



Risk management process

| Process Step | | Role | Process Step Description | Interface |
|--------------|-----------------------------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 1 | PARR reports are continually monitored by the PAFA | PAFA | PAFA receive monthly PARR data from the CDSP. Report dashboards are updated and analysed | |
| 2 | Issue identified by PAFA | PAFA | PAFA recognise deterioration in Market Participant performance from the PARR reports. Data and analysis will be highlighted to the PAC and the CDSP at the next scheduled PAC meeting | PARR dashboard |
| 3 | PAFA discuss highlighted Market Participant performance with CDSP's Customer Account Managers (CAM) | PAFA | PAFA discuss performance with CAM. CAM to raise issue with Market Participant and confirm if reasons for poor performance is new or existing. PAFA to update the PAC with information obtained from CAM. | Email Phone |
| 4 | CDSP raises poor performance via CAM with Market Participant and begin engagement/education | CDSP | CDSP request that relevant CAM engages with Market Participant for education/support To be done within 7 days of PAFA discussion | Email Phone CAM meeting |
| 5 | PAFA continue to monitor behaviour for 3 months | PAFA | PAFA will (in addition to the provision of regular PARR reporting) monitor the behaviour of relevant Market Participant for a period of 3 months <ul style="list-style-type: none">Go to Step 7 | |
| 6 | PAFA analyses PARR reports and dashboards and presents findings to PAC | PAFA | PAFA provides the PAC with findings from PARR reports and dashboards on a monthly basis | Written/Verbal update at PAC meeting |



| | | | | |
|----|------------------------------------------------------------------------------------------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| 7 | PAC discuss the performance of Market Participants and determine whether further action is necessary | PAC | <p>PAC will discuss the PARR reports and analysis provided by the PAFA and determine the relevant next step.</p> <p>To be done during each relevant PAC meeting.</p> | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |
| 8 | PAC determine that additional areas of analysis are required | PAC | <p>PAC determines if additional areas of analysis are required before further action can be taken and update the PAFA and CDSP.</p> <p>PAC will provide details of the additional information required, agreeing with the PAFA and CDSP a timescale for data provision and period of additional monitoring.</p> <p>To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> • Additional areas of analysis required - Step 9 • Determine next step - Step 10 | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |
| 9 | PAFA will produce reports on additional areas of analysis | PAFA | <p>PAFA will present the additional areas of analysis to the PAC for consideration of next steps</p> <p>Within the agreed timescales set by the PAC.</p> | <p>Written/Verbal analysis provided at PAC meeting</p> |
| 10 | PAC to determine appropriate next steps | PAC | <p>Following the provision of all requested data the PAC discuss and decide the next steps.</p> <p>To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> • No action required - Step 11 • Further action required - Step 12 | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |



| | | | | |
|----|----------------------------------------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 11 | PAC determine that no further action is required and continue to monitor performance as agreed frequency | PAC | <p>Market Participant behaviour has improved to a level sufficient that no further actions are required. PAC agree to regular monitoring to ensure improvement continues.</p> <p>To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 1 | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |
| 12 | PAC determine that further action is required | PAC | <p>PAC consider the appropriate next steps to incentivise an improvement in performance.</p> <p>To be done during each relevant PAC meeting.</p> <p>Liquidated damages – Step 13</p> <p>Resolution plan for next 3 months – Step 14</p> <p>Reduced operations – Step 15</p> <p>Escalation to UNCC or Authority for expulsion – Step 16</p> | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |
| 13 | PAC decide to activate liquidated damages and decide exit conditions | PAC | <p>PAC decide to activate liquidated damages to incentivise improved performance. PAC also decide exit conditions for liquidated damages.</p> <p>To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 17 | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |
| 14 | PAC decide to activate a resolution plan for the next 3 months | PAC | <p>PAC decide to activate resolution plan for the next 3 months to incentivise improved performance</p> <p>To be done during each relevant PAC meeting.</p> | <p>PAC meeting minutes</p> <p>PAC meeting actions</p> |



