ELEXON

TRADING DISPUTES PROCESS

Guidance Note

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Public

Trading Disputes Process

This document explains the purpose of <u>Trading Disputes</u> and the processes involved. You will find this document useful if you are a BSC Party.

What is the Disputes Process?

The Trading Disputes process is used to facilitate the correction of errors in Settlement that have affected Trading Charges. The sole purpose of the process is to correct errors in Settlement and is not designed to assign culpability on any Parties involved. All Trading Disputes are assessed against three criteria, which must be met for the Trading Dispute to be upheld. All Trading Disputes are confidential.

What makes a Trading Dispute?

Settlement Errors occur when the rules of Settlement have not been followed and this failure affects Trading Charges. Under the BSC, Suppliers have an obligation to ensure that Settlement is accurate. In an event when an inaccuracy is caused by directly breaching the BSC, a Trading Dispute is one of the methods in ensuring rectification.

When considering a Trading Dispute, it is important to take into account Reconciliation Runs. Settlement Reconciliation Runs are carried out in line with the Settlement Calendar (which can be found on the <u>Elexon Portal</u>). The figure below provides an approximation of how long after real-time (known as the Settlement Date) each run is carried out.
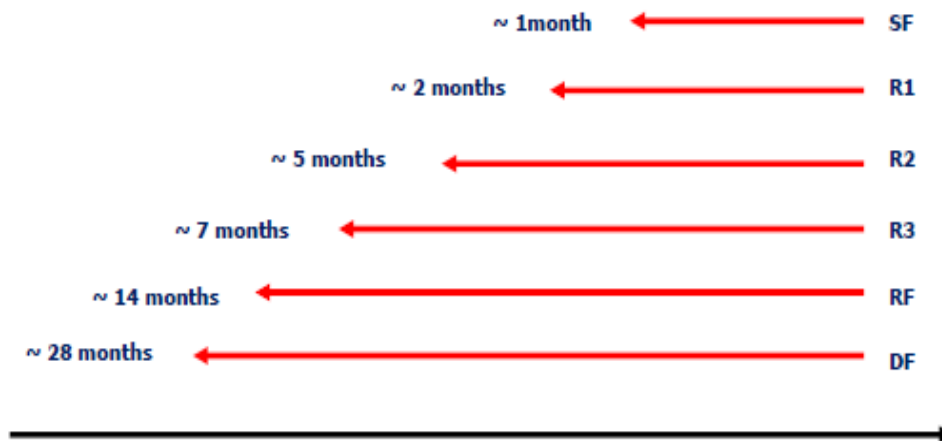
These Settlement Runs can only occur on Working Days and there is a separate run for each Settlement Date.

There are four Reconciliation Runs (R1, R2, R3 and RF) and these Runs provide a continually clearer picture of Settlement at spaced dates after the Settlement Date. The target is for all Suppliers to have read 97 % of meters by RF. The Reconciliation Runs should be thought of as improving the accuracy of Settlement each time.

If any volumes at RF are still under dispute then the Post Final Settlement Run (DF) can be carried out when the corrected data has been received. Any BSC Party can raise a Trading Dispute but it's the decision of the Trading Disputes Committee as to whether this Settlement Run goes ahead.

How to raise a Trading Dispute

In order to raise a Trading Dispute, a Party should send a completed 'Trading Dispute Raising Form' (<u>BSCP11/01</u>) to the Disputes Secretary. This can be sent via email to <u>disputes@elexon.co.uk</u>.

Please ensure all parts of the form are filled out and that the form is co-signed by a Category 'A' or 'O' authorised signatory. If a Party wishes to claim exceptional circumstances for the Trading Dispute, it should submit a statement with the Raising Form to explain what makes the Trading Dispute exceptional.

Trading Disputes process

Upon receipt of the form, Elexon will acknowledge receipt of the form and allocate a reference number to the Trading Dispute within 1 Working Day.

What makes a Trading Dispute valid?

A valid Trading Dispute must meet the following three criteria:

- Trading Dispute raised within the applicable **Dispute Deadline;**

- **Settlement Error** has occurred; and

- **Materiality** meets the £3,000 threshold.

