

PUBLIC

Risk Evaluation Register Report 2018/19



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PAB196/07
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1. INTRODUCTION

Background

Each year, the Performance Assurance Board (PAB) deploys the Performance Assurance Framework (PAF) to manage Settlement Risks. To do this, the PAB identify, evaluate and prioritise the risks that may occur within Settlement and the extent to which they apply to each Performance Assurance Party (PAP). The PAB applies Performance Assurance Techniques to PAPs based on the risk they pose to Settlement.

The PAB produces a suite of documents in consultation with the industry to aid this process including:

- [Risk Evaluation Methodology](#) (REM¹);
- [Risk Evaluation Register](#) (RER); and
- [Risk Operating Plan](#) (ROP²).

Purpose of the RER

The RER sets out the Settlement Risks identified and evaluated by the PAB. Section Z, 5.5 of the Balancing and Settlement Code (BSC) requires the PAB to:

- Identify and evaluate risks to Settlement, by applying the REM;
- Prepare and maintain a register (the RER) setting out Settlement Risks, and the significance of each Settlement Risk in relation to a specific Performance Assurance Operating Period³; and
- Review and update the RER on an annual and ad hoc basis.

Focus of the RER

The focus of the RER is on risks to Supplier Volume Allocation (SVA). These risks may be subject to re-evaluation where there is evidence of indicated changes in probability, impact and/or controls. This may result in the PAB adjusting the significance of these risks following review.

Central Volume Allocation (CVA) risks and all areas in the Balancing and Settlement Code that relate to the Central Agents are deemed as having a significant effect on Settlement and given the highest level of net significance (25) as a matter of course. As such, they are not subject to re-evaluation in relation to probability, impact and control strength.

Target Audience

All BSC Parties, BSC Agents and Performance Assurance Parties as defined within the BSC.

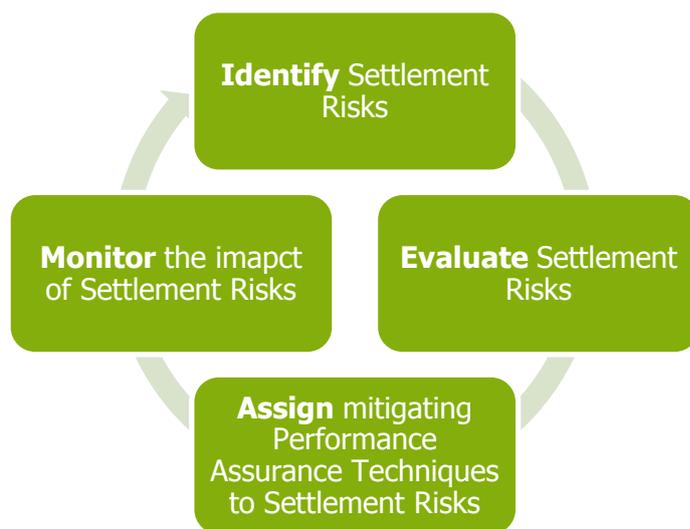
¹ The REM describes how the Performance Assurance Board will identify Settlement Risks; evaluate Settlement Risks; and assess the materiality of Settlement Risks.

² The ROP sets out the Performance Assurance Techniques that the Performance Assurance Board has determined should be applied to each Settlement Risk.

³ The Performance Assurance Operating Period is the twelve-month period of time over which we report on assurance processes.

2. REVIEW OF THE RISK EVALUATION REGISTER

The [Risk Evaluation Methodology \(REM\)](#) 2018/19, which PAB approved in March 2017, describes our approach to reviewing the Risk Evaluation Register. We derive the RER from the activities below:



The review typically includes:

- Closed Trading Disputes;
- Closed and new BSC Audit issues;
- Performance Assurance Reporting and Monitoring System (PARMS) Serial data;
- Material Error Monitoring data;
- The performance of Parties via Error and Failure Resolution (EFR);
- Findings from Technical Assurance (TA) checks (Technical Assurance of Performance Assurance Parties and Technical Assurance of Metering);
- Change Proposals and Modifications (approved/implemented); and
- Industry input on relevant Settlement Risks.

We link the outputs of the Performance Assurance Techniques (PATs) and industry input to the associated Settlement Risks. We assess existing risks for changes in the probability, impact and/or control strength. We consider the need for new risks to be included.

3. CHANGES TO THE RISK EVALUATION REGISTER FOR 2018/19

Within-Period Revisions

The Performance Assurance Board (PAB) may decide to revise the Risk Evaluation Register (RER) outside of the normal annual review process. Revisions may arise as a result of ad hoc developments affecting Settlement or due to submissions from industry that support the need to revise any part of a specific Settlement Risk sooner than April 2018. The PAB will implement approved revisions with an Effective from Date (EFD) before 1 April 2018 as Within Period Revisions to the RER.

