

Stage 03: Attachment A: Detailed Assessment for P258

P258: Party Agent inclusion in the BSC Trading Disputes process

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

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About this document:

This is Attachment A to the Assessment Report. This attachment provides additional detail, including details of the Modification Group's discussions.



Any questions?

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The Trading Disputes Process and review 2009

The main document provides details of the reason for the Trading Disputes process review, this section summarises the objectives and all the recommended outcomes, which are being taken forward via a CP or by P256, P257 or P258.

Review objectives

The objective of the review was to identify changes to the existing process that will deliver a robust service to the industry to enable Parties to rectify settlement errors in a prompt and cost effective manner; and make the process more visible. The main aim of the review was to make the process simpler, clearer and more efficient.

Outcomes of the Trading Dispute Process review

Of the findings of the Trading Dispute Review Group, there were 12 recommendations that the TDC agreed should be taken forward in order to improve the efficiency and streamline the current process. Table 1 shows the 12 recommendations and the relevant Modification it is being progressed under or whether it will be taken forward by a Change Proposal (CP).

Table 1 – The 12 Trading Dispute recommendations and the changes they are being progressed by

	Recommendation	recommendation progressed via:
1	Give the TDC power to approve all rectification approaches	P256
2	Party Agent inclusion in the Trading Disputes Process	P258
3	Change to the SVA HH Query Deadline	P256
4	Removal of concept of 'Precautionary Queries'	P256
5	Introducing the requirement to claim exception circumstances	CP
6	Clarification around settlement error definition	P256
7	Increasing the Disputes Materiality Threshold	CP
8	Allow ELEXON to close Trading Disputes that do not meet the three Disputes criteria	P257
9	Give the TDC the authority to extend the end dates of Disputes	P256
10	Removal of the concept of Trading Queries	P257
11	Changes to the BSCP11 Forms	CP
12	Affected Party identification	CP

Further details on the Trading Disputes process review can be found [here](#).

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2 Terms of Reference

The P258 Modification Group consists of members of the Governance Standing Modification Group (GSMG), supplemented by members involved in or who responded to the Trading Dispute review and consultation.

Table 2 lists each Terms of Reference considered by the P258 Modification Group, a summary of their initial conclusions and where full details of the Group's discussion and conclusions are documented.

Table 2 – P256 Assessment Procedure Terms of Reference

Area of Terms of Reference	Group's initial conclusions:	See:
The effect of the Modification on Applicable BSC Objective (d) and any other relevant BSC Objective(s).	The Group initial majority view is that P258 does not better facilitate the relevant applicable BSC Objective (d) and (c).	Main Document section 7.
Whether the Modification Group supports the TDCs proposed solution to the identified defect.	The Group initially by a majority does not support the P258 Proposed solution as recommended by the TDC.	Main document, section 7
Whether there is any alternative Modification which would better facilitate the achievement of the Applicable BSC Objectives in relation to the identified issue or defect.	The Group did not identify any potential alternatives as they could not identify a solution that was better than the current baseline.	Main document, section 4
The most appropriate implementation approach for the Modification.	The Group is recommending an implementation approach that will provide Parties with a clear date between the old and new process, if approved, to avoid the need for a run-off of the old Query process.	Main document section 6
The most appropriate legal drafting to deliver the solution	See Attachment B for the Proposed legal text, which the Group agrees will deliver the P256 proposed and alternative solutions	Attachment B
The most appropriate process that will provide an effective mechanism for Party Agents to notify settlement errors to Parties/BSCCo	While the Group did not support the proposal, the solution would involve adding wording to Section W, no further changes would be required as it would be leave the process of submitting significant errors relatively flexible.	Main document section 3

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The Group's view of P258 and how it relates to the Applicable BSC Objectives is covered in the Main Document, section 7.

The Group considered the findings of the Trading Disputes review group, noting in particular the rationale for establishing greater participation in the process by Supplier Agents.

The Group did appreciate what the Modification was trying to do in improving the accuracy of Settlement data. However the Group's view was that a Supplier Agent would not necessarily be in the best position to know if something was actually an error and that the solution could not be made to work efficiently. .

