
Meeting name BSC Panel

Date of meeting 12 May 2005

Paper Title ISSUE 15 'REVIEW OF TRADING QUERY DEADLINES'

Purpose of Paper For Information

Synopsis This paper seeks to inform the Panel of the discussions which have taken place with respect to Issue 15. Issue 15 suggests extending the Query Deadline for Trading Disputes raised in exceptional circumstances. The current deadline is 20 months after the affected Settlement Day.

1. BACKGROUND

1.1 Issue 15 'Review of Trading Query Deadlines' was raised by EDF Energy (the 'Proposer') on 19 April 2005. A meeting comprising Standing Modification Groups Experts (the 'Group') was held on 21 April 2005 to discuss the issue.

2. DESCRIPTION OF ISSUE

2.1 Approved Modification P131 'Introduction of further provisions relating to the determination of Trading Disputes' introduced various Query Deadlines according to the type of settlement error in question.

2.2 At present, the Query Deadline for raising an SVA Half Hourly Trading Query with respect to a Settlement Day is 20 Working Days (WD) after the First Reconciliation Run (R1) for that Settlement Day i.e. approximately 56 WD after the Settlement Day.

2.3 Any type of Trading Query may be raised up to 20 months after the Settlement Day, if the Trading Disputes Committee (TDC) considered there to be exceptional circumstances which prevented it being raised within the usual deadline. Therefore, the ultimate cut-off for raising a Trading Query is 20 months after the affected Settlement Day.

2.4 The Proposer believes that this Query Deadline of 20 months is too short, as Suppliers may be liable to correct customer billing beyond these timescales if an error is found. The Proposer states that there will invariably be circumstances whereby errors are only discovered beyond 20 months after the error first occurred. The Proposer suggests that such an error may enforce a significant re-billing that could seriously affect a small Supplier's financial stability.

2.5 Whilst the Proposer believes that P131 has provided the incentive to raise Trading Queries in a timely manner, the Proposer does not believe that Approved Modification P107 'Data Retention Requirements for Post-Final Trading Disputes' allows for the fair compensation of earlier errors.

2.6 P107 introduced the ultimate cut-off for raising a Trading Query of 20 months, while P131 retained this for exceptional circumstances. This cut-off requires 28 months of live operational data, since the process of resolving a Trading Query via the TDC will normally be complete by this point. All Parties are required to retain at least a further 12 months of data i.e. 40 months in

total, in order to support the potential for Panel referral of a TDC determination and the arbitration process.

- 2.7 P107 sought to introduce clear data-retention requirements which were driven by the ultimate cut-off of 20 months. However, the Proposer believes that neither Suppliers nor Distributors have benefited from this, since both types of Parties must retain data well beyond the existing 40-month timescale for other processes.
- 2.8 The Proposer believes that the Query Deadline for Trading Queries raised in exceptional circumstances should be extended beyond 20 months.

3. GROUP DISCUSSIONS

- 3.1 The Group agreed that there should be a cut-off on raising Trading Queries, rather than allowing a clause for exceptional circumstances which could extend indefinitely.
- 3.2 The Group agreed that any significant extension of the Query Deadline would require an increase in the existing data-retention requirements.
- 3.3 The Group agreed that the rationale behind the current timescale of 8 months between the cut-off date for raising a Trading Query, and the live data-retention requirements, was to support TDC decision-making timescales and the driver to resolve the majority of Trading Queries in a scheduled Settlement Run or in the Post Final Settlement Run, rather than having to use an Extra-Settlement Determination. At present, the Code states that all Settlement Runs must take place within 28 months of the affected Settlement Day, since no live data exists beyond that point.
- 3.4 However, the Group also agreed that there may be potential for a minor extension of the current Query Deadline without extending data-retention requirements. Some members of the Group stated that this extension would probably be of the order of 2-3 months only.
- 3.5 Some members of the Group suggested that the cost to Central Systems, and therefore the cost to the industry as a whole, would be significant if the data-retention requirements were to be extended to support a major extension to the Query Deadline.
- 3.6 The Proposer stated that the materiality and risk to Suppliers of re-billing customers is significant. The Proposer considered that Suppliers and Distributors are already required to retain data beyond 40 months, thus the cost of extending the data-retention requirements may be outweighed by this materiality of re-billing.
- 3.7 Some members of the Group noted that Suppliers were the only Parties at risk from the current Query Deadline, as Distributors and customers are entitled to be re-billed by Suppliers for as long as the Supplier retains data. One member noted that errors resulting in re-billing could be due to errors on the part of the Meter Operator Agent, the Data Collector or Distributor.
- 3.8 Some members of the Group stated that small Suppliers would have fewer sites and thus would check them more often for errors. As such, these members stated that it could not be argued that extending the Query Deadline would be of particular benefit to small Suppliers. However,