2018/19 Changes

There are currently no planned changes to the Risk Evaluation Register for 2018/19.

4. FUTURE CONSIDERATIONS

There are four work streams being driven by market performance that may impact Settlement Risks for Performance Assurance Operating Period 12, 1 April 2018 – 31 March 2019. These are discussed below. At present we have not confirmed any impact on any Settlement Risks as a result of this work. However, should any impacts be identified later, they will be presented to Performance Assurance Board (PAB) as Within Period Revisions to the Risk Evaluation Register (RER).

Monitoring Half Hourly (HH) (sub 100kWh) market performance

Whilst monitoring the migration of profile Class 5-8 Half Hourly (HH) Meters to mandatory HH Settlement our analysis showed that for some Change of Measurement Class (CoMC) events Meter read performance fell dramatically in the sub 100kWh sector. To incentivise Suppliers to tackle root causes in this area, we introduced a Business Unit Settlement Risk Rating (BUSRR) criteria to monitor Suppliers. Our monitoring commenced in April 2017.

Review of data and measures for missing Meter Technical Details (MTDs)

We are currently reviewing whether the Performance Assurance Reporting and Monitoring System Serials (NM12^[1] and HM12^[2]) and the measurements we have in place to monitor performance in relation to missing MTDs are appropriate. We are examining the root causes of missing MTDs for Parties being placed into Error and Failure Resolution and believe that the issue may not be related to the process of Meter Operator Agents (MOAs) passing MTDs to the Data Collector (DC) but rather old MOAs not passing MTDs to the new MOA when there is a Change of Agent event.

We will present our initial findings to the PAB in June 2017.

Increase in number of HH MTDs re-sent

In October 2016, following an increase in the number of MTDs being re-sent we undertook an investigation to uncover the root cause. Working with Parties we identified an issue with the sending of HH MTDs following a CoMC

^[1] NM12 Timely sending of NHH MTDs to DCs.

^[2] HM12 Timely sending of HH MTDs to DCs.

event involving EDMl Meters. Parties confirmed that due to the D0268^[3] flow not having enough fields to accommodate all CoMC information for an EDMl Meter they have to send multiple D0268s. This is causing the increase in the number of HH MTDs being sent.

We are currently investigating how to resolve this issue.

Performance Assurance Framework (PAF) review

The delivery phase of the PAF review project commenced on 13 March 2017. Three work streams currently being progressed are:

- Smart metering: The focus of our work will be on the immediate risks to Settlement presented by the mass roll-out of smart Meters. We will investigate whether routine reporting should be developed to monitor impacts on Settlement;
- Risk Evaluation Methodology (REM) and other PAF procedures: How we assess and coordinate mitigation of Settlement Risk is the basis under which the PAF operates. We will look at how we catalogue and quantify Settlement Risk, the way we undertake mitigating actions and how we assess the effectiveness of such actions; and
- Data Provision: We will explore:-
 - Feasible alternative sources of data that can provide more accurate risk appraisal,
 - Better support for the use of Performance Assurance Techniques (PATs),
 - Less burdensome requirements for participants to provide data, and
 - Data provisions that are easier to change if required in the future.

The PAF issue group met on the 25 April 2017 to discuss the risks to Settlement presented by the smart Meter roll-out. The conclusions and any recommended assurance activities will be presented to the PAB at its June 2017 meeting.

The review work on individual PATs will commence following completion of the three work streams above. This is estimated to start in May 2018. The review has been sequenced in this way to ensure the findings from the earlier work streams can inform the technique specific work.

Changes to the PAF will be recommended to the PAB throughout the PAF Review, with the final set of recommendations due to go to the Panel in November 2018.

^[3] Half Hourly Meter Technical Details.

5. FURTHER INFORMATION

If you have any questions or require further information on the Risk Evaluation Register, please contact:

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6. REFERENCES

Document
Risk Evaluation Methodology 2018/2019
ELEXON Glossary

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APPENDIX A: STRUCTURE OF THE RISK EVALUATION REGISTER

All risks are documented generically and by role, rather than by reference to a specific Performance Assurance Party and logged using, the data fields specified below.

