

Stage 03: Assessment Consultation

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

P258: Party Agent inclusion in the BSC Trading Disputes process

P258 seeks to enable Party Agents to notify BSCCo of significant errors that may have an impact on Settlement, where they have not been resolved by the respective BSC Party.



Modification Group's initial majority recommendation is the **rejection** of P258.



High Impact:
The Trading Disputes Committee, BSCCo, Parties and Party Agents

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Assessment Consultation

19 May 2010

Version 1.0

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About this document:

The purpose of this Assessment Consultation is to obtain views or further evidence from BSC Parties and other interested parties on the merits of the change discussed in this document.

There are 4 parts to this Assessment Consultation:

- This is the main document. It outlines the solution, impacts costs, benefits and the potential implementation activities associated with this change.
- **Attachment A** sets out the Modification group's discussions, which resulted in the proposed solution
- **Attachment B** is the draft legal text that will deliver the solution
- **Attachment C** is the Assessment Consultation Questions response form, which includes all the questions highlighted in Part 1 of the Assessment Consultation document.

The Group will consider the consultation and impact assessment responses at its next planned meeting on 14 June 2010, when it will make its final recommendation as to whether the change should be made. The Panel will consider this recommendation and the Group's full Assessment Report at its meeting on 08 July 2010. The Panel will then consult on its own recommendation to the Authority.



Any questions?

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Why Change?

The last time the Trading Dispute processes were reviewed was in 2002, which led to Modification Proposal P131. Since then industry feedback has indicated that the process is inefficient and too complex.

The Trading Dispute Committee instigated a review of the processes in 2009, which resulted in 12 recommendations, 8 of which are being progressed via 3 Modification Proposals (P256, P257 and P258). P258 is proposing changes to resolve one of the Trading Disputes review recommendations, which is to get Party Agents involved in the Trading Dispute process.

The Trading Dispute review group findings indicated that Supplier Agents, particularly Data Collectors (DCs) are likely to know if settlement data is wrong and what the correct data should be. Currently the Supplier Agent may inform the appropriate Supplier of this, but it is then up to the Supplier whether to raise a Dispute. As a result there may be reduced assurance that Settlement data is accurate.

Solution

P258 intends to improve the accuracy of Settlement data by obliging Suppliers to ensure that Supplier Agents inform ELEXON of potential settlement errors in the Final Reconciliation Run (RF) that have not been reported or rectified via a Trading Dispute. This involves placing an obligation on BSC Parties to procure their Party Agents to inform both themselves and ELEXON of such significant errors that have not been reported or rectified. ELEXON would then investigate the error and if it was deemed to be genuine raise a Dispute.

Impacts & Costs

The P258 Proposed solution involves no system impacts.

The main impact will be on Section W to add the new obligation. BSCP11 will also need updating to capture the size of a significant error in megawatt-hours (MWhs), which can then be reviewed by the TDC and amended as needed in the future. The BSCP11 changes will be drafted and consulted on as part of the Report Phase.

The estimated implementation costs are £1,200 which equates to 5 Man Days of ELEXON effort.

Implementation

If approved the Group recommends P256 is implemented on:

- **04 November 2010** if a decision is reached by 24 September 2010: or
- **The Next Available Release** if a decision is made after 24 September 2010.

The Case for Change

The Groups initial majority view is that the proposed solution should be **rejected**.

The majority of the group believed the change would be difficult to implement, manage and enforce as Supplier Agents are not BSC Parties, and BSC Parties already have an obligation to make sure accurate data enters Settlement.

On this basis it would be an inefficiency addition to the Trading Dispute process, for Supplier Agents to spend time tracking many potential errors, which ELEXON would then have to investigate. The majority of the Group believed this would be an inefficient use of time as a majority of these errors would not end up as valid Dispute.

A minority of the group agreed that while difficult to enforce, if done sensibly it would not necessarily be inefficient.

Recommendations

The Groups initial majority view is that P258 should be rejected.

The Group invites you to comment on this as part of the consultation.



What is the TDC?

The role of the Trading Disputes Committee is to ensure that all Trading Disputes are resolved so that errors are corrected and the integrity of Settlement is maintained.

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 or the error was not previously identified. Any data can be corrected before the Initial Settlement (SF) Run but after this can only be changed through the Disputes process or if the Code explicitly allows it.

Trading Disputes can arise as a result of errors in the data, processes and/or application of the rules used for the purposes of Settlement, where such errors affect the determination of Trading Charges paid to or from Parties. The Trading Disputes process allows for incorrectly derived Settlement data to be re-calculated, and for the corrected Trading Charges to be adjusted accordingly. The process is defined in Section W 'Trading Queries and Trading Disputes' of the BSC and BSCP11 'Trading Disputes and Trading Queries'.

The Trading Disputes Process Review 2009

The Trading Disputes process was last reviewed in 2002, which resulted in Modification Proposal [P131](#)¹. Over the recent years feedback from the industry has indicated that the current process is too complex. It includes steps that add no value and some Disputes criteria are no longer fit for purpose. This has stopped some Parties participating in the process and reduced the number of Disputes being raised each year.

