

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



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### Contents

<b>1</b>	<b>Why Change?</b>	<b>2</b>
<b>2</b>	<b>Solution</b>	<b>4</b>
<b>3</b>	<b>Impacts and Costs</b>	<b>5</b>
<b>4</b>	<b>Implementation Approach</b>	<b>7</b>
<b>5</b>	<b>Initial Committee Views</b>	<b>8</b>
	<b>Appendix 1: Glossary &amp; References</b>	<b>9</b>

### About This Document

The purpose of this CP1463 CP Consultation is to invite BSC Parties, Party Agents and other interested parties to provide their views on the impacts and the merits of CP1463. The Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG) will then consider the consultation responses before making a decision on whether or not 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 initial views on the proposed changes.
- Attachment A contains the CP1463 Proposal Form.
- Attachments B and C contain the proposed redlined changes to deliver the CP1463 solution.
- Attachment D contains the specific questions on which we seek your views. Please use this form to provide your response to these questions, and to record any further views or comments you wish to be considered.

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CP1463  
CP Consultation

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11 July 2016

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Version 1.0

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Page 1 of 10

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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-compliance<sup>1</sup> 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 (which would be 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](#)), the 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 implemented on 30 June 2016 as part of the June 2016 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 the BSC CP governance procedures (under [BSCP40 'Change Management'](#)).

Currently, there is an obligation within BSCP27 on CDCA and HHDCs to provide complete and accurate Metering System data upon request to the TAA or the BSC Company (BSCCo) for the purposes of Technical Assurance. This includes a requirement for the Half Hourly

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

(HH) Data Collector (DC) 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 does not include an explicit obligation on the CDCA and HHDCs or associated timescales for the provision of HH data for the entire period affected by the category 1 non-compliance for the purposes of estimating 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.

### Proposed solution

ELEXON raised [CP1463 'Process for ELEXON to calculate category 1 non-compliance materiality'](#) on 9 May 2016. It proposes to amend BSCP27 in order to introduce a clear process for ELEXON to request data, and participants to provide data, and details of the method for ELEXON's calculation of the error 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 the proposed solution 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 B 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.

#### CP Consultation Question

Do you agree with the CP1463 proposed solution?

*Please provide your rationale.*

We invite you to give your views using the response form in Attachment D

### Proposed redlining

Attachments B and C contain the proposed changes to BSCP27 and CDCA Service Description to deliver CP1463.

#### CP Consultation Question

Do you agree that the draft redlining delivers the CP1463 proposed solution?

*If 'No', please provide your rationale.*

We invite you to give your views using the response form in Attachment D

### 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"><li>BSCP27</li><li>CDCA Service Description</li></ul>	<i>None</i>

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

The CDCA Service Description will need to be updated to reflect the new requirements on the CDCA to provide HH consumption data for the period affected by the category 1 non-compliance.

We believe that 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. That is, ELEXON would raise a Trading Dispute for each category 1 non-compliance as a business-as-usual (BAU) activity and would calculate the materiality as part of the Trading Dispute investigation.

The CDCA might also be required to provide HH consumption data for the period affected by the non-compliance. IMServ confirmed that, due to the small number of category 1 non-compliances on CVA sites<sup>2</sup>, this requirement would be absorbed into BAU.

#### BSC Party & Party Agent impacts and costs

We expect CP1463 to impact HHDCs, who would need to provide HH data in a set timetable for the period affected by the category 1 non-compliance. We believe that minor process changes will be required to implement the solution.

We do not expect CP1463 to impact any other BSC Parties or Party Agents but we seek confirmation of this through this CP Consultation.

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

CP1463  
CP Consultation

11 July 2016

Version 1.0

Page 5 of 10

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<sup>2</sup> 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.

## CP Consultation Questions

Will CP1463 impact your organisation?

*If 'Yes', please provide a description of the impact(s) on your organisation and any activities which you will need to undertake between the approval of CP1463 and the CP1463 Implementation Date (including any necessary changes to your systems, documents and processes). Where applicable, please state which of the roles that you operate as will be impacted and any differences in the impacts between each role.*

Will your organisation incur any costs in implementing CP1463?

*If 'Yes', please provide details of these costs, how they arise and whether they are one-off or on-going costs.*

We invite you to give your views using the response form in Attachment X

## 4 Implementation Approach

### Recommended Implementation Date

We propose to implement CP1463 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.

#### CP Consultation Question

Do you agree with the proposed implementation approach for CP1463?

*Please provide your rationale.*

We invite you to give your views using the response form in Attachment D

## 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.



## 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> )
BSCCo	Balancing and Settlement Code Company ( <i>Code Administrator; ELEXON</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> )
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	<a href="https://www.ellexon.co.uk/change-proposal/cp1265-technical-assurance-documentation-changes-following-review/">https://www.ellexon.co.uk/change-proposal/cp1265-technical-assurance-documentation-changes-following-review/</a>
2, 3	BSCPs page on the ELEXON website	<a href="https://www.ellexon.co.uk/bsc-related-documents/related-documents/bscps/">https://www.ellexon.co.uk/bsc-related-documents/related-documents/bscps/</a>
2	TAMEG 22 page on the ELEXON website	<a href="https://www.ellexon.co.uk/meeting/tameg-22-2/">https://www.ellexon.co.uk/meeting/tameg-22-2/</a>
2	PAB 174 page on the ELEXON webpage	<a href="https://www.ellexon.co.uk/meeting/pab-174/">https://www.ellexon.co.uk/meeting/pab-174/</a>
2	CP1454 page on the ELEXON website	<a href="https://www.ellexon.co.uk/change-proposal/cp1454/">https://www.ellexon.co.uk/change-proposal/cp1454/</a>

External Links		
Page(s)	Description	URL
4	CP1463 page on the ELEXON website	<a href="https://www.elexon.co.uk/change-proposal/cp1463/">https://www.elexon.co.uk/change-proposal/cp1463/</a>
8	ISG 182 page on the ELEXON website	<a href="https://www.elexon.co.uk/meeting/isg-182/">https://www.elexon.co.uk/meeting/isg-182/</a>
8	SVG 185 page on the ELEXON website	<a href="https://www.elexon.co.uk/meeting/svg-185/">https://www.elexon.co.uk/meeting/svg-185/</a>