The Groups discussion on these two areas are detailed below:

How would the Party Agent know if it was an error?

The Group discussed that a Data Collector, who out of all the Party Agents types would be the only type in a position to flag potential significant errors, would not necessarily have the full picture.

Why did Trading Disputes Review group believe that a Party Agent is in a good position to raise potential errors?

Currently the Party Agent informs the Supplier if they believe there is a data error. It is then the responsibility of the Supplier if it chooses to raise a Trading Dispute.

The Trading Disputes review group believed that Party Agents, particularly Data Collectors (DCs), were likely to know if data was wrong and what the correct data should be. If an error remained unresolved and unreported they would be able to inform ELEXON who could then raise a Dispute if the error was deemed genuine.

How can a Supplier Agent know if a data error constitutes a settlement error?

The Modification Group observed that while a DC would know what data they have submitted to Data Aggregators, they will not know what data then went into settlement. For example a Group member suggested that a DC may well have submitted good meter data, but the DA, may have needed to replace the values with a default Estimate of Annualised Consumption (EAC). This lack of knowledge on the full situation may provide complications to any resultant investigation into the issue by ELEXON.

Party Agents submitting a high volume of potential significant errors, is another issue the Group identified in this area. Each potential error may not have all the information required by ELEXON to effectively investigate them, but would still require investigation. This may be time and labour intensive to ELEXON without there being an actual resolution. The time spent on these errors would be better used investigating actual Trading Disputes submitted by Parties.

Conclusion

The Modification Group concluded that a Party Agent may not have the full picture. They may be aware of a data error, but would not necessarily have all the information required for ELEXON to be able to investigate the issue fully.



What is the difference between a data error and a settlement error?

A data error may not lead to a settlement error. The data error may be stopped further along the process (assuming the BSC has been followed) by validation checks or similar, resulting in an appropriate replacement figure being used (e.g. an estimated reading).

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Is the Proposed workable?

The Group discussed whether making such a change would actually be workable in practice.

Ability to raise Queries/Disputes ruled out

The Trading Disputes Review group explored the possibility of including Party Agents in the Dispute process, when they considered whether anyone should be added to the process. The group did not want to give Party Agents the power to raise Disputes, as it would put extra demand on Agents and could potentially strain their relationships with their respective Parties. Also the Code already has obligations for Parties to get Settlement as accurate as possible with the Party Agents (Data Collectors) being there to help get settlement data correct.

While the review group wanted to keep the rule on who can raise Disputes the same, they did want to give the Party Agents a more structured and formalised way of reporting any significant data errors. Also if Parties had an obligation to procure their Party Agents to inform ELEXON of potential significant data errors, they could not see this as snub against them.

Therefore the review group went onto explore putting an obligation on BSC Parties to procure their Agents to additionally inform ELEXON of any significant errors in Final Reconciliation (RF) data which has not been reported or rectified. This would then lead to ELEXON carrying out an investigation into the potential error and if needed raise a Dispute.

Why did the Trading Disputes Review group believe that it was a good idea for Party Agents to inform ELEXON of potential data errors?

By obliging Party Agents to additionally inform ELEXON of potential data errors at RF, the Trading Disputes Review group believed that there would be increased assurance around the accuracy of Settlement data. This obligation would also help Parties who may not be fully aware of the Trading Disputes process or may not fully understand the current Trading Arrangements.

The review group did recognise that this approach would be difficult to enforce even though it would be in the Code.

How would the obligation be delivered in practice?

The Modification Group conceded that you could put wording into the Code to make Parties procure their Party Agents to provide the information. Other instances of such requirements can be found in Section W1.6.1 (a). However it would not be easily enforceable and the scope of the BSC Audit would have to be extended to capture the obligation. A Group member suggested that complications would arise where Party Agents have confidentiality clauses with their respective Parties on such matters and would not necessarily be able to flag such significant errors as they would be breaking their contractual arrangements.

