Performance Assurance Techniques (PATs) for Single-Focused Risk

Version [1.0]

Published [16 March 2026]

Version	PAB Approval Date	Change Description	Change Reason
0.1	N/A	Initial Draft	Initial Creation
1.0	11/02/26	Version updated	Document approved by PAB

1 Contents

2 Glossary of Terms

Terms used in this document related to the SEC and the Performance Assurance Framework (PAF) are defined in SEC Section A, Definitions and Interpretations. Other terms that are not included in the SEC, but may require explanation, are listed below.

"Proof-of-Concept" (PoC) is a time-limited period during which SEC Performance Assurance (SEC PA) applies the PAF processes, artefacts and subset of Performance Assurance Techniques (PATs) to a defined, real-world issue in order to test, refine and validate their effectiveness prior to wider implementation. Only the PATs contained within this document will be used for the PoC. An enduring set of PATs will be implemented for the pilot phase of PAF mobilisation, which commences in September 2026.

1. Purpose

Section C9 of the Smart Energy Code (SEC) requires that the Panel shall establish a Sub-Committee to be known as the Performance Assurance Board (PAB). The role of the PAB is to manage a Performance Assurance Framework (PAF) to address SEC Parties' obligations on a risk basis in order to:

a) give confidence to all Parties that the obligations set out in this Code are being fulfilled, and that failure to meet obligations will not detract from achievement of the General SEC Objectives;
b) give confidence to Parties individually and collectively that they are not being disadvantaged by the failure of any Party, or group of Parties, to meet obligations;
c) give confidence to Parties that performance risks and issues are identified and dealt with in a standardised manner, and
d) ensure that Parties can understand the Performance Assurance Operating Plan for the coming year, are able to contribute to it and have confidence that it will be delivered in a fair and equitable way.

SEC Appendix AW, Performance Assurance sets out the provisions for the SEC PAB to implement a PAF on behalf of the Panel. It includes that the PAB shall establish a set of techniques (the "Performance Assurance Techniques").

2. Governance of Performance Assurance Techniques

Certain Performance Assurance Techniques (PATs) require enhanced governance and oversight due to their potential impact, the need for judgement in their application, or their role in escalation. The Performance Assurance Operating Plan (PAOP) will be submitted to the PAB for approval and will set out the proposed use of PATs over the Proof of Concept (PoC) period. In some cases, particularly where techniques involve more intrusive interventions or specific elements that carry heightened sensitivity or impact (e.g. the publication of peer comparison outputs), explicit PAB (and where required Panel) approval will be sought prior to execution. These techniques are highlighted in yellow in Figure 1 below. This approach ensures that PATs are applied in a proportionate, control and transparent manner, consistent with the Risk Management Principles articulated in the Risk Evaluation Methodology (REM).

3. Overview of Performance Assurance Techniques

The Role of PATs within the PAF

The PATs are a defined set of assurance tools and interventions available to the PAB to mitigate risks and issues related to the achievement of the General SEC Objectives and to address actual or potential non-compliance with SEC obligations.

The PATs form a core component of the SEC PAF, as set out in SEC Appendix AW, Performance Assurance. They provide the practical mechanisms through which identified SEC Risks are proactively managed and mitigated. PATs are applied in a proportionate, risk-based manner and are informed by the REM and the Performance Assurance Risk Register (PARR). They are applied within the Performance Assurance Operating Plan (PAOP) and included on individual Party Risk Management Determinations (RMDs). The outcomes, effectiveness and lessons of applied PATs are reported on via the Annual Performance Assurance Report (APAR).

The PATs support the PAB to:

- Proactively promote compliance and minimise potential SEC Risk impacts before they occur (Preventive PATs)
- Identify evidence of areas of potential or actual non-compliance, and SEC Risk impacts that have occurred (Detective PATs)
- Remedy non-compliance and rectify or reduce SEC Risk impacts that have already occurred (Corrective PATs)
- Encourage compliance to Code obligations and SEC Risk mitigation (Incentivisation PATs).

Principles for PAT Selection and Application

The Risk Management principles set out in the REM directly inform both the selection and application of PATs.

- **Proportionality** ensures that the type, scale and intensity of PATs applied reflect the significance of the relevant SEC Risk, with more intrusive or resource-intensive techniques reserved for risks with higher likelihood, impact and/or proximity.
- **Consistency** in the application of the REM supports the fair and reasonable use of PATs across SEC Parties and risk categories, enabling comparable responses to similar risk profiles and supporting comparative analysis of PAT effectiveness.
- **Transparency** is maintained by clearly documenting the rationale for PAT selection and escalation within the PARR and associated RMDs, and by publishing the REM to provide Parties with visibility of how assurance decisions are made.
- **Objectivity** ensures that PATs are triggered and applied on the basis of evidence-led risk assessments, underpinned by defined scoring criteria and robust data.