As a result of this feedback as well as the time elapsed since the last review, the Trading Disputes Committee (TDC) instigated a review of the Trading Disputes process to identify improvements that would make the process more user-friendly, simpler and efficient.

Further details on the Trading Disputes process and the review can be found in Attachment A, Section 1.

Why has P258 been raised?

The TDC identified 12 changes that would speed up the overall process, encourage participation and make the process easier to understand. Modification P256 is progressing one, by including Party Agents in the Trading Dispute Process.

This proposed change was issued for industry consultation during November 2009 and received majority support among the small number of responses that were received.

Related changes

P258 is one of three Modifications that are taking forward the outcomes of the Trading Dispute process review. The other two cover:

- P256 - Improving Efficiency and Clarity of the Trading Disputes Process; and
- P257 - Removal of the concept of Trading Queries.

A Change Proposal (CP) is also being put together to take forward changes to BSCP11.

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¹ P131 - Introduction of further provisions relating to the determination of Trading Disputes

What is P258 is trying to improve?

Trading Disputes are raised by BSC Parties or ELEXON. This Modification is not seeking to change this rule. However, it is the Supplier Agents, especially Data Collectors that may initially identify anomalies that could be potential settlement errors. Therefore, Party Agent's participation in the process should be encouraged.

Currently Supplier Agents would inform the appropriate Supplier of the error, but it is then up to the Supplier whether to raise a Dispute or not.

Once the Party Agent has contacted the Supplier there is no formal way for it to escalate the error reporting. Any significant errors in the Final Reconciliation (RF) Run data which have not been reported or rectified would have impact on the accuracy of Settlement data.

Placing an obligation on BSC Parties

P258 proposes to include Supplier Agents in the Trading Disputes process. This would be done by placing an obligation on BSC Parties to procure their Supplier Agents to additionally inform ELEXON of any significant errors in the RF data which has not been reported or rectified. ELEXON would then carry out an initial investigation and, if the error was deemed genuine, raise a Dispute.

The quantified error should be reported by Supplier Agents in terms of energy (megawatt-hours, MWh) in order to make the process as user-friendly as possible. The appropriate threshold for significant errors should be set by the TDC and will be documented in BSCP11. The initial threshold for a significant error will be 75 megawatt-hours (MWh) to reflect the equivalent financial value of a Dispute. The TDC would have to review this value to ensure that the equivalent financial value meets the Disputes materiality threshold as set in BSCP11 Section 5.1.6.

This obligation would:

- increase assurance around the accuracy of Settlement data;
- help the Parties who may not fully understand the Trading Arrangements or the Trading Disputes process; and
- increase the overall accuracy of Settlement data.

Why not place an obligation on Party Agents?

Party Agents are not party to the Code. Therefore the Code cannot directly impose obligations on Party Agents. However, the Code does impose duties on Parties which it is obliged to perform through the use of Party Agents. Whilst Parties are obliged to ensure that their Agents comply with their functions, Parties remain responsible to perform those obligations under the Code in the event that the Party Agent concerned fails to perform.

Details of the Groups discussion on the issue P258 is trying to resolve and the proposed solution can be found in Attachment A section 3

Question 1

Would the Proposed Modification help to achieve the Applicable BSC Objectives?

The Group invites you to give your views using the response form in Attachment C

4 Alternative Solution

Has the Group identified any other solutions?

The Modification Group has not identified or developed an Alternative Solution that would be better than the current baseline and resolve the identified defect.

Details of the Groups discussion on the Proposed Modification is provided in Attachment A Section 3

Question 2

Do you believe that there are any alternative solutions which the Modification Group has not identified, and which it should consider?

The Group invites you to give your views using the response form in Attachment C

5 Impacts & Costs

Costs

ELEXON Cost	ELEXON Service Provider Cost
5 Man Days equating to £1,200 to cover the costs of updating the Code and affected Code Subsidiary Documents.	None – P258 will not affect the activities of Service Providers

Impact on BSC Parties and Party Agents

BSC Parties will need to ensure that new processes are established between Suppliers and Supplier Agents that support the notification, tracking and resolution monitoring of settlement errors from when they are identified up to TDC determination.

Impact on Transmission Company

None

Impact on ELEXON

Area of ELEXON's business	Potential impact
Trading Disputes processes	TDC Terms of Reference; Disputes Process Guidance Notes

Impact on Code

Code section	Potential impact
Section W	New obligation in W1.6 requiring Parties to ensure Supplier Agents notify BSCCo of potential Settlement Errors
Annex X-1	Addition of the new definition of 'Significant Error'

Impact on Code Subsidiary Documents

CSD	Potential impact
BSCP11	The Modification Group has decided that the necessary obligation is added to the BSC only, with no procedural changes made to any CSDs. A Minor change is required to capture the materiality of the Significant Error at a level of 75 MWh, which will be reviewed from time to time by the TDC.