Another Group member questioned whether the obligation in the Code would cover all forms of Supplier Agents, with another member of the Group confirming that this would be the case. This could create problems as the only real Supplier Agent that would be in a position and would be aware of potential significant errors would be Data Collectors (DCs). Other Party Agents such as Meter Operator Agents (MOA) would not be aware of such errors. Therefore education would need to be provided to Party Agents that are not DCs that they would not be expected to flag such settlement errors.

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The Modification Group then went onto discuss the potential inefficiencies of having the obligation.

Currently Supplier Agents log data errors and tell the respective Supplier of the error, who will then raise a Dispute if required. The Obligation introduced by P258 would involve the Supplier Agent having to follow a new process to check whether the Supplier has raised a corresponding Dispute by RF. This may involve the Supplier Agent having to check information published by ELEXON, or similarly ELEXON would need to start notifying all Supplier Agents of this information. The Supplier Agent would then need to be able to tell ELEXON if the error is unresolved up to 13 months after the data error was originally identified.

A more extreme scenario is that the Supplier Agent informs ELEXON of all potential data errors they have pick up, resulting in ELEXON performing a highly time consuming cross check against all other “potential settlement errors” arising from data errors noted by Suppliers, other Supplier Agents and ELEXON for all metering systems across the country.

Conclusion

The Modification Group’s conclusion on this area is that while you can put an obligation on Parties to procure their Party Agents to notify ELEXON of significant errors, it would be very difficult to enforce. Further still the process may not even be used due to the confidentiality agreements in contracts between Party Agent’s and their respective Parties may meant that the process is not used. Finally and more importantly the effort and time involved in progressing the Supplier Agent identified errors would be highly inefficient.

Implementation Approach

Why have a clear implementation date for the cut over to the new P258 process?

The Group discussed the best method to implement P258, as explained in the Main document, section 6, with the majority of the Group supporting the need for a clear implementation date for when the existing processes would switch over to the processes introduced by P258.

Why not have the changes take effect on a Settlement Day?

A member of the Group questioned why the implementation of P258 should not take effect on a particular Settlement Day (i.e. the process and governance to be followed would be based upon either the date that the Dispute was raised or the Settlement Days that were the subject of the Trading Dispute).

The Group considered this, and had the view that having the changes take effect on a particular Settlement Day, would be more problematic on the grounds that:

- You would need a run-off period with the existing and proposed processes running in parallel. This would need to occur as any Query or Dispute raised in relation to Settlement Days leading up to the day the change was implemented would have to be progressed under the old process. Any Disputes raised on or after the implementation date would then be progressed under the new process.

Both processes, including the forms and mechanisms to support them, would need to be available and documented. This would cause confusion among Parties regarding which process a Dispute they wanted to raise would follow.

- The other extreme possibility of having P258 implemented in this way is that no Disputes are raised in relation to the new process for a 14 month period between

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SF and RF as Parties would be able to resolve any errors in this time without having to raise a Dispute.

Conclusion

The Group concluded having a clear implementation date where the old process stops and the process introduced by P258 would start, would overall be more efficient and effective. A Group member raised a further point to support this, in so far that this was consistent with previous Modifications of this type.

Investigate the underlying P258 issue via the BSC Audit

During the Group's post Assessment Consultation discussions they considered the underlying issue that it was trying to resolve. The Group discussed how the P258 issue could be investigated under the existing arrangements without the need for the Proposed solution.

The Group suggested adding the P258 issue to the scope of the BSC Audit, which would indicate whether there is a problem and to what extent. Then if need be a subsequent Modification Proposal could be progressed to resolve the issue. The Group agreed that it is an avenue that should be investigated further.

Following the meeting we have looked at the risks that relate to the P258 issue and how they currently sit within the Audit.

The P258 issue is not currently on the Risk Evaluation Register (RER) but could be added, in order for the BSC (or an ad hoc) Audit to be deployed against. Initially though, we suggest that a Technical Assurance (TA) check is performed, on a suitable sample of Suppliers and Supplier Agents, to look at the End to End process of:

1. Checking with DCs what they do when they spot an error;
2. If and how they notify their Suppliers;
3. What the Supplier does;
4. If it is a Query/Dispute does the Supplier raise it; and
5. If the Query/Dispute is upheld, is the data then correctly amended, and how Suppliers/Agents attempt to control whether any other changes are swept up in to the DF run that shouldn't be?

