<i>BSC Agent</i>)
TAMEG	Technical Assurance of Metering Expert Group
TDC	Trading Disputes Committee (<i>Panel Committee</i>)

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	CP1265 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1265-technical-assurance-documentation-changes-following-review/
2, 3, 9	BSCPs page on the ELEXON website	https://www.elexon.co.uk/bsc-related-documents/related-documents/bscps/
2	TAMEG 22 page on the ELEXON website	https://www.elexon.co.uk/meeting/tameg-22-2/
2, 8	PAB 174 page on the ELEXON webpage	https://www.elexon.co.uk/meeting/pab-174/
2	CP1454 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1454/

External Links		
Page(s)	Description	URL
4	CP1463 page on the ELEXON website	https://www.elexon.co.uk/change-proposal/cp1463/
8	ISG 182 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-182/
8	SVG 185 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-185/
12	ISG 184 page on the ELEXON website	https://www.elexon.co.uk/meeting/isg-184/
12	SVG 187 page on the ELEXON website	https://www.elexon.co.uk/meeting/svg-187/