



# The Electricity Incentive Regime

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# The 4 Categories of the Electricity Performance Assurance Regime.

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# Incentives

## Techniques used to drive Suppliers to meet the required standards.

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<b>Technique</b>	<b>What is it?</b>	<b>Why is it used?</b>
Peer Comparison (Standard)	Parties performance in key areas is published on the Elexon website to highlight poor performance. Supplier Settlement Performance is included.	Used to encourage process improvement and compliance in Key performance areas.
Removal of Qualification (Non Standard)	The PAB can remove the qualifications of Party agents based on historic poor performance and non-compliance with the BSC.	The removal of qualification means the removal of trade for BSC agents. Suppliers must use qualified agents to be compliant with the BSC.
Breach and Default (Non Standard)	Escalation to the Panel for a Suppliers continual material non-compliance with the code. Can result in the Panel limiting trade that the Supplier can do or expulsion from the BSC.	Rare circumstances used to protect the rest of the market from poor performance.

# Detective

## Actions taken by the PAFA to investigate process performance and compliance.

Technique	What is it?	Why is it used?
BSC Audit (Standard)	Annual Audit completed by a Third Party (KPMG) investigating current controls and performance in key processes. Includes items such as controls around CoS and exception management.	Used to monitor performance annually in key areas. Any issues identified can result in non-compliances raised to the audited company and potentially EFR being applied.
Performance Monitoring and Reporting (Standard)	A monthly reporting mechanism to identify Performance for parties as part of key settlement risks. Items monitored are Settlement Performance, transfer of Meter Technical Details.	Performance requirements are applied to each monitored area. If performance drops below the requirements then EFR can be applied.
Technical Assurance of Metering Systems (Standard)	Sample and targeted visits to large consuming HH sites to check the compliance of the metering systems	Ensure that meter accuracy at site is correct reducing the risk to the wider market.
Technical Assurance of Performance Parties (Non-Standard)	Targeted checks to audit processes operated by a sample of BSC Parties. The scope is defined by the PAB with the audit being completed and a report with recommendations sent to the PAB.	The PAB are able to target issues that have been raised. Following investigation changes can be made to processes to reduce the risk in the market.

# Preventative

## Actions taken by the PAFA to ensure processes are operated correctly

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Technique	What is it?	Why is it used?
Education	Elxon publish guidance on common market issues identified and discuss best practise with parties. Education includes seminars, workshops and guidance notes	Used to discuss common market problems and educate parties to ensure that best practise is followed.
Qualification (Non-Standard)	Requirements have to be met before a party can become active and trading with the BSC. As part of the qualification parties need to demonstrate that they can complete key processes and have the correct system controls in place.	This technique is to provide assurance to the parties that new entrants are qualified to an appropriate standard before entering the market.
Re-Qualification (Non-Standard)	Similar to the qualification process, but when a Party (except for Suppliers) makes a material change to their system they are required to complete a re-qualification.	This technique is to provide assurance to the parties that system changes are completed correctly and removes the risk to the market.

# Remedial

## Actions taken following non-compliance

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Technique	What is it?	Why is it used?
Supplier Charges (Mandatory)	Supplier are charged liquidated damages for non compliance with their Settlement Performance requirements (97% NHH by RF and 99% HH by SF).	To further incentivise Suppliers to meet their Supplier performance obligations.
Change Mechanism (Standard)	Allows the PAB to direct Elexon to raise a Change Proposal to address a Settlement Risk or make a recommendation to raise a modification to the Panel.	Used when non-compliances are found due to unclear or unreasonable obligations.
Error Failure Resolution – EFR (Non-Standard)	An escalation technique to ensure that poor performing parties understand why they are performing poorly and complete a plan to forecast when they will come out.	This provides the PAB with clear milestones set by the party as to when they will meet the required standards and address the issues they experienced in the first instance.
Trading Disputes (Standard)	A mechanism to correct Settlement Errors and subsequent impacts on trading charges.	Allows parties and Elexon to raise trading disputes to correct material errors in the market.

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