

## Stage 03: Assessment Report

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 by majority recommends **rejection** of P258



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

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## About this document:

This document is an Assessment Report, which ELEXON will present to the Panel on 08 July 2010, on behalf of the joint P256, P257 and P258 Modification Group.

The Panel will consider the Group's recommendations, and will agree an initial view on whether or not this change should be made. The Panel will then seek industry comments on its initial view through a further consultation.

This Assessment Report consists of 4 parts:

- This is the main document. It outlines the solution, impacts, costs, benefits and the implementation approach for this change. It includes the Group's recommendation as to whether the change should be approved.
- **Attachment A** provides further supporting details of how the Group's discussions have led it to its views. It also includes a summary of the industry responses to the Group's consultation.
- **Attachment B** contains the Group's agreed legal text for the necessary changes to the BSC.
- **Attachment C** contains the Group's agreed redlined changes to BSCP11 'Trading Queries and Trading Disputes', which support the P258 legal text.

You can download copies of the full industry consultation responses and the Transmission Company impact assessment [here](#).



### Any questions?

Contact:

**David Barber**



**david.barber@elexon.co.uk**



**020 7380 4327**

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## Why Change?

The Trading Dispute Committee instigated a review of the Trading Disputes 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. The estimated implementation costs are £1,200 equating to 5 Man Days of ELEXON effort.

## Implementation

If approved the Group recommends P258 is implemented on:

- **03 November 2011** if a decision is reached by 01 November 2010: or
- **The Next Available Release** allowing for a minimum 12 month implementation period if a decision is made after 01 November 2010.

## The Case for Change

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

While the group agreed that the intention of P258 was laudable and that increased Settlement Accuracy is always a good thing, the majority of the group believed that Supplier Agents may not have the complete picture of data and therefore would not be in a position to say if there was a potential error. Therefore this change would be difficult to implement, manage and enforce. It may also lead to an inefficient process where Supplier Agents spend time tracking many potential errors, which ELEXON would then have to investigate even though the majority of these errors would not end up as valid Disputes.

A minority of the group agreed that while difficult to enforce, if done sensibly it would not necessarily be inefficient, and could help improve Settlement accuracy.

## Recommendations

**The Group recommends by a majority that P258 should be rejected.**



## 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.

## 2 Why Change?

### 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. Over the recent years feedback from the industry has indicated that the current process is too complex. 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.

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.

### What is P258 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.

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### 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

## 4 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 has drafted the necessary changes to the BSCP11 (Attachment C) and will consult the industry on the changes during the Report Phase consultation.

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### Recommendation

Modification Group by majority recommends rejection of P258

### 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.

While the Group initially agreed that there was no need to excessively delay implementation following an Authority decision with the initial implementation approach matching the P256 and P257 approaches. Following the Assessment, the Group unanimously agreed that due to the time required to make changes to contracts between Parties and their Agents and for potential system changes amongst Party Agents a longer implementation time frame would be preferable, in order to meet the new requirement that would be added to the Code.

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

- **03 November 2011** if a decision is reached by 01 November 2010: or
- **The Next Available Release** allowing for a minimum 12 month implementation period if a decision is made after 01 November 2010.

This will give Parties sufficient time to implement the changes, while still giving Parties a clear date for when the new changes would apply.

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



### 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"> <li>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</li> <li>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.</li> <li>Can already be done via existing arrangement, with investigation via TA check and potentially the BSC Audit.</li> </ul>

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"> <li>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.</li> </ul>	None

## 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 data they provide will be as accurate and complete as possible. On this basis, the Group questioned why there would be a need to extend the existing

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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.

### **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.

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

### **Assessment Consultation Responses**

A majority of respondents to the Assessment Consultation supported the initial findings of the Modification Group, re-affirming the majority Group views on the P258 solution.

The majority of responses indicated that they did not believe that the obligations around Party Agent involvement in the Dispute process should be extended and that there are no reasons why Supplier Agents would need to inform ELEXON of significant errors directly rather than doing so via their respective Party. The Transmission Company analysis indicated there is no impact of the Transmission Company. They agreed with the findings of the majority of the Group that P258 would be difficult to implement, manage and enforce.

**Further details on the Assessment Consultation responses and the Group's discussions are provided in Attachment A, Section 5.**

## 7 Recommendations

The joint P256, P257 and P258 Modification Group invite the Panel to:

- AGREE an initial recommendation that Proposed Modification P258 should not be made;
- AGREE an initial Implementation Date for Proposed Modification P258 of 03 November 2011 if an Authority decision is received on or before 04 November 2010, or **the Next Available Release** if a decision is made after 04 November 2010 while still allowing a minimum 12 month implementation period;
- AGREE the draft legal text and redlined CSD changes;
- AGREE that Modification Proposal P258 be submitted to the Report Phase; and
- AGREE that ELEXON should issue P258 draft Modification Report for consultation and submit results to the Panel to consider at its meeting on 12 August 2010.

## 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;
- The Modification Group discussions on the Proposed and potential alternative Solutions;
- Modification Group membership; and
- Process followed for P258.

Attachment **B**: Proposed Legal Text

Attachment **C**: Proposed BSCP11 changes

All consultation and impact assessment responses are on the [P258](#) page of the ELEXON website.