

Technical Assurance of Performance Assurance Parties

Investigating the Trading Dispute Process

Findings Report



Contact:

Elizabeth Montgomerie

Technical Auditor

Telephone: 0207 380 4224

Email: elizabeth.montgomerie@elexon.co.uk



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What is Technical Assurance of Performance Assurance Parties (TAPAP)?

Technical Assurance is used as a detective assurance technique and forms part of the [Performance Assurance Framework \(PAF\)](#). It consists of an on or off-site check of compliance, commonly known as a TA check. We also use this process to investigate particular processes, to find out more about them.

The Performance Assurance Board (PAB) agrees a scope of work for Technical Assurance, within the Risk Operating Plan (ROP) every year. The scope details checks designed to provide assurance on high-risk processes and any gap areas not covered by other PAF techniques.

The ROP and TA scope for 201/12 was approved by the PAB in October 2010. One of the TA checks in scope was investigating the Trading Disputes process.

Why investigate the Trading Disputes Process?

The Trading Dispute Committee instigated a review of the Trading Disputes processes in 2009, which resulted in 12 recommendations, one of which was Modification Proposal P258¹.

Modification P258 sought to include Supplier Agents (in particular DCs) in the Trading Disputes process by obligating them to notify ELEXON of significant errors that may have an impact on Settlement.

The review group findings indicated that Supplier Agents, particularly DCs, are likely to know if Settlement data is wrong and what the correct data should be. Currently the Supplier Agent may inform the Supplier of this, but it is then up to the Supplier to decide if a Trading Dispute should be raised. This could lead to reduced assurance that Settlement data is accurate if the Supplier decides not to act.

¹ 'Party Agent inclusion in the BSC Trading Disputes process'
Investigating the Trading Disputes Process – May 12



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Modification P258 intended to improve the accuracy of Settlement data by obliging Suppliers to ensure that Supplier Agents inform ELEXON of potential Settlement Errors, that have not be reported or rectified through a Trading Dispute.

The Panel rejected this Modification because the Modification workgroup, respondents to the Assessment Phase Consultation and the Panel thought that this change could lead to inefficiency and the possibility that ELEXON could end up investigating 'non-issues'. Or, that the Supplier Agent may raise an issue that is already being investigated through the Trading Disputes process.

Therefore P258 would not fulfil the BSC Objective (d): 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements' because:

- It creates a less efficient process, potentially duplicating effort;
- It would be difficult to enforce and implement; and
- The additional effort involved in the process would outweigh any small benefits of improved Settlement accuracy.

It was recommended that we use the *T A P A P technique* to investigate the issues the Modification sought to address. Such a check would assess whether there was an underlying issue and may give rise to a better solution at a later date.

Who did we check, and why?

We checked three Half Hourly (HH) and three Non-Half Hourly (NHH) Suppliers in addition to three HH and three NHH Data Collectors.

We selected these candidates based on the proportion of MSIDs that they were responsible for. We wanted to make sure that we were covering as much of the Metering System market as possible, to ensure that we would get an accurate picture of how the Trading Disputes process was used and what alternative processes are used to correct Settlement data.



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What did we look at?

The checks covered:

- How DCs monitor, manage and correct exceptions
- How DCs identify errors that meet the criteria for a Trading Dispute
- What DCs do when they have identified errors that meet the criteria for a Trading Dispute
- How DCs notify their Suppliers
- What Suppliers do on receiving such notifications
- What are Suppliers' processes for raising a Dispute, and
- If a Dispute is upheld: a check on how controls and processes at Suppliers and DCs ensure that the data is correctly amended, including how Suppliers/Agents control changes included in the Post Final Settlement Run.



Summary of the key findings

Suppliers

Suppliers generally place great value on getting the bill correct for the customer; to ensure that they are adequately reimbursed for the services that they provide.

However, they are also concerned with ensuring that Settlement data is complete and accurate; some Suppliers more so than others. Where Suppliers have linked the Settlement process to their billing process, there will be a closer alignment than if the processes are independent.

Most Suppliers assessed the materiality of an error before considering it for a Trading Dispute. This is because it needs to be financially viable to them.

To clarify, 'materiality' in this circumstance refers to how Suppliers consider elements *other* than Trading Charges to assess the overall impact of an error, it is not assessed solely in the Trading Disputes sense e.g. their assessment may include the ability to recoup charges from the customer.

One Supplier stated that they did not use the Trading Disputes process at all and that they used other processes to ensure that data was correct before or at RF (using standard reconciliation processes, GVC to compensate for errors that are crystallised and dummy meter exchanges).

We saw that Suppliers monitor HH data much more closely than NHH data and were therefore much more likely to pick up possible errors that require a Trading Disputes to resolve. This is for three reasons;

- The data is available at D+1 to assess and validate;
- The Metered Volumes are much higher than that for NHH Metering Systems; and
- The customer is of greater financial value to a Registrant than a NHH customer (it is in the Registrant's interest to make sure that customer bills are correct, this easily lends itself to correcting data and therefore impacting Settlement).

At most Suppliers, there is no link (communication or process wise) between the department and staff that assess and validate Settlement data and the department that is responsible for raising Trading Disputes. This makes raising a Trading Dispute more problematic.



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Data Collectors

Data Collectors are reliant on being made aware of an upheld Trading Dispute by the initiating party or Supplier. DCs say that they may also be asked to make changes without being told of the connection to an upheld Trading Dispute, although they tell us that they refuse initially, as they are not permitted to change crystallised data. They (DCs) have a concern that they are not always made aware of any changes that need to be made to the Settlement data.