This TA check should give us a picture as to whether and what extent there is a problem (probably sooner than the 2010/11 Audit reports and possibly at lower cost – though no cost/benefit has been done). The outcome of the TA check can then consider adding a new risk to the RER against which the BSC Audit or other Performance Assurance Techniques (PATs) could be deployed routinely. The findings of any techniques could lead to a new Mod being raised to make any necessary Code changes to resolve the issue.

ELEXON's Assurance team would put together the full details of the approach and scope of the TA check, and take it to the TDC and Performance Assurance Board (PAB) for agreement. If the TDC/PAB agreed with the approach we would then carry out the TA check and present the outcomes to the TDC/PAB with a recommendation of what to do next.

All of the Group support and agree that a TA check is a sensible first step before anything is added to the RER.



What is Risk Evaluation Register (RER)?

The Risk Evaluation Register forms part of the [Performance Assurance Framework \(PAF\)](#) and sets out Settlement Risks and the significance of each such Settlement Risk



What is Technical Assurance (TA) Check?

A Technical Assurance check is a detective technique that checks that certain processes comply with requirements defined by the BSC or its subsidiary documents.



What are Performance Assurance Techniques (PATs)?

Performance Assurance techniques are processes design to detect, prevent or correct the effects of Settlement Risks

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Arguments for and against the Applicable BSC Objectives

Section 7 of the main document provides a summary of the arguments for and against the P258 in relation to the Applicable BSC Objectives.

Table 3 provides the arguments for and against P258 and how each in turns relates to the applicable BSC Objectives.

Table 3 Views For and Against P256 Proposed

Views for P258 Proposed	Views against P258 Proposed
<p>One Group member believed that the proposed was marginally better than the baseline, as it would give Party Agents a means to raise potential errors, ensuring that potential settlement errors are investigated regardless of the direction of the error. This would improve the accuracy of settlement and enable a higher proportion of misallocated energy to be attributed to the correct Supplier (Objective (c)).</p> <p>The Group member also commented that if the proposed changes were managed sensibly they would not necessarily be inefficient (Objective (d)).</p>	<p>A majority of the Group believed that it would be:</p> <ul style="list-style-type: none"> • Difficult to enforce. (Objective (d)) • Party Agents might pick up an error, but will not have the full picture 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; (Objective (d)) • Waste Suppliers' and Supplier Agents' time by 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. (Objective (d)).



Where are consultation respondent's views?

A majority of respondents support P256 and the Group's conclusions

Summary of Assessment Consultation Responses

The table below summarises the views of the industry respondents to the Group's consultation. You can download the full responses [here](#).

Table 4 – P256 Industry Consultation Responses

	Question	Yes/No	Conclusion	See:
1	Would the Proposed Modification help to achieve the Applicable BSC Objectives?	6 Yes 0 No 1 neutral	A Majority of respondent agree with the findings on the Group that P258 will not better facilitate the Applicable Objectives. One respondent believe there could be some benefit but could not form a complete view either way as the full impacts of the change are unknown.	Main document section 7.
2	Do you believe that there are any alternative solutions which the Modification Group has not identified, and which it should consider?	0 Yes 7 No	None of the respondents identified any alternatives they believed the Group should consider.	Main document section 4.
3	The Group believes that the P257 changes to the BSC should be implemented either on: <ul style="list-style-type: none"> 04 November 2010 if an Authority decision is reach by 24 September 2010; or the Next Available Release if a decision is made after 24 September 2010. Do you agree?	5 Yes 2 No	A majority of the respondents agreed with the implementation approach. One respondent who does not support P258 does not want it implemented. Another respondent believed it would be better to allow a longer implementation period.	Main document section 6 and below for details of discussion
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?	6 Yes 0 No 1 Neutral	A majority of Respondents agree with the Group's initial majority views against the applicable BSC objectives. The Neutral respondent did not provide a firm view as it is not possible to	Main document section 7