| | | | | |
|-----------|----------------------------------------------------------------------------------------|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| | | | <ul style="list-style-type: none"> Go to Step 17 | |
| 15 | PAC decide to reduce Market Participant operations and decide exit conditions | PAC | <p>PAC decide to reduce Market Participant operations. PAC also decide exit conditions for reducing operations To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 17 | <p>PAC meeting minutes PAC meeting actions</p> |
| 16 | PAC decide to escalate to UNCC or Authority for expulsion | PAC | <p>PAC decide to escalate to UNCC or Authority for expulsion To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 18 Go to Step 28 | <p>PAC meeting minutes PAC meeting actions</p> |
| 17 | PAC request PAFA to write to Market Participant confirming decision made | PAC | <p>PAC request PAFA to write to Market Participant advising that escalation process has begun. To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 19 | <p>PAC meeting minutes PAC meeting actions</p> |
| 18 | PAC request PAFA to write to Market Participant confirming decision made for expulsion | PAC | <p>PAC request PAFA to write to Market Participant advising that escalation to UNCC or Authority for expulsion has begun To be done during each relevant PAC meeting.</p> <ul style="list-style-type: none"> Go to Step 27 | <p>PAC meeting minutes PAC meeting actions</p> |



| | | | | |
|-----------|-------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 19 | PAFA to write to Market Participant advising that escalation process has begun | PAFA | PAFA will write to Market Participant, advising that the escalation route that the PAC has determined and the options available to them for resolution, including right of appeal. To be done within 7 days of each relevant PAC meeting. | Letter via email |
| 20 | Market Participant receives notification of PAC decisions | Market Participant | Market Participant receives notification of sanctions and can appeal sanctions to the PAFA within 10 days of receiving letter from PAFA <ul style="list-style-type: none"> • Appeal submitted within 10 days - Step 21 • No appeal submitted within 10 days - Step 22 | |
| 21 | Market Participant appeals sanction and is successful | Market Participant | Market Participant appeals sanction within 10 days to the PAFA and is successful <ul style="list-style-type: none"> • Go to Step 11 | Letter via email |
| 22 | Market Participant appeals escalation and is unsuccessful or sanctions are accepted | Market Participant | Market Participant either accepts sanctions or fails in appeals process | |
| 23 | Market Participant sends receipt and acknowledgement of sanctions | Market Participant | Market Participant sends receipt and acknowledgement of sanctions to PAFA. To be done within 14 days of receiving letter from PAFA. | Letter via email |
| 24 | PAFA receives Market Participants response to escalation route chosen by the PAC | PAFA | PAFA receives receipt of sanctions and provide detail to the PAC | Written/Verbal analysis provided at PAC meeting |
| 25 | PAFA to continue to monitor performance over agreed period | PAFA | PAFA continue to monitor performance over the agreed period to ensure that improvement plan is met, and targets adhered to. | |



| | | | | |
|-----------|-------------------------------------------------------------------------------------------------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| | | | Monitoring to be performed on a monthly basis | |
| 26 | PAFA to report back to the PAC on Market Participant performance | PAFA | PAFA report to the PAC on the Market Participants adherence to the agreed plan and highlight any further concerns To be presented at the next available PAC meeting following publication of notification letter from PAFA. <ul style="list-style-type: none">• Go to Step 7 | Written/Verbal analysis provided at PAC meeting |
| 27 | PAFA to write to Market Participant advising of PAC decision to escalate to UNCC or Authority for expulsion | PAFA | PAFA write to Market Participant, advising of PAC decision to escalate to UNCC or Authority for expulsion. To be done within 7 days of each relevant PAC meeting. <ul style="list-style-type: none">• Go to Step 20 | Letter via email |
| 28 | Expulsion | PAC | Expulsion process is implemented | |