ELEXON will draft the necessary changes to the above CSDs and consult the industry on the changes during the Report Phase.



How will P258 be implemented?

The Group discussed the need for a clear implementation date following an Authority decision so that Parties were aware of when the new process would take effect.

The majority of the Group agreed that an implementation approach with a clear operational day cut over from the existing processes to those introduced by the Modification is more suitable than an implementation approach set around a specific Settlement Day. This was on the grounds that there would be no need for a run-off or parallel running of old and new processes which would likely give rise to confusion among Parties, if a Settlement day implementation was used.

The majority of the Group also believed that there was no need to excessively delay implementation following an Authority decision as there are no system related changes, only procedural changes.

The Group therefore recommends that, if the Authority approves P258, the changes to the BSC are implemented on:

- **04 November 2010** if a decision is made by 24 September 2010; or
- the **Next Available Release** if a decision is made after 24 September 2010.

This will enable the changes to be implemented promptly, while giving Parties a clear date for when the new processes will apply.

Further details on the Group's discussion and rationale on the implementation approach is provided in Attachment A, section 3.

Recommendation

Modification Group
unanimous recommends
rejection of P258

Question 3

The Group believes that the P258 changes to the BSC should be implemented either on:
04 November 2010 if an Authority decision is reached by 24 September 2010; or
the **Next Available Release** if a decision is made after 24 September 2010
Do you agree?

The Group invites you to give your views using the response form in Attachment C



What are the applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the national electricity transmission system

(c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements

Applicable Objectives

While the Group did appreciate the aim of the Modification is to improve the accuracy of Settlement, the Group's initial **majority** view is that P258 Proposed should be rejected. A majority of the group believe that P258 is not better than the current baseline and will not better facilitate the achievement of the relevant **Applicable BSC Objective (d)** and **(c)**.

The Group's views against the **Applicable BSC Objectives (d)** are as follows:

Applicable Objective (d)	
Benefits	Disadvantages
Minority view: If managed sensibly it would not necessarily create an inefficient process.	<p>Majority view: Obliging Suppliers to ensure that their Supplier Agents notify ELEXON of potential settlement errors which have not been raised as Trading Disputes by Suppliers will reduce efficiency by:</p> <ul style="list-style-type: none"> increasing the chance that ELEXON would investigate potential non-issues or issues currently covered by an actual Trading Dispute that the Supplier Agent was unaware of; and requiring additional monitoring processes between ELEXON, Suppliers and Supplier Agents that enable the notification, tracking and resolution monitoring of potential settlement errors from identification through to TDC determination.

A Group member believed there was a benefit against **Applicable BSC Objective (c)**:

Applicable Objective (c)	
Benefits	Disadvantages
<p>Obliging Suppliers to ensure that their Supplier Agents notify ELEXON of potential settlement errors which have not been raised as Trading Disputes by Suppliers will improve competition by:</p> <ul style="list-style-type: none"> ensuring that potential settlement errors are investigated regardless of the direction of the error, improving the accuracy of settlement and enabling a higher proportion of misallocated energy to be attributed to the correct Supplier. 	None

Question 4

The Groups initial majority view is that it believes that P258 will not better facilitate the achievement of the relevant Applicable BSC Objectives (d) and (c) when compared to the existing BSC requirements.

Do you agree?

The Group invites you to give you views using the response form in Attachment C

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Code clauses on accurate Settlement Data

The Group discussed that the clause in the Code, Section U1.2 has provisions that all Parties should ensure that the data they provide will be as accurate and complete as much as possible. On this basis, the Group questioned why there would be a need to extend the existing obligations to get Supplier Agents to flag significant errors to ELEXON, when the respective Party should be ensuring that the data they provide is accurate.

Question 5

Given the clauses in the Code are there any reasons to extend the obligations around Party Agent involvement in the Dispute process?

The Group invites you to give your views using the response form in Attachment C

Why should Supplier Agents need to inform ELEXON of significant errors?

Following on from questioning why the existing obligations should be extended, the Group questioned whether there is a reason why Supplier Agents would find the need to inform ELEXON of significant errors directly rather than doing so via their respective Party. The Group were keen to hear if there were any reasons from participants as part of the Groups Assessment Consultation.

Question 6

Are there any reasons why Supplier Agents would need to inform ELEXON of significant errors directly rather than doing so via their respective Party?

The Group invites you to give your views using the response form in Attachment C

Further details on the Groups discussion on the Modification can be found in Attachment A, section 3.

8 Further Information

More information is available in

Attachment **A**: Detailed Assessment.

This information includes:

- Background information on the Trading Disputes process and review;
- The Modification Group's Terms of reference and how each has been completed;
- Modification Group discussions on the Proposed Solution;
- Modification Group membership; and
- Process followed for P258.

Attachment **B**: Proposed Legal Text

Attachment **C**: Consultation Questions

Please use this form to submit your consultation response. The Group invites you to give views on each of the questions in this form.