

ROP (Attachment 2) – PAF Techniques

Guiding Principles

This document contains the guiding principles for Performance Assurance Framework (PAF) techniques and how they are applied by the Performance Assurance (PAB).

Breach and Default

This technique takes into account which Settlement Risks a Performance Assurance Party (PAP) is failing against and the impact of this failure on the rest of the industry.

Guiding principles:

- An incentive technique;
- The application of the technique is 'non-standard';
- The breach provisions are in Section H of the BSC;
- It can be applied to BSC Parties (Suppliers and Licensed Distribution System Operators)
- The Panel may apply Default where the Authority advises they have a regulatory concern that a Party may have breached their obligations and this breach is identifiable against one or more Settlement Risks;
- It's only switched on if non compliance is either persistent or quantifiably material across a wide range of Settlement Risks;
- It's switched on after Error and Failure Resolution (EFR) is applied, if applying EFR didn't address the area of concern.

BSC Audit

The scope of the BSC Audit is set by Panel and can change each year, taking into account factors such as: the findings of the previous year's audit; changes to the BSC; and issues identified by other detective techniques.

Guiding principles:

- A detective technique;
- The application of the technique is 'standard';
- It's applied to:
 - any CVA and SVA PAP, ELEXON, and BSC Agents;
 - CVA and SVA Settlement Risks and controls;
 - PAPs according to the BSC Auditor's rotational approach (see below and the BSC Auditor's approach document for more information);
- The technique can be partnered/supported by other detective techniques (e.g. Technical Assurance checks, the results of which are passed to the Auditor, and Technical Assurance of Metering);
- It's the main feed into the EFR process (a remedial technique);
- Audit work is performed to the extent required to provide reasonable assurance that the calculations and allocations performed in relation to Settlement have been carried out in accordance with the relevant provisions of the Code. In designing and delivering the Audit, the Auditor takes account of the risk posed by participants and the functions they perform. Although the technique is applied to all PAPs, the extent of the application of audit procedures will vary. A risk assessment to identify those Audited Entities (Party Agents only) that represent a higher risk to Settlement and those that represent a lower risk is performed and the amount of audit work is flexed accordingly. Audited Entities will be categorised as higher, medium or lower risk. In all cases any old or outstanding audit issues will be followed up. In performing the risk assessment the Auditor considers the following factors:
 - Size of Audited Entity (in terms of MSID numbers, volume of energy);
 - Complexity of systems and processes;
 - Role type (i.e. NHHDC or NHHDA);

- Control environment at the Audited Entity and number of known audit issues (identified by the application of accumulated knowledge and experience);
- Level of manual processing as opposed to automated; and
- Performance in the market and Information received from other PAF techniques.
- The intensity of audit procedures performed on the site visit will vary as rotation is applied, for example medium and lower risk Audited Entities will receive full, medium or limited visits within a four year cycle, with all receiving full visits at least once in the cycle. Suppliers and CVA systems are not subject to rotation.
 - Full visit - all aspects of testing are completed.
 - Medium visit - auditor will complete modelling, perform testing in areas with outstanding issues and will follow up on key report impacting areas (e.g. EAC/AA).
 - Limited visit - auditor will complete modelling and walkthrough testing on outstanding issues.
- Some Audited Entities may not be subject to a physical site visit, although they may be asked to submit data. Whether a participant will receive a visit is considered annually as part of the risk assessment. As a guideline, it is likely that a site visit will be required if one or more of the following criteria are met:
 - MSID count over 1000 (HH) or 50,000 (NHH)
 - The role is perceived as higher risk (e.g. NHHDC)
 - Performance issues have been detected by other PATs
- If it is anticipated that a Supplier or Agent will receive an Audit visit for the first time in the next period, an education visit will be arranged in advance.

Bulk Change of Agent

PAPs (Suppliers only) are obliged to inform the PAB when they plan to transfer more than 20k Metering Systems per Supplier Metering Registration Service per day. Applications to carry out this 'Bulk Change of Agent' activity are submitted under the BSCP513 process.

Guiding principles:

- A preventative technique;
- The application of this technique is 'non-standard';
- It mitigates various Non Half Hourly Settlement Risks;
- It's applicable to Suppliers (they're responsible for managing the process) but also covers risks around moving Meter Technical Details and meter reading history between Supplier Agents;
- It's only applied if the criteria for Bulk CoA are met (BSCP513).