Dispute Deadline

Trading Disputes should be raised within certain timescales, which vary according to the type of Settlement Error. There are five types of Trading Disputes, which each have associated timeframes:

Dispute	Dispute Deadline
• SVA Half-Hourly	70th Working Day following the carrying out of the Final Reconciliation Run (RF).
• SVA Non-Half-Hourly	70th Working Day following the carrying out of the Final Reconciliation Run (RF).
• Profile coefficient	3rd Working Day following the Settlement Day in which the affected Settlement Period(s) occurred.
• Market Domain Data	2nd Working Day following the Settlement Day in which the affected Settlement Period(s) occurred.
• General	20th Working Day following the day on which the relevant Settlement Run was carried out.

In addition, where the Settlement Error is an error in a Post-Final Settlement Run (DF) or an Extra-Settlement Determination (ESD) the deadline is 1 month after the date of the Post-Final Settlement Run or Extra-Settlement Determination in which the Settlement Error first occurred.

However, the TDC can, at its discretion, waive the requirement for Trading Disputes to be raised before the deadline. This only happens if the TDC believes there to be exceptional circumstances, which means the Trading Dispute could not have been identified and raised any earlier by the Raising Party.

Further details of the Trading Dispute Deadlines are in BSCP11: Trading Disputes.

Settlement Error

Elexon will need to be able to identify a rule in the BSC or subsidiary documents that has not been followed, that data in Settlement would be different if the rule had been followed, and that as a consequence Trading Charges are not what they should be.

Non-compliances with rules in the Retail Energy Code (REC) can also be considered Settlement Errors, where those rules have a material impact on Settlement.

Not all erroneous data will constitute a Settlement Error – it is only where the value of the data is prescribed by rules in the BSC and subsidiary documents. Any data value that is affected at a Party's own choice is not considered a Settlement Error. A Settlement Error is defined in BSC Section W 1.3.1 and 1.3.2.

Trading Disputes process

Materiality

The impact on Trading Charges must exceed £3,000.

Upon receipt of a Trading Dispute, a Dispute Analyst will assess the error and build a consumption profile. This is usually done by looking at the actual error that resulted in an impact to Settlement (e.g. a CT ratio mismatch or wrong energisation status for SVA disputes) and the calculated proposed correction. The materiality of an error is then derived from the difference between actual Meter reads and proposed correction, and multiplied by a current Credit Assessment Price (CAP). For example, at a current CAP of £47/MWh (as of 12 February 2015), an error of 64 MWh or more would be considered as meeting the materiality threshold. The process described is indicative and some Trading Disputes need a more tailored approach when calculating materiality.

Please note that materiality calculation only includes the impact on Trading Charges and does not take into account Distributor Use of System (DUoS) charges or retail prices that result in end-customer billing.

What happens when a dispute is raised?

Elexon will acknowledge receipt within 1 Working Day of receiving the Trading Dispute Raising Form (BSCP11/01).

The information submitted is then investigated. If more evidence is required, Elexon will send a BSCP11/03 form ('Request for Assistance') to a relevant Party and detail the information required. Elexon treats each Trading Dispute individually and the information required varies. However, there are some typical requests that Elexon will make:

- Historical consumption data
- Commissioning records
- Fault rectification confirmation

Following the Supplier Hub Principle, Elexon will request all required information (including that held by the Meter Operator Agent) through the Supplier.

According to BSC Section W, a Party and its Agents have to provide any information requested to resolve a Trading Dispute. When a BSCP11/03 form is received, party contacted has 5 Working Days to respond to this request and provide the information or explain why it is not available.

If a party fails to respond to the Request for Assistance form in a specified time, Elexon might have to close the Trading Dispute and/or escalate the matter to the Performance Assurance Board (PAB).

Different Stages of a Trading Dispute:

Elexon Stage

When a Trading Dispute is raised, Elexon will investigate and gather information to determine whether the Trading Dispute is valid against the three criteria.

If Elexon believes the Trading Dispute is valid it will be referred to the TDC for determination.

If Elexon thinks the Trading Dispute fails to meet one or more of the criteria, the Trading Dispute will be deemed invalid. Elexon will then provide its findings to the Raising Party and Affected Parties via a BSCCo Findings Form (BSCP11/04). If you accept our findings Elexon will close the Trading Dispute. Should you object to the findings and send a notification within a prescribed timescale (normally 10 Working Days from us publishing our findings), Elexon will refer the Trading Dispute to the TDC for decision.

TDC Stage

The TDC hears the Trading Dispute and decides if it is valid against the three criteria. If the TDC determines the Trading Dispute is invalid it will reject the Trading Dispute.

