

**Stage 03: Attachment A: Detailed Assessment for P256****P256: Improving Efficiency and Clarity of the Trading Disputes Process****Contents**

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**About this document:**

This is Attachment A to the Assessment Consultation/Report. This attachment provides additional information on P256, including details of the Modification Group's discussions.

What stage is this document in the process?

- 01** Initial Written Assessment
- 02** Definition Procedure
- 03** Assessment Procedure
- 04** Report Phase

**Any questions?**

Contact:  
**David Barber**



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



**020 7380 4327**

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### What are Performance Assurance Techniques?

The PAF is a complementary set of preventive, detective, incentive and remedial assurance techniques. These techniques are used flexibly to address Settlement Risks.

## 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 aims of if 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 recommended changes and the relevant Modification it is be 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:
Give the TDC power to approve all rectification approaches	P256
Party Agent inclusion in the Trading Disputes Process	P258
Changes to the SVA HH Query Deadline	P256
Introducing the requirement to claim exceptional circumstances	CP
Clarification around settlement error definition	P256
Increasing the Disputes Materiality Threshold	CP
Allow ELEXON to close Trading Disputes that do not meet the three Disputes criteria	P257
Give the TDC the authority to extend the End dates of Disputes	P256
Removal of the concept of Trading Queries	P257
Changes to the BSCP11 Forms	CP
Affected Party identification	CP

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

## 2 Terms of Reference

The P256 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 P256 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 P256 better facilitates applicable BSC Objective (d) and should be approved	Main Document section 7.
Whether the Modification Group supports the TDCs proposed solution to the identified defect.	The Group initially supports by a majority the P256 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 identified a potential alternative solution that is supported by a minority of the Group, who believe that it is better than the Baseline and Proposed solution	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 potential alternative solutions	Attachment B

### 3 Modification Group's Discussions

The Modification Group discussed each aspect of the P256 solution, with the discussion in some areas leading to the development of the potential alternative solution.

#### Rectification Decisions

##### Why does the Panel make Rectification Decisions?

The Group discussed the rectification decisions made by the Panel and whether other committees, such as the Supplier Volume Allocation Group (SVG), should be involved in deciding the best approach for rectification.

##### Panel ratifying TDC rectification recommendations

The Group observed that the Panel almost always ratifies the rectification recommendations made by the TDC. The ELEXON expert on the Trading Disputes process emphasised that the Panel was highly supportive of the TDC making the rectification decisions as TDC members have the relevant expertise and are best suited to weigh up the optimum approach for resolving a settlement error.

##### Other committee involvement in rectification decisions

The Group discussed whether another committee should be involved (e.g. the SVG for SVA NHH/HH rectification decisions) for some rectification decisions. A Group member clarified that this already occurs. The group noted that the TDC has previously deferred a decision in order to take account of advice or actions to be completed under the auspices of other BSC Panel committee including the PAB and the SVG.

##### Conclusion

The BSC Panel currently makes rectification decisions because it was believed that the decision to rectify settlement errors (via a PFSR or ESD) is best placed with the Panel.

As identified by the Trading Disputes Review, and re-affirmed by the Modification group this is not necessarily needed as the TDC has the necessary technical knowledge to be make the best decision on the Rectification approach, leaving the Panel route open for referrals

##### What and when can you appeal?

The Group noted that Parties can get a second view on the validity of a Trading Dispute and the nature of replacement data by referring the matter to the BSC Panel. In the event that Parties disagree with the Panel, they may seek to resolve the matter via arbitration. Proposed Modification P256 seeks to extend the right to refer decisions on the rectification approach<sup>1</sup> to a second body. The Group discussed the mechanisms that might be used and the reasons for appealing a rectification decision:

##### Judicial review

A Group member questioned whether a Panel rectification decision could be appealed via judicial review under the current arrangements. Confirmation was given that it is an option.

##### Referral window



#### The BSC Panel

The BSC places an obligation on the BSC Panel to ensure that the provisions of the BSC are given effect: fully, promptly, fairly, economically, efficiently, transparently and in such a manner as will promote effective competition in the generation, supply, sale and purchase of electricity.



#### What are the different types of Rectification?

*Correction before RF –*  
This decision is made by the TDC and involves the correction of the error before RF.

*Correction by Post Final Settlement Run (PFSR) –*  
This decision is currently made by the BSC Panel following a TDC recommendation.

*Correction via Extra Settlement Determination (ESD) –*  
This decision is currently made by the BSC Panel following a TDC recommendation.

*'Do not rectify' –*  
This decision is currently made by the BSC Panel following a TDC recommendation.

<sup>1</sup> The TDC currently makes decisions on Rectification approaches concerning settlement errors that can be amended before the Final Reconciliation (RF) Settlement Run. The BSC Panel currently makes the decisions to amend Settlement Errors via post-RF Reconciliations and the method that should be used.