This leads us to conclude that there is no active feedback loop in the process to ensure that Settlement has been corrected after an upheld Trading Dispute. There is the provision in BSCP11 that requires the DC to confirm changes have taken place to the requestor. However, this doesn't cover where the Supplier may not have asked DC to make any changes. We believe that putting something in place to bridge this gap would help us:

- Understand the volume of data that isn't being amended post an upheld Trading Dispute, and
- Assure us that the data is being amended correctly and that we are able to identify where we think this hasn't happened.

We recommend two things:

1. That we check upheld SVA Metering Disputes (possibly all in the last year (26), or a sample) against the data that the DC holds to see if those changes have been effected ; and
2. That we introduce a new part in the Trading Disputes process that requires DCs to update ELEXON with the details of the Trading Disputes and confirm that the changes have been made.

This will require a Change Proposal and will be progressed through the normal Change Process. DCs tell us that they are often reliant on their IT departments to progress changes to data and to submit that data into the Data Aggregator. This causes delays and impacts on cost.

We also heard how negotiating with Suppliers (to make the changes agreed for an upheld Trading Dispute) can hold up the data changes needed. It can even cause the data to pass DF, meaning that it can no longer be changed through the reconciliation and disputes Settlement runs.. *Commercial contracts should not impede adherence to the BSC and its CSDs.*



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Licensed Distribution System Operators

LDSOs are getting more interested in using the Trading Disputes process because inaccurate Settlement data impacts their losses incentives (DPCR4 & DPCR5).

LDSOs follow a range of different processes around detecting Settlement Error, from nothing through to Metering System audits and raising Trading Disputes. There isn't a consistent approach. ELEXON has tried to encourage LDSOs (by publishing a Newscast Article) to focus on Settlement Error, with little or no effect.

One LDSO was building a business case to perform Metering System audits. However, the cost vs. benefits did not stack up. Although there is an enduring benefit to the LDSO, of making sure all Metering Equipment and System set up is accurate and complete (such a large scale project could be seen as an investment in future Distribution Use of System tariffs and the losses incentive income), the value from raising their losses issue directly with Ofgem significantly exceeds what they could claw back through auditing and raising Trading Disputes.

The Commercial Operations Group of the Energy Networks Association believes that the TAA should be doing more to detect Settlement error by increasing the sample size and adopting a more targeted approach when errors are uncovered.

The TAMEG (which included LDSO representation) do not agree and a review of the Technical Assurance of Metering (TAM) technique has resulted in the sample sizes remaining the same (1% of the SVA and 5% of the CVA, HH Metering System population).

However, the TAM technique could do more in using the targeted approach (as in BSCP27) to look further into participants and types of Metering Systems where non-compliance is suspected. Details of this review and the outcome can be found in PAB paper PAB135/07.



Industry Concerns

Dummy Meter Exchanges

This is a very grey area that Suppliers and Supplier Agents use to resolve Change of Supplier reads (and others). This problem and resolution is Supplier initiated and then actioned by the DC.

A Supplier takes over a customer that has a problem with his Meter, e.g. the registers have been mapped incorrectly. The new Supplier can't (or won't) agree with the old Supplier what the Change of Supplier read should be.

The problem comes when the new Supplier creates a dummy Meter exchange (new for old) in his system so that he can create a final read and a new opening read (which wipes some or all of the read history of the 'old' Meter and its possible that a great deal of Metered Volume can go missing from Settlement).

The obligation is on the new Supplier to make every endeavour to resolve the disputed read with the old Supplier. We have concerns that 'every endeavour' is too vague and that there is also no responsibility on the old Supplier. This has allowed Suppliers to take advantage of the provision while impacting on LDSO data (amongst other parties) and also knowingly failing to meet their requirement to ensure that Settlement is both accurate and complete.

We believe that the obligation should be amended to make it clear about the responsibilities of both the old supplier and the new; we need to investigate further with a view to raising a formal Change Proposal if necessary.

Trading Disputes Process awareness

We came across many who did not fully understand the Trading Disputes process and how it can be used. This could be an issue in so far as Suppliers not resolving error (and therefore Supplier may be taking the financial hit without knowing all the options to correct the error). We need to publicise the process to make sure:

- Parties know it's there;
- What it is for;
- How easy it is to use;
- Why the process has a materiality threshold; and
- More than just Suppliers are impacted by the process.



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Communication

Suppliers and LDSOs both agreed that there are some improvements to be made in how LDSOs communicate any changes made on site to the MOA in a timely and effective way e.g. an LDSO may change measurement transformer ratios, but the Meter remains unchanged, impacting on Metered volume.

Parties making changes to data in their favour

Evidence shows that over the last 4 years (2008-2012) there have been 87 out of 100² Trading Disputes raised in the favour of the raising party, though we cannot know how many more are not raised because they would lead to a non-favourable position. To clarify, 'in favour' refers to a reduction in Imbalance Charges.

Meter found to be -	Over recording	Under recording
Raised by LDSO (77)	10.3%	89.6%
Raised by Supplier (23)	78.2%	21.7%

We know that some Suppliers and Distributors are not doing a great deal in term of processes to assess data for potential Trading Dispute's, however those that are, are only raising Trading Disputes in their favour.

There is still a shift in data between RF and DF, although this is a shift of -0.30% and nearly all of this shift is in HH Supplier volumes. This data set started with a Settlement Date of 12 October 2008. This tells us that the shift is small, can we conclude that the risk to Settlement is also small?

Next Steps

- Investigate a solution to provide the BSCCo with feedback that Settlement data has been amended for an upheld Trading Dispute. It is likely that a change will need to be raised to amend BSCP11 – Trading Disputes to cater for a solution.
- Investigate the impact of dummy meter exchanges on Settlement data and prepare a plan to manage any impact accordingly.

² Not all Trading Disputes were upheld, but this shows an inclination of parties. This number does not include Trading Disputes raised by parties other than LDSO and Suppliers.