

## Change Proposal – BSCP40/02

CP No: 1337  
Version No: v1.0

**Title:** Improvements to the BSC Trading Disputes Process

### Description of Problem/Issue

#### **What is the Trading Disputes Process?**

The Trading Disputes process is a remedial Performance Assurance technique that provides a mechanism for correcting identified Settlement errors where the Code has not been followed. Any data can be changed before the Initial Settlement (SF) Run, but after this can only be changed through the Disputes process or if the Code explicitly allows it. This allows for incorrect Settlement data to be re-calculated, and for the Trading Charges to be adjusted accordingly.

Section W<sup>1</sup> of the Balancing and Settlement Code (BSC) together with the Balancing and Settlement Code Procedure (BSCP)<sup>11</sup><sup>2</sup> details the Trading Queries and Trading Disputes Process.

#### **The Trading Disputes Process Review**

At the March 2009 Trading Disputes Committee (TDC) meeting, the TDC agreed that a review<sup>3</sup> of the BSC Trading Queries and Trading Disputes process should occur.

The review aimed to:

- provide clarity;
- simplify the process; and
- make it more economical process (where possible).

The Review Group met on six occasions, the outcome of the review were presented to and supported by the TDC on 04 March 2010 ([TDC135/03](#)).

#### **What were the outcomes of the Review?**

The TDC recommended that 12 changes be taken forward. Eight of which are being progressed via the following Modifications:

- [P256](#) - Improving efficiency and clarity of the Trading Disputes Process;
- [P257](#) - Removal of the concept of Trading Queries; and
- [P258](#) - Party Agent inclusion in the Trading Disputes process.

The remaining four areas require changes to BSCP11 only, three of which are being progressed via this CP. The three changes are:

#### **1. Increase the Disputes Materiality Threshold**

The current Trading Dispute materiality threshold of £500 has not been reviewed since the New Energy Trading Arrangements (NETA) was introduced in 2001. The value was based on the cost of running a Post-Final Settlement and excluded all the other associated costs. The Trading Disputes process Review Group's view is that the current value does not reflect the true costs involved in investigating and rectifying Disputes.

#### **2. Requirement to claim exceptional circumstances if the Query/Dispute was not raised in the relevant Query Deadline**

Under the current rules, if the TDC determines that exceptional circumstances apply to a Dispute it may waive the requirement for the Dispute to be raised within the relevant Query Deadline. This was designed to cater for occasions where a Party could demonstrate that a settlement error had occurred but could not

<sup>1</sup> BSC Section W - 'Trading Queries and Trading Disputes'

<sup>2</sup> BSCP11 - 'Trading Queries and Trading Disputes'

<sup>3</sup> The last review was carried out in 2002. This led to the progression and implementation of [P131](#) in November 2004.

have been detected within the relevant timescale.

Since the implementation of P131 there have been 27 Disputes where the raising party has claimed there to be exceptional circumstance of which 23 have been Supplier Volume Allocation (SVA) Half Hourly (HH) Queries. Out of these, the TDC have granted exceptional circumstances on 8 occasions. While the circumstances for exceptional circumstances to be agreed are rare, the Review Group felt that the exceptional circumstances clause was a useful part of the Trading Disputes process.

Currently there is no requirement for the party raising the Dispute to notify the TDC when exceptional circumstances exist or give details of those exceptional circumstances.

### **3. Defining how affected Parties are identified**

There are currently no rules surrounding affected party identification. Broadly classed an affected party is anyone who meets the criteria determined by the TDC, from time to time. Currently this value is not clearly defined in the Code or BSCP11, but is seen by the TDC as anyone materially affected by more than £5,000. In practice the Raising Party can name any affected party on their Trading Query form (BSCP11/01) when they raise a Dispute but this is not an obligation.

In order to make it easier to understand who the affected parties are and how they are identified the Review Group felt that an extra paragraph/section should be added to BSCP11 to clarify what an affected Party is in quantifiable terms.

## **Proposed Solution**

To resolve the three areas set out above, the following changes to BSCP11 have been recommended by the TDC:

### **1. Increase the Disputes Materiality Threshold to £3,000**

The TDC has recommended, based on the Trading Disputes process review group's recommendation, that the materiality threshold should be increased to £3,000.

#### Why £3,000?

This amount is the most reflective of the true ELEXON costs associated with rectifying and investigating disputes. The amount has been derived on the basis that it takes ELEXON an average of 12 Man Days<sup>4</sup> working on a Dispute from start to finish and TDC running costs are £580 per month.

The review group did consider whether Party costs in progressing and accessing queries/disputes should be included. However this was not considered viable as it would not be possible to determine the Party costs involved in progressing a Query/Dispute as it would vary from Party to Party depending on their size and available resources.

This change requires updates to BSCP11 to replace all occurrences of the £500 materiality threshold value with £3,000.

### **2. Include the requirement for the Raising Party to claim exceptional circumstance if the Query was not raised in the relevant Query Deadline**

The TDC has recommended the updating of BSCP11 to include the exceptional circumstances Disputes deadline rule, that it is the Raising Party's responsibility to claim exceptional circumstances.

When raising the Dispute the Party would be required to indicate in the BSCP11/01 raising form that they are requesting the TDC to consider exceptional circumstances, and then include an attachment providing a statement of why its Dispute could not be raised within the relevant timescales.

### **3. Defining how affected parties are identified**

In order to make it easier to understand (1) who affected parties are and (2) how they are identified, the Review Group recommended that a new paragraph be added to BSCP11 section 3.2. This would provide a clearer definition as to who is impacted, further supported by a material impact value of £3,000 to align with the materiality threshold.

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<sup>4</sup> The ELEXON day rate is £220 per man day.

The BSCP11 changes required to effect the above three changes can be found in **Attachment A**.

A number of minor housekeeping changes have also been included to correct typographical and formatting errors or to remove obsolete acronyms/references. The housekeeping changes are indicated by the presence of **[Housekeeping]** next to each change.

### **Justification for Change**

CP1337 progresses TDC supported changes that arose from the Trading Disputes process review.

The proposed changes will improve the existing Disputes process so that it is simpler, clearer and more efficient. Additionally the changes will bring certain elements of the process more up to date (i.e. the Disputes materiality threshold).

### **To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code?**

Section W – 'Trading Queries and Trading Disputes'

The changes to BSCP11 will better facilitate the provisions of the code, as it will provide extra clarity and help increase the efficiency of the Trading Dispute Process.

### **Estimated Implementation Costs**

The estimated cost to implement the proposed changes is 3 ELEXON Man Days equating to £720.

### **Configurable Items Affected by Proposed Solution(s)**

BSCP11 – 'Trading Queries and Trading Disputes'

### **Impact on Core Industry Documents or System Operator-Transmission Owner Code**

None

### **Related Changes and/or Projects**

This CP progresses some of the changes that the Trading Disputes Process review group recommended. The BSC Panel raised a number of related but non-dependent Modification Proposals on 08 April 2010 which are currently undergoing a 3 month Assessment procedure. They are:

- P256 'Improving efficiency and clarity of the Trading Disputes Process';
- P257 'Removal of the concept of Trading Queries'; and
- P258 'Party Agent inclusion in the Trading Disputes process'.

### **Requested Implementation Date**

November 2010 Release

**Reason:** Next available release

### **Version History**

v1.0 for Impact Assessment

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Attachments: Yes

Attachment A: BSCP11 v9.0 redlined v0.2 (17 pages)