Change Mechanism

The PAB can ask ELEXON to raise a Change Proposal to address Settlement Risk areas, or to make a recommendation to the Panel to raise a Modification Proposal. BSC Parties can also raise changes to the BSC and Code Subsidiary Documents.

Guiding principles:

- A remedial technique;
- The application of this technique is 'standard';
- It can affect all industry (based on the nature of the change);
- It's initiated by the PAB, or independently by a Party at any time;
- It's used alongside other PAF techniques, but operates within its own framework; and
- It's used if non compliances are found to be as a result of unclear/unreasonable obligations (evidenced in the change process itself).

Education

We provide education at an industry level for market-wide issues. Education includes seminars, workshops and guidance notes, and is distinct from guidance provided to individual PAPs as part of the EFR process.

Guiding principles:

- A preventative technique;
- The application of this technique is 'standard';
- Deployed as directed by the PAB;
- Education can be applied to any type of PAP; and
- Ideally covers all PAPs, but can't be enforced as such.

Error and Failure Resolution

EFR can be applied against all Settlement Risks where an associated performance issue or non compliance has been identified.

Guiding principles:

- A remedial technique;
- The application of this technique is 'non-standard';
- EFR is used assist PAPs to understand and rectify performance issues and non compliances;
- It's applicable to any type of PAP;
- Before applying EFR against a Settlement Risk, we take into account the net significance of the risk and the PAP's contribution to the issue identified; and
- The PAB can define specific escalation criteria for specific Settlement Risks for the PAPs not delivering against their action plan.

Material Error Monitoring

This technique is applied to the higher net significance Settlement Risks associated with Settlement-wide error that has a quantifiable impact on Trading Parties.

Material Error Monitoring (MEM) is applied to the Settlement Risk areas:

- Erroneously Large EACs and AAs;
- Erroneous Values of Unmetered Supplies; and
- Incorrect Energisation Status.

Guiding principles:

- A detective technique;
- The application of the technique is 'standard';
- Issues covered under MEM are agreed by the PAB. The PAB's decision to include a new issue under MEM takes into account the net significance of the Settlement Risk, evidence of materiality identified by other detective techniques, and the cost of putting in place systems to carry out monitoring;
- MEM may be applied in conjunction with EFR if monitoring indicates that a PAP's contribution to the issue is over their threshold;
- It can also result in using the Education technique so the PAP has a better understanding of the issue; and
- The PAB can agree to stop monitoring an issue, taking into account the measured materiality of the issue and the net significance of the Settlement Risks related to the error that is being monitored.

Peer Comparison

This technique can be applied to Settlement Risks that are measured by PARMS Serials. The suite of PARMS Serials are defined in BSCP533 - although Peer Comparison isn't currently carried out on all of these. You can find out which ones are in scope of Peer Comparison from the ELEXON website. [Peer Comparison](#)

Guiding principles:

- An incentive technique;
- It provides a mechanism for publishing performance at key control points in Settlement among PAP's Peer Groups;
- The application of the technique is 'standard';
- The PAB can, at its discretion, select which PARMS Serials it publishes as Public Peer Comparison and the frequency at which reports are circulated;
- It can be applied to Suppliers and on the Serials defined in BSCP533; and
- Amending the scope of the Peer Comparison technique depends on:
 - Settlement Risks identified as of particular regulatory concern and covered by an applicable PARMS Serial; and
 - Persistent or quantifiably material under performance.

Performance Monitoring and Reporting

This technique is applied to Settlement Risks that can be measured by a PARMS Serial.

Guiding principles:

- A detective technique;
- The application of the technique is 'mandatory'
- It provides a mechanism for collecting and reporting data to identify performance at key control points in Settlement;
- It is applied to all PAPs monthly for all Settlement processes (and therefore risk areas) defined in the BSC and BSCP533 (the PARMS Serials and Standards); and
- Performance issues identified under Performance Monitoring and Reporting could trigger EFR, Education or Technical Assurance of PAPs (e.g. a drill down check).

Qualification

New PAPs entering the market need to complete Qualification under the BSCP537 process. Qualification is applied against Settlement Risks relating to the requirements in the Self Assessment Document completed by new entrants (BSCP537, Appendix 1).