PAT Applicability

PATs may be applied to any applicable SEC Party based on risk ownership, contribution to risk, and the nature of the assurance activity.

4. Catalogue of Performance Assurance Techniques and Objectives

For the SEC PA PoC, a subset of PATs will be applied to monitor and mitigate an ongoing issue of SEC obligations not being met. This includes:

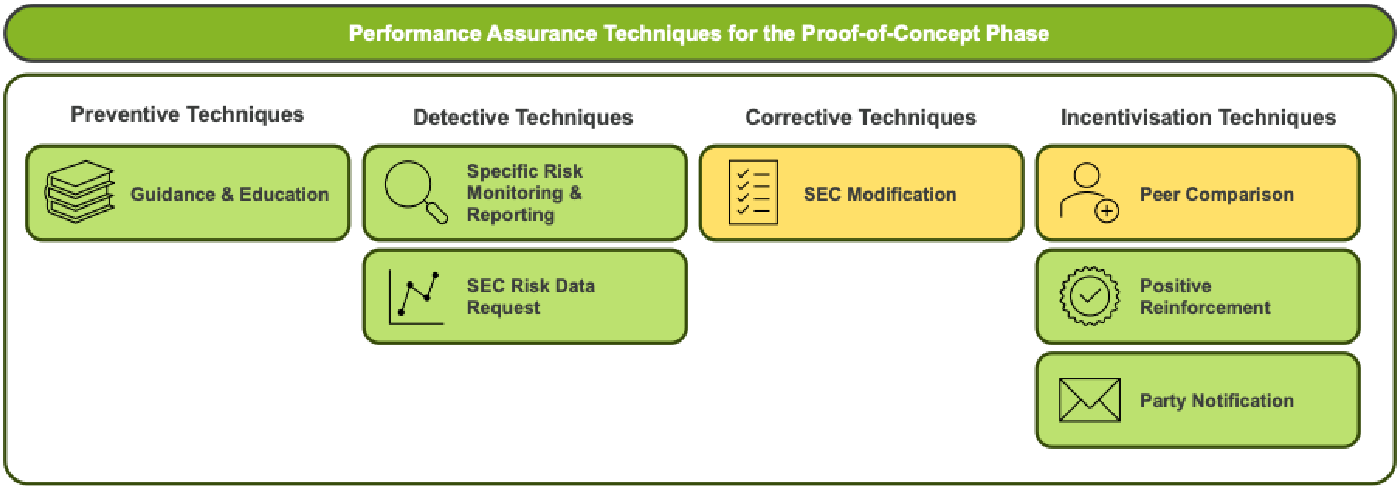

Figure 1: Performance Assurance Techniques for the POC Phase

4.1 Preventive Techniques

Preventive PATs are designed to reduce the likelihood of SEC Risks materialising by promoting an understanding of SEC obligations, clarifying expectations and encouraging good practice. These techniques are typically applied before non-compliance occurs; however, they may also be applied in response to an identified non-compliance or risk event to address underlying issues and prevent recurrence in the future.

Guidance and Education

- **Overview:** Sets out expectations, interpretations and examples of good practice in relation to SEC obligations, supporting a shared understanding of requirements across SEC Parties.
- **How it will be used:** Used where risk information indicates potential uncertainty or an education gap among SEC Parties. It may be issued on a cross-Party or targeted basis and will be informed by insights from monitoring activity or industry engagement.
- **Objective:** To reduce the likelihood of SEC Risks materialising or preventing recurrence.
- **Example:** Webinar and supporting documentation published to set out best-practice end-to-end processes.

4.2 Detective Techniques

Detective PATs are used to identify, monitor and assess SEC Risks through the collection and analysis of Data and other evidence. They provide visibility of performance, enabling detection of emerging risks or deteriorating trends. Detective techniques support evidence-based decision-making on whether further assurance intervention is required.

Specific Risk Monitoring and Reporting

- **Overview:** Collection, analysis and reporting of defined risk-related Data to support the monitoring and assessment of SEC Risks.

- **How it will be used:** Applied where a SEC Risk has been identified as significant and requires enhanced oversight. Monitoring parameters, thresholds and reporting frequency will be proportionate to the risk and may be time-limited or ongoing. Outputs will inform decisions on whether further PATs are required.
- **Objective:** To provide ongoing visibility of significant SEC Risks.
- **Example:** Targeted monitoring on a specific SEC Risk by Party Category using already available Data.