A Group member questioned the window for referral on decisions, which was confirmed at being 30 days. The Group agreed that referrals pertaining to rectification decisions should be consistent with existing provisions and that there was no reason to adjust time limit.

#### How wide should the scope of referral be?

The Group noted that the BSC currently provides for decisions of the TDC to be referred to the BSC Panel by parties where they disagree with the determination of the TDC. The BSC does not make any further stipulation regarding the grounds for a referral.

The Group discussed the extent to which the grounds for any referral should be defined or limited. The Group Chair and ELEXON legal representative clarified that the TDC would consider the circumstances and materiality of each Trading Query or Dispute with most of the decision being based on the cost to rectify against the materiality of the error.

#### Potential Alternative

The Group discussed having the TDC make the rectification decisions as proposed, but have an alternative where Parties cannot refer such decisions to the Panel. In light of concerns raised by Parties that a second view on rectification approach as of value, the Group that there should be a referrals process for these decisions.

#### Potential Alternative

The group discussed a potential alternative from the proposed to having specific grounds for appeal.

It could not identify a compelling reason to create distinct BSC provisions relating to the grounds for referral of TDC rectification decisions to the BSC Panel. A Group member made the point that allowing Parties to refer TDC rectification decisions on the same basis as existing TDC decisions would prevent confusion while keeping the TDC 'on their toes' so that they make sure that any decisions they make are on the correct grounds. This was supported by the rest of the Group and would align the rectification referral process with the existing grounds for referral.

### **Conclusion**

The Group concluded that the TDC should make decisions on rectification decisions, as it would aid the efficiency of the process by removing an unnecessary step in the resolution of settlement errors.

The Group agreed that the Grounds for appealing PFSR, ESD and 'not to rectify' decisions should be able to be referred to the Panel on the same grounds as all other current decisions that are referred to the Panel.

## **Trading Dispute End Dates**

### **What currently happens**

The start and end dates of a Dispute are determined by what the Raising Party puts on the BSCP11/01 – Trading Query Form. If the end date is not known at the time the Dispute is raised, then it is left blank on the form and the TDC determines the end date when the Dispute is presented to it. The Trading Dispute process review group recognised that there are events when it would be useful to be able to amend the start and end dates of a dispute, but that doing so may give rise to a number of issues.

For example, if a supplier raises a Trading Dispute with a start date after the error actually existed, the group felt it may be useful to be able to amend the start date back to when the error first occurred. Also if a Supplier puts the end date of the Dispute before the error is resolved the group believed there is a clear benefit in the TDC having the authority to



### **Supplier Volume Allocation Group (SVG)**

The SVG is responsible for overseeing the operation of the Supplier Volume Allocation processes and systems. These processes are associated with the operation of the Supplier Volume Allocation Agent, Supplier Agents (Half Hourly and Non Half Hourly Data Aggregators and Data Collectors) and the Supplier Meter Registration Service.



### **Performance Assurance Board (PAB)**

The PAB conducts and administers activities to provide assurance that all participants in the BSC arrangements are suitably qualified and that the relevant standards are maintained.

The PAB is appointed by, and reports to the BSC Panel. The PAB is responsible for the following performance assurance techniques: SVA Qualification, Technical Assurance, operational audit, Supplier Charges and Peer Comparison. The PAB may also recommend a BSC Modification or Change Proposal to the BSC Panel relating to issues that arise from its work.

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amend the end date, rather than having to close the end dated Dispute and raise a new one.

### **Adjusting the End Dates**

The Modification Group agreed that there is benefit in the TDC being able to amend the end date of an ongoing dispute, as it removes the current need to close an end dated dispute that is still ongoing and then raise another dispute which covers all the dates the error covers.

### **Why not include the ability to adjust Start Dates as well?**

#### Potential Alternative

The Modification Group briefly discussed if the TDC should be able to amend the start date as well as the specified end date. The ELEXON expert on the Disputes process clarified that the TDC review group had considered this, but had concluded that adjusting start dates creates a number of legal hurdles and the start dates should remain under the control of the Raising Party.

The Modification Group noted the findings of the Trading Dispute process review group. Which concluded that the TDC should not have the ability to amend the start dates as the benefits would not outweigh the potential legal challenges that the change would need to overcome.

This conclusion was on the basis that giving the TDC the power to amend start dates would undermine the need to raise the Disputes within the relevant Query deadlines as they need to act according to the same timescales as participants in line with the Code.

The raising Party determines the start date of the Trading Query/Dispute (i.e. the first "affected Settlement Period" within the Query Deadline). By the time the TDC hears the Dispute the relevant Trading Query Deadline would most likely have passed. Changing Query/Disputes Start dates could affect the validity of the timeliness criterion, which would affect the TDC's ability and requirements to act according to the same Query Deadlines as other participants.