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	Question	Yes/No	Conclusion	See:
			determine the likely costs of the change	
5	Given the clauses in the Code are there any reasons to extend the obligations around Party Agent involvement in the Dispute process?	0 Yes 6 No 1 Neutral	A majority of respondents believed that existing obligations are sufficient. The Neutral response indicate that adding further detail may improve accuracy, but there is no evidence that it would be an efficient or effective requirement	Main document section 7
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?	0 Yes 6 No 1 Neutral	A majority of respondents did not believe there would be a reason why a Supplier Agent to inform ELEXON of significant errors, other doing it via their respective Party. The neutral respondent indicated that the Performance of Suppliers in resolving agent identified errors is unclear, and that have the Agent inform ELEXON would only improve matters if existing performance is poor	Main document section 7.

Transmission Company Analysis

P258 has no impact on the Transmission Company, or its ability to discharge its obligation under the Transmission Licence.

The Transmission Company agreed with the views of the majority of the Modification Group, that P258 would be difficult to implement and manage, and thus have a negative effect on the efficiency of the existing processes.

You can download the full response [here](#).

Modification Groups discussion on the Consultation Responses

Implementation Approach

One consultation response indicated that it would be beneficial to allow a greater lead time for P258 to be implemented if approved. This would allow more notice for arrangements between Suppliers, their Agents and ELEXON to be put in place.

The Group discussed the implementation approach and agreed that a longer implementation period was required before the P258 changes went live. The longer

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implementation period would be needed to allow sufficient time for contracts between Suppliers and their Agents needing to be re-negotiated to meet the new obligation in Section W and for any potential Supplier Agent system changes which overall would take between 9 and 12 months.

As a result of this the Group agreed that it would be sensible to have a minimum 12 month period between approval and implementation of P258, as reflected by the Group's implementation approach set out in the Main Document, Section 6.

No further new areas were discussed by the Group, that had not be previously raised, as a result of the consultation responses.

6 Timetable and Responsibilities



Where can I find other P258 documents?

Visit the P258 page of ELEXON's website [here](#)

The three Trading Dispute Review Modification Proposal (P256, P257 and P258) were progressed in tandem with shared Modification Group meetings and assessment costs.

Table 6 – P256, P257 and P258 Planned Assessment Timetable

Date	Assessment Activity
08/04/2010	BSC Panel raises P258 on the recommendation of the TDC
19/04/2010	Modification Group holds first joint meeting for P256, P257 and P258
19/05/2010	ELEXON issues P258 Assessment Consultation documents for industry consultation and for Transmission Company impact assessment
04/06/2010	Participants return Assessment Consultation responses and Transmission Company return impact assessment
14/06/2010	Modification Group holds its second meeting for P256, P257 and P258
02/07/2010	ELEXON submits the Group's P258 Assessment Report to the Panel
08/07/2010	ELEXON presents the Group's P258 Assessment Report to the Panel

Table 7 – Estimated P256, P257 and P258 progression costs up to an Authority decision

Meeting Cost	External legal/Expert Cost	BSC Agent impact assessment cost	ELEXON resource
£1,500	£0	£0	44 Man Days, equating to £10,140

Table 8 – P256, P257, P258 Modification Group Attendance

Member	Organisation	19/04/2010	14/06/2010
Adam Richardson	ELEXON (Chairman)	✓	X
Adam Lattimore	ELEXON (Chairman)	X	✓
David Barber	ELEXON (Lead Analyst)	✓	✓
Eric Graham	TMA	✓	✓
Esther Sutton	E.ON	✓	✓
Tim Roberts	Scottish Power	✓	✓
Andrew Colley	Scottish and Southern Energy	X	X
Graham Smith	Western Power Distribution	✓	✓
Martin Mate	EDF Energy	✓	✓
Attendee	Organisation		
David Ahmad	ELEXON (Lawyer – P256 and P257))	✓	✓
Nicholas Brown	ELEXON (Lawyer – P258)	X	✓
Jonna Piipponen	ELEXON (Operational Support)	✓	✓
Clare Cameron	Ofgem	X	X

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