Elexon's role as the BSC Administrator is to be impartial and present the facts that have been gathered to allow the TDC to make an informed decision on a case by case basis.

Trading Disputes process

If the Trading Dispute is valid the TDC will decide how it is to be rectified (if at all). If a Party disagrees with the TDC decision it has the opportunity to refer the Trading Dispute to the BSC Panel.

Panel Stage

The Panel hears the Trading Dispute in much the same way as the TDC and will decide whether to overturn the TDC's decision. If a Party disagrees with the Panel's decision it can refer the Trading Dispute to Arbitration.

You can find more details on the Panel referral process in Trading Disputes - Panel Referral.

Rectification

Under normal circumstances, rectification of a Half Hourly or Non-Half Hourly Trading Dispute can go back approximately 17 months (RF plus 70 Working Days) from its raising date. However, a Raising Party can claim exceptional circumstances that, if granted, allow rectification to go back another 3 months (i.e. 20 months from its raising date). Granting exceptional circumstances is at the TDC's (or the Panel's) sole discretion. A Raising Party should provide supporting evidence and a statement clarifying what they believe makes the Trading Dispute exceptional and Elexon will present the statement and supporting evidence to TDC for determination.

After hearing all evidence on a Trading Dispute, TDC can decide whether to uphold the Trading Dispute and rectify the error. If upheld, there are three methods of rectification available for TDC – normal Settlement Run, Post-Final Settlement Run (PFSR) or an Extra-Settlement Determination (ESD).

After the TDC meeting, the Dispute Analyst will send a BSCP11/07 form ('TDC Trading Dispute Findings') detailing TDC determination and the rationale behind it. The form will also specify the action needed to be taken by the Party or its Agents. If a Supplier received this form with an action to inform its Agents, it should ensure the Agents are notified accordingly to carry out the rectification in time. Failure to put in effect a TDC determination is a non-compliance and the offending Party may be referred to PAB.

Normal Settlement Run

If the error has not passed the Final Settlement Run (RF), the Supplier can instruct its Agent to rescale the data in line with appropriate correction. If a Trading Dispute is raised, this can be done without taking a Trading Dispute to TDC, if all Affected Parties agree on proposed correction. It is also common that only part of the error is still within the timescales for normal Settlement Runs, with another part already passed RF. In such case, Elexon will take the Trading Dispute to TDC, where an appropriate combination of rectification methods will be determined.

Post-Final Settlement Run (DF)

No further GSP Group-level DF Runs will be available for the correction of error without re-entry of one or more GSP Groups to the Trading Disputes process. The Final Reconciliation (RF) is now the last opportunity to make any corrections that are not the subject of an upheld, MSID-level Trading Dispute.

Extra Settlement Determination (ESD)

An ESD is performed whenever TDC is unable to achieve a rectification through Timetabled Reconciliation Runs. This happens if a Trading Dispute is raised to rectify data that is entered incorrectly in Post-Final Settlement Run or if error volumes have missed the deadline for DF Run. However, in some circumstances an ESD can be granted for earlier Reconciliation Runs. This process is detailed in Section 4 of BSC Section W.

ESDs are still restricted by Dispute Deadlines. TDC determines the dispute validity and, if requested, a case for exceptional circumstances. In cases where an ESD is required, Elexon will also present the proposed methodology for ESD calculation for TDC to approve as well as payment dates for Affected Parties. TDC takes all evidence into consideration when determining which method of rectification to use, including central costs involved in running an ESD.

This method of rectification is primarily a manual process, involving the Dispute Analyst conducting the calculation and instructing the FAA to process payments. It is estimated that, on average an ESD costs £5,000 to process.

If TDC grants an ESD, Elexon will include this in the BSCP11/07 form sent to Affected Parties. Elexon will then send the BSCP11/09 ('Trading Dispute Payment Authorisation Form') form to the FAA to process the payment.

Need more information?

Useful information from the Trading Disputes Committee meetings is publicly available, and Elexon keeps a [Register of Determinations](#) to summarise Trading Disputes that the TDC have determined.

➢ **BSC Sections**

➢ **BSCPs**

If you have any questions please email disputes@elexon.co.uk or call **020 7380 4100**.

For more information please contact the **BSC Service Desk** at bscservicedesk@cgi.com or call **0370 010 6950**.