Finally Parties might choose to raise Disputes for only the periods that are within Query Deadlines and then expect the TDC to amend the start date as far back as possible. This would again undermine the Query Deadlines as it would create a means for a Party to avoid having to claim exceptional circumstances, for settlement errors that have occurred outside of Query deadlines.

### **Conclusion**

While the group touched on the potential of allowing start dates to be amended via an alternative, the Group concluded that only the end dates should be amendable by the TDC as set out in the P256 proposal as there was no substantial reason for the start dates to be amended.

## **The SVA HH Query Deadline**

### **Why extend the deadline?**

The Modification Group considered the findings of the Trading Disputes process review group, noting that the timeliness criteria were set after the last review of the Trading Disputes processes in 2002. BSCP11 Section 2.1 defined what the current query deadlines are. The idea behind the current deadlines was to place an obligation on Parties to detect settlement errors promptly and hence raise Disputes in a timely manner.

The review group felt the current Query deadlines, with the exception of the SVA HH Deadline were still fit for purpose. They believed that an efficient Disputes process needs a clear cut off point for when a Dispute can be raised, as they encourage Parties to correct settlement errors in a timely manner and prevent claims for errors that occurred a long time ago. However they can prevent some genuine errors being corrected.

The group noted that there used to be more SVA HH Disputes being raised and upheld prior to the introduction of the deadlines via P131. The group was unable to determine whether this was down to the market maturing, with more participants knowing how the Trading Arrangements work and resolving any potential errors themselves by the Final Reconciliation run (RF), or that the timescales for SVA HH queries are too tight.

Some of the review group members believed that the deadline was the cause of the low number of disputes being raised as the current SVA HH deadline of R2 +20 Working Days (WDs) does not allow sufficient time to identify and raise a dispute.

The group considered that the SVA NHH deadline of RF +70WDs gives sufficient time to identify settlement errors, and in keeping with the reviews objectives of make the Trading Disputes process more efficient and streamlined, they recommended that the SVA HH deadline should be changed to match it. The TDC agreed with this view and the change was included as one of the proposed changes contained in P256.

#### Concerns over extending the SVA HH query deadline

A Modification Group member raised concerns over changing the SVA HH query deadline from R2 +20WDs to RF + 70WDs as over 99.5% of Half Hourly SVA Energy is currently settled on actual metered data at the Initial Settlement (SF) Run. This has come about through increased levels of diligence to get SVA HH data correct promptly. If there was an extension of the SVA HH query timescale, it may undermine the need for Parties to be diligent over data accuracy.

Another Group member noted that Trading Disputes very often relate to physical errors in SVA HH Metering Equipment or erroneous data in SVA HH Meter Technical Details. Consequently, while settling high proportions of energy on actual metered data is a good thing, it does not provide comfort that that actual metered data is a fair reflection of energy consumed.

Another Group member responded to this by raising the point that most SVA HH disputes arise from site visits and the current deadline does not give Parties sufficient time to raise a query. Additionally extending the deadline would give parties extra time to identify and then raise such errors.

The same group member then raised the point that by relaxing the timeframe, you would reduce the number of claims for exceptional circumstances, plus by doing so you streamline and simplify the process by having a consistent deadline for both SVA HH and NHH queries. Another Group member supported this as it would allow time to get the few exceptions resolved.

#### **Have no dispute process for SVA HH at all.**

#### Potential Alternative

The Group discussed the potential of having no dispute process for SVA HH settlement errors, as most data is settled on actual metered data at SF (99.5%). However the group dismissed this as a viable alternative as while there is a diligent push for accuracy in HH settlement by RF, you still need a means to address Party identified settlement errors.



## **Conclusion – Have an alternative to leave the SVA HH deadline unchanged**

After discussing having no dispute process for SVA HH queries, the Group felt that a more viable alternative would be to leave the SVA HH Query deadline unchanged. This would mean that Parties could still raise Trading Queries and Disputes in relation to SVA HH settlement data, without reducing the incentive to be diligent over getting data accurate by RF.

This view resulted in the development of the P256 potential alternative solution.

## **Precautionary Queries**

Precautionary Queries were introduced to BSCP11 Section 3.2 and are SVA HH Queries that are likely to be resolved outside of the Dispute Process, but are raised 'just in case'.

### **Superfluous process**

The Group briefly discussed Precautionary Queries and concluded that under the proposed solution they would become obsolete as a result of extending the SVA HH query deadline.

The group also agreed Precautionary Queries should be removed under the potential alternative solution on the grounds that it does not add anything to the existing process. as in practice they are raised within the R2 + 20WD timeframe and then investigated and taken to the TDC for decision, so rather than raising a Precautionary Query for a potential SVA HH error, the Party can just raise a normal Query within the R2 + 20WD timeframe

## **Settlement Error Definition**

The whole Group agreed that the definition changes would add clarity and aid understanding of what a settlement error is.

## **Implementation Approach**

