

Explanation of Data Analysis

To support the Modification Group's consideration of potential monetary threshold values, ELEXON and the Funds Administration Agent (FAA) undertook analysis to establish the proportion of Advice Notes which are issued in respect of low value transactions. The analysis was conducted separately for the three types of charges invoiced by the FAA (Trading Charges, Default Charges and Extra Settlement Determination (ESD)/other Ad Hoc Charges), since these are currently the subject of separate Advice Notes. In addition, results were presented separately for amounts payable and amounts receivable, to establish whether there was a significant difference in payable and receivable transactions.

The pie charts on the following pages show the percentages of Advice Notes (by charge type and split between amounts payable and receivable) whose transaction values fall within different monetary brackets. Originally, this analysis was carried out in respect of all Advice Notes issued since NETA Go-Live to the present. The analysis was then subsequently repeated in respect of Advice Notes issued in the last 12 months only, to establish whether the original figures were representative of more recent transaction trends.

The analysis shows that a significant proportion of Advice Note values fall below £100, and a further breakdown is therefore provided of these values for both the full period since NETA Go-Live and for the last 12 months. In addition, a breakdown is provided for those Advice Notes issued in the last 12 months whose values fell below £25. Note that, in these breakdowns, the percentages shown are not percentages of the total number of Advice Notes but of the number of Advice Notes which fall under £100 or £25 respectively. For example, the first chart on p.6 shows that 33.9% of those Advice Notes for payable Trading Charges whose value was under £25 were in respect of amounts which were lower than 50p. Those Advice Notes for payable Trading Charges whose value was under £25 in turn represented 74.8% of those Advice Notes for payable Trading Charges which were in the <£100 bracket (see the first chart on p.4). Those Advice Notes for payable Trading Charges in the <£100 bracket represented 21.6% of all Advice Notes for payable Trading Charges in total (first chart on p.2).

The following additional points should be borne in mind when using the analysis results to consider potential monetary threshold levels:

- It should be noted that Advice Notes are currently issued at a daily level of granularity, such that a separate Advice Note is issued in respect of each day for which a Party has accrued charges. The value brackets used in the analysis therefore represent daily net amounts (i.e. the value of an Advice Note is the summation of all payables and receivables accrued for that day). Each net daily Advice Note value represents an individual transaction (payment) which Parties are required to make. P214 proposes to introduce a monetary threshold, such that Advice Notes would not be issued until the cumulative net total of a Party's charges breached this threshold. It is proposed by the Group that the initial value of the monetary threshold should be £500.
- Separate Advice Notes are currently issued for each type of charge. P214 proposes to combine these charges into single Advice Notes, and that the combined (net) total of all of the different types of charges would count towards the monetary threshold.

The following conclusions have been drawn from the data analysis by the Modification Group:

- Within a charge type, there is little difference between the proportion of low value transactions for amounts payable compared with amounts receivable. The Modification Group therefore considers that different threshold values for amounts payable and amounts receivable are not required.
- There is a significant divide between low value transactions (under £100) and those of significantly higher value (over £5000). The Modification Group has noted that the daily Trading Charges of large Parties are likely to be above £5000, with the result that the main beneficiaries of the thresholds would be smaller Parties. However, since the thresholds would be applied at a Party ID level, the Group considers that larger Parties may benefit from the thresholds for some (if not all) of their IDs. In addition, the Group believes that larger Parties would benefit from P214's proposal to combine all different types of charges for the purposes of counting towards the thresholds – such that they would no longer receive separate Advice Notes for small value Default Charges and ESD/Ad-Hoc Charges. The Group has concluded that it would not be appropriate to vary the monetary threshold value according to Party size (e.g. setting a threshold above £5000 for the largest Parties), since it considers that this would move away from the principle of addressing 'small value' transactions and could lead to significant levels of market risk.

Further detail of the Group's discussions can be found in Section 3 of the P214 Assessment Consultation Document.





