the Proposer stated that some errors will invariably exist which cannot be discovered by routine inspection, no matter how frequent.

- 3.9 One member of the Group suggested that due to continually decreasing IT costs, data retention may not be as expensive as it has been historically. However, some members of the Group stated that even if data could be retained indefinitely at low cost, a Query Deadline should still be imposed to create certainty in the market. These members also stated that a Query Deadline encourages investment in ensuring the accuracy of metering. However, the Proposer stated that this was not the case, as Meter Operator Agents (who ensure the accuracy of metering) would not be financially disadvantaged as a result of different Query Deadlines.
- 3.10 The Group acknowledged that a Modification Proposal based on Issue 15 would allow a full cost-benefit analysis. However, one member noted that during consultation on P107, industry responses tended to favour shorter data-retention timescales.
- 3.11 One member of the Group stated that the current withdrawal process for Parties from the BSC considers liabilities associated with outstanding Trading Queries, and that extending the Query Deadline could affect the withdrawal timescales.
- 3.12 Some members of the Group suggested that occasional errors which demand re-billing of the affected customers are an inherent risk of being a Supplier in a competitive market.
- 3.13 The Proposer indicated an intention to raise a Modification Proposal suggesting an extension to the existing Trading Query deadlines for exceptional circumstances, and an associated review of the data-retention requirements.

4. GROUP CONCLUSIONS

4.1 The Group concluded that:

- There should always be a Query Deadline;
- There is limited potential for extending the current Query Deadline for Trading Queries raised in exceptional circumstances, without extending the current data-retention requirements; and
- The costs of extending the current data-retention requirements would be significant, but may be outweighed by the potential materiality on Suppliers in the event of customers being re-billed. A Modification Proposal in this area would allow a full cost-benefit analysis; however, the majority of the Group held the initial view that the costs would outweigh the materiality.

David White

ELEXON Change Delivery

References

- 1) Issue 15 'Review of Trading Query Deadlines'
<http://www.elexon.co.uk/documents/issues/15/Issue15.pdf>
- 2) P131 'Introduction of further provisions relating to the determination of Trading Disputes' Assessment Report
<http://www.elexon.co.uk/documents/modifications/131/P131AR20.pdf>
- 3) P107 'Data Retention Requirements for Post-Final Trading Disputes' Assessment Report
http://www.elexon.co.uk/documents/modifications/107/P107_assess_report.pdf

Attendees

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|----------------------------|-----------------------|
| Tom Bowcutt (Chairman)* | ELEXON |
| Andrew Colley* | Scottish and Southern |
| Gareth Forrester** | ELEXON |
| Stephanie Gent (Proposer)* | EDF Energy |
| Shelley Lister* | Npower |
| Mark Manley* | BGT |
| Martin Mate* | British Energy |
| Harish Mistry | EDF Energy |
| Victoria Moxham** | ELEXON |
| Tim Roberts* | Scottish Power |
| Neil Smith* | E.On UK |
| Mark Thomas* | RWE Trading |
| David White* | ELEXON |

* indicates Member

** indicates Operational Support