Column	Description	Applicable to
Settlement Risk Identification Number	Unique number extracted from the Risk Evaluation Register.	SVA Risks CVA Risks
Effective from Date/Effective to Date	Operational period of the risk.	SVA Risks CVA Risks
Workflow Status	Indicates whether the risk has been approved by the Performance Assurance Board. Only approved risks are visible in the Risk Evaluation Register.	SVA Risks CVA Risks
Originator	The source of the initial identification of the risk.	SVA Risks CVA Risks
Risk Category	Classification of risks into subgroups.	SVA Risks CVA Risks
HH/NHH	Indicates whether it is applicable in the half hourly or non half hourly market.	SVA Risks
Risk Description	Detailed description of the risk.	SVA Risks CVA Risks
Gross Settlement Risk Probability	How likely a Settlement Risk is to occur if there are no controls in place?	SVA Risks CVA Risks (Set to 5)
Gross Settlement Risk Impact	How severe the impact of a Settlement Risk would be (should it happen) if there are no controls in place?	SVA Risks CVA Risks (Set to 5)
Gross Settlement Risk Significance	The gross probability multiplied by the gross impact.	SVA Risks CVA Risks (Set to 25)
Noted Controls	The key mechanisms that should be applied routinely to the processes for deriving Trading Charges from recorded energy production or consumption.	SVA Risks CVA Risks

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Column	Description	Applicable to
Controls Strength	The effectiveness of the identified controls when taken in aggregate.	SVA Risks CVA Risks (Set to low)
Net Significance	Gross significance multiplied by a factor based on the strength of controls as defined in the Risk Evaluation Methodology.	SVA Risks CVA Risks (Set to 25)
Assumptions/Comments	Any specific assumptions/comments made in relation to the risk.	SVA Risks CVA Risks
Relevant Performance Assurance Parties	Specific classes of Performance Assurance Parties (Supplier, Meter Operator Agent, Data Collector, Data Aggregator, Meter Administrator, Licensed Distribution System Operator and/or Registrant) who may be required to support the application of one or more Performance Assurance Techniques in the event that the Performance Assurance Board chooses to deploy techniques to manage the risk.	SVA Risks

APPENDIX B: GENERAL ASSUMPTIONS

Independent Assessment of Risks

When assessing risks we assume that preceding processes of a Settlement Risk have been completed successfully, i.e. the cumulative impact of errors is excluded from the risk evaluation process. This ensures that Settlement Risks, which arise later in the Settlement process, are not automatically qualified by the PAB as highly significant and consequently divert attention from an earlier key control point.

For example, when considering the risk that the Non Half Hourly Data Aggregator (NHHDA) does not pass data to the Supplier Volume Allocation Agent (SVAA), we base the evaluation on the assumption that the aggregated data has been derived in accordance with the Balancing and Settlement Code (BSC). In other words, we assume that the Meter Technical Details (MTDs) that were used to interpret energy consumption for Metering Systems are correct and that Non Half Hourly Data Collectors (NHHDCs) have calculated energy consumption correctly etc.

This approach does not prevent Settlement Risks from covering a range of root causes (reasons for failures of the processes falling under the scope of each Settlement risk). For example, there are many reasons why the NHHDA might not pass data to the SVAA including but not limited to: NHHDA system failure (and failure of associated disaster recovery processes), failure to follow the published timetable due to manual error, mishandling of incoming data, failure to submit the data in the correct format resulting in rejection by SVAA etc.

Consideration of Half Hourly (HH) and Non Half Hourly (NHH) Settlement Risks

Many of the identified Settlement Risks arise at each Settlement Run. The gross probability and gross significance of a Settlement Risk may be different when assessed at each Settlement Run.

In the context of Settlement, the impact of an error arising in respect of a small number of HH Metering Systems is likely to have greater cash flow implications for Trading Parties than an error arising in respect of a small number of NHH Metering Systems.

Furthermore, since almost all HH Metering Systems settle on actual metered data in all Settlement Runs, the Settlement processes that apply to HH Metering Systems tend to apply equally to each Settlement Run. Therefore, the impact of Settlement Risks associated with HH Metering Systems is likely to be the same across Settlement Runs. Conversely, the proportion of NHH Metering Systems, which settle on actual metered data, increases over the course of each Settlement Run. Therefore, the impact of Settlement Risks associated with NHH Metering Systems is likely to be greatest by the Final Reconciliation (RF) Run.

Consequently, in order to avoid recording a multitude of duplicate Settlement Risks (a version of each Settlement Risk in respect of each Settlement Run) and still ensure that the evaluated significance is sufficient to cover all Settlement Runs, we apply the following principles:

- Settlement Risks which relate to HH Metering Systems have been primarily assessed at the Initial Settlement (SF) Run; and
- Settlement Risks, which relate to NHH Metering Systems, have been primarily assessed at the RF Run.

These principles do not limit application of Performance Assurance Techniques (PATs) to these Settlement Runs only. The PAB deliver assurance across all Settlement Runs as appropriate.

Generic Controls

The PAB have identified a number of generic controls, which apply to all risks and therefore have not been logged in the RER against individual risks. These include:

- Disaster recovery processes;

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- Change management processes;
- System security controls;
- Appropriate system design and testing; and
- Processes for maintaining audit trails in relation to Settlement transactions.