Guiding principles:

- A preventative technique;
- The application of this technique is 'non-standard';
- It's initiated by a Qualification application;
- It's applied to all types of PAP other than LSDOs;
- The technique can be partnered by a detective technique (e.g. Post-Qualification Technical Assurance check) at the direction of the PAB.

Re-Qualification

PAPs (other than Suppliers and LSDOs) need to re-Qualify under the BSCP537 process when they make Material Changes how they operate their service. Re-Qualification is applied against the Settlement Risks relating to applicable requirements in the Self Assessment Document (BSCP537, Appendix 1).

Guiding principles:

- A preventative technique;
- The application of this technique is 'non-standard';
- It's applicable to all PAPs with the exception of Suppliers and LSDOs;
- It's normally initiated by the PAP based on a risk and impact assessment of the change it wishes to make;
- The PAB can also enforce a re-Qualification under the provisions of Section J3.5.4 of the BSC; and
- The technique can be partnered by a detective technique (e.g. Post-Qualification Technical Assurance check).

Removal of Qualification

This technique takes into account any Settlement Risks a PAP is failing against, and the impact of the failure(s) on the rest of the industry.

Guiding principles

- A Incentive technique;
- The application of this technique is 'non-standard';
- The technique can be applied to all PAPs that are 'Qualified Persons', but not Suppliers (Suppliers would go through the Default technique); and
- It's switched on when non compliance is either persistent or quantifiably material across a wide range of Settlement Risks.

Supplier Charges

This technique is applied to Settlement Risks that are measured by certain PARMS Serials (SP01, SP02, SP04 and SP08).

Guiding principles

- A remedial technique;
- The application of this technique is 'mandatory';
- It is only applied to Suppliers; and
- It is a mechanism for applying liquidated damages to Suppliers failing to meet certain performance levels.

Technical Assurance of Metering

This technique is applied to Half Hourly (HH) Settlement Risks relating to HH Metering Systems.

Guiding principles

- A detective technique;
- The application of this technique is a combination of 'standard', 'non standard' and 'mandatory';
- The technique is applied to 'registrants' (Central Volume Allocation (CVA) and Supplier Volume Allocation (SVA) HH Registrants), SVA HH Meter Operator Agents (MOAs), CVA MOAs, SVA HH Data Collectors and the Central Data Collection Agent;
- The technique is applied to:
 - CVA registrants (including LDSOs where they are the Registrant), CVA MOAs and the CDCA as a *mandatory* technique for all relevant CVA Settlement Risks and *non-standard* for targeted visits; and
 - SVA HH Suppliers, HH MOAs and HHDCs (and LDSOs where they are an asset owner) as a *standard* technique for the main sample, and as a *non standard* technique for the specific sample and targeted visits.
- The PAB defines the scope of the audits in the main sample (i.e. the technique can be switched off for particular Settlement Risks/PAPs) and the scope of the specific sample and targeted visits (i.e. the technique would be switched on for particular Settlement Risks/participants) according to specific areas/Settlement Risks/types of metering equipment.

Technical Assurance of Performance Assurance Parties

This technique provides additional assurance in conjunction with a detective technique.

Guiding principles:

- A detective technique;
- The application of the technique is 'non-standard';
- Applied to SVA Settlement Risks where other techniques indicate there is a problem, or do not provide enough detective assurance;
- Performance issues identified could trigger EFR; and
- It can be applied to any PAP.

Trading Disputes

This technique can be deployed when a detective technique identifies a market-wide issue (e.g. incorrect energisation status). The PAB can instruct ELEXON to investigate an issue before agreeing to deploy the Trading Disputes process.

Delivering and managing the Trading Disputes processes and obligations are the responsibility of the Trading Disputes Committee (TDC). BSC Parties can raise Trading Disputes under Section W of the BSC and BSCP11.

Guiding principles:

- A remedial technique;
- The application of the technique is 'standard';
- It provides a mechanism for correcting settlement errors and the subsequent impacts on Trading Charges;
- It can only be applied to BSC Parties; and
- The Trading Dispute technique can be applied to any Settlement Risks identified as of particular concern at a market issue level (e.g. following the BSC Audit);
- It's only switched on when non compliance is either persistent or quantifiably material and so is partnered with a detective technique such as Material Error Monitoring or the BSC Audit; and
- It can be combined with the EFR and Education techniques.