SEC Risk Data Request

- **Overview:** A formal request for information intended to support the assessment, validation or quantification of a SEC Risk. Enables the SEC PA and PAB to obtain a comprehensive and evidence-based view of performance or non-compliance.
- **How it will be used:** Data requests will be issued where existing Data and information is insufficient to assess risk or determine appropriate mitigation. Requests will be relevant, proportionate and, where practicable, based on existing Data sources. Information gathered may inform risk scoring, further PAT selection and escalation decisions.
- **Objective:** To obtain robust evidence to assess SEC Risks and inform decision on prioritisation, mitigation and escalation.
- **Example:** Where monitoring reveals elevated levels of error for a subset of Party Categories, a Data Request is issued, requiring those Parties to provide evidence of their internal processes.

4.3 Corrective Techniques

Corrective PATs are applied where SEC Risks have materialised or non-compliance has been identified and action is required to reduce impact or restore compliance. These techniques focus on remediation, addressing root causes and ensuring that corrective actions are implemented effectively and sustained over time, either at a SEC Party level or, where appropriate, through changes to the SEC itself.

For the PoC phase, we do not intent to perform direct escalation PATs involving SEC Parties, such as Corrective Action Plans (CAPs) or escalation to the SEC PAB or Panel,. Only non-invasive corrective techniques have been selected to enable learning and refinement of the PAF while minimising impact on Parties.

SEC Modification

- **Overview:** A SEC Modification may be considered where risks or issues (SEC Risks) are best addressed through changes to the Smart Energy Code itself, rather than through individual SEC Party-level interventions. It enables structural or systemic risks to be mitigated on an enduring basis.
- **How it will be used:** Used where assurance activity indicates that existing SEC arrangements are ineffective, unclear or no longer fit for purpose in preventing or mitigating SEC Risks. Evidence from PATs, monitoring or assessments may inform the need for a SEC Modification. Any SEC Modification will follow the established governance and change control processes.
- **Objective:** To address systemic or structural risks by amending the SEC.
- **Example:** Assurance activity identifies that a recurring root cause or a requirement that is not clear. SEC PA will explore the appropriateness of SEC Modifications to eliminate root causes and strengthen Code obligations.

4.4 Incentivisation Techniques

Incentivisation PATs are used to encourage improved performance and reinforce positive behaviours by recognising good practice, benchmarking, or increasing visibility of assurance outcomes. These techniques support continuous improvement by motivating Parties to meet or exceed expectations and, where appropriate, by providing transparency to senior governance bodies or the regulator.

Peer Comparison

- **Overview:** Peer Comparison is an incentivisation technique that benchmarks SEC Party performance against relevant peers to encourage improvement through transparency and comparative insight.
- **How it will be used:** Used where comparable performance data is available and meaningful. It may be applied across a SEC Party Category or subset of SEC Parties and can be used to highlight outliers, inform targeted assurance activity or support industry-wide improvement initiatives. Peer comparison may take the form of anonymised or de-anonymised (pending PAB and/or Panel approval) 'league tables', forming a strong reputational incentive.
- **Objective:** To encourage improved performance and promote learning from best practice.
- **Example:** Party performance is benchmarked against industry peers. Parties with consistently low error rates and effective handling of complex scenarios are identified as exemplars.

Positive Reinforcement

- **Overview:** Notification to a SEC Party to recognise and reinforce strong performance, effective risk management or sustained compliance with SEC obligations. This supports a culture of continuous improvement by acknowledging good practice and encouraging its continuation.
- **How it will be used:** Issued where assurance activity or other evidence has demonstrated that a Party has effectively mitigated identified risks, delivered improvements ahead of expectations, or consistently performed at a high standard. Notifications may highlight specific behaviours or practices that have contributed to good outcomes and, where appropriate, inform wider assurance insights or guidance.
- **Objective:** To reinforce and encourage strong performance.
- **Example:** A Supplier that has materially reduced its impact on a SEC Risk ahead of expected timescales receives a formal notification recognising effective remediation. The notification highlights specific practices that contributed to improved outcomes.

Party Notification

- **Overview:** Notification to a SEC Party to identify issues, concerns or risk indicators arising from Performance Assurance activity, identified non-compliance, risk events or to prompt awareness, engagement and self-corrective behaviour.
- **How it will be used:** Used where assurance activity indicates that a SEC Party's performance may be contributing to a SEC Risk or emerging issue, but where more formal corrective or escalation techniques are not yet warranted. Notifications may highlight specific concerns, request clarification or draw attention to expected standards of performance.

- **Objective:** To encourage timely engagement and improvement in SEC Party performance before escalation or more intrusive PAT intervention is required.
- **POC Example:** Monitoring identified a Party has persistently higher error rates than industry peers. The Party is issued with a notification highlighting the concern, the associated risks and the expectation that the issue is investigated and addressed.

5. Performance Assurance Technique-to-Risk Mapping and Expected Outcomes

For the PoC, the SEC PA intends to apply all of the PATs documented in section '3. Catalogue of Performance Assurance Techniques' to a single SEC Risk. The timelines and costs associated with PAT deployment during the PoC phase are articulated in the corresponding PAOP. Future iterations of this artefact will contain a mapping to illustrate the applicability of each PAT to the known SEC Risk(s) that are in scope for the upcoming phase of assurance activity.

6. Performance Assurance Technique Selection

Guiderails for PAT Selection

PATs will be selected based on the SEC PA's assessment of SEC Risks, in collaboration with the PAB. In determining the appropriate technique or combination of techniques, SEC PA and the PAB will consider the nature of the risk and its likelihood, proximity and impact of occurrence. The rationale for PAT selection will be recorded alongside relevant risk information in the PARR, informing the PAOP and, where appropriate, individual RMDs.

The following guidelines will advise, but not determine, PAT selection:

Risk Characteristics and Maturity:

- Newly identified or poorly understood risks where evidence is incomplete should first be subject to detective techniques before corrective techniques are considered.
- Where risks have a lower proximity score or are emerging, but have not yet materialised, preventive techniques should be prioritised.
- Where risks have been escalated into issues or non-compliance has been identified, detective, incentivisation and corrective techniques will be selected over preventive techniques.

Control and Accountability:

- Where SEC Parties have limited or no direct control over the risk drivers (e.g., where risks arise from system constraints, legacy arrangements or third-party dependencies), preference should be given to detective or preventive techniques as an initial measure, rather than SEC Party-level corrective action.

Scope and Market Impact

- Risks affecting multiple SEC Parties or the wider market should be addressed through cross-industry preventive and incentive techniques, rather than targeted corrective action.

Effectiveness and Escalation Discipline:

- Where previously applied techniques are demonstrably effective in mitigating risk, further corrective techniques should be avoided unless risk indicators materially worsen.
- Where there is uncertainty, preference should be given to PATs that are dynamically and flexibly applied before applying structural interventions.

Proportionality and Burden:

- The anticipated cost and operational burden of a PAT should be proportionate to the materiality of the risk it is intended to address and take account of SEC Party circumstances, including scale and market footprint.

Governance and Sensitivity:

- PATs that involve publication, regulatory notification or reputational impact should be subject to heightened governance and explicit approval (not relevant for the PoC phase).

7. Review and Continuous Improvement

Reviewing PAT Effectiveness

The effectiveness of PATs will be reviewed by SEC PA on an ongoing basis to assess whether they are delivering the intended assurance outcomes and contributing to the mitigation of identified SEC Risks. Reviews will consider whether the application of PATs has resulted in measurable changes in risk indicators, improved compliance, or increased confidence in the management of the relevant risk.

Evidence used to assess effectiveness may including monitoring Data, assurance outputs, changes in risk scoring, Party engagement and delivery against expected outcomes, and feedback from stakeholders. The results of the effectiveness reviews will be recorded alongside risk information with the PARR.

Where a PAT has been effective in its application to a specific SEC Risk, it may be continued if further benefit is deemed likely or discontinued if no further benefit is expected from continued application. Where a PAT is assessed as partially effective or ineffective, this will inform decisions on whether alternative or additional PATs are applied, or whether changes to the application or design of the PAT is needed.

Insights from reviews of PAT effectiveness will support continuous improvement of the PAF, informing updates to the PAOP, individual RMDs and the contents of the Annual Performance Assurance Report (APAR).

Triggers for Updating Existing PATs and Developing New PATs

PATs are subject to annual review, in accordance with Appendix AW, Performance Assurance. Existing PATs may be updated, and new PATs developed, where review activity, risk assessments or assurance outcomes indicate that current techniques are no longer effective or fit for purpose. Triggers may include the emergence of new or systemic risks where existing PATs are not deemed appropriate, evidence of unintended PAT consequences, or changes to the SEC, market arrangements or regulatory expectations.

The development or update of PATs may also be informed by insights gained during the application of techniques (e.g., PoC activity) and stakeholder feedback. Any updates to existing PATs or the introduction of new

PATs will be subject to appropriate governance and approval via the PAB, and will be reflected in the PARR, PAOP and RMDs, where relevant.

A full version of the PATs artefact will be developed by SEC PA and approved by the PAB prior to a Pilot phase commencement in September 2026. The full version will build on this PoC version of the document.

Appendix 1 - General SEC Objectives

a) To facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain
b) To enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence
c) To facilitate Energy Consumers' management of their use of electricity and gas through the provision to them of appropriate information by means of Smart Metering Systems
d) To facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy
e) To facilitate such innovation in the design and operation of Energy Networks (as defined in the DCC Licence) as will best contribute to the delivery of a secure and sustainable Supply of Energy
f) To ensure the protection of Data and the security of Data and Systems in the operation of this Code
g) To facilitate the efficient and transparent administration and implementation of this Code; and
h) To facilitate the establishment and operation of the Alt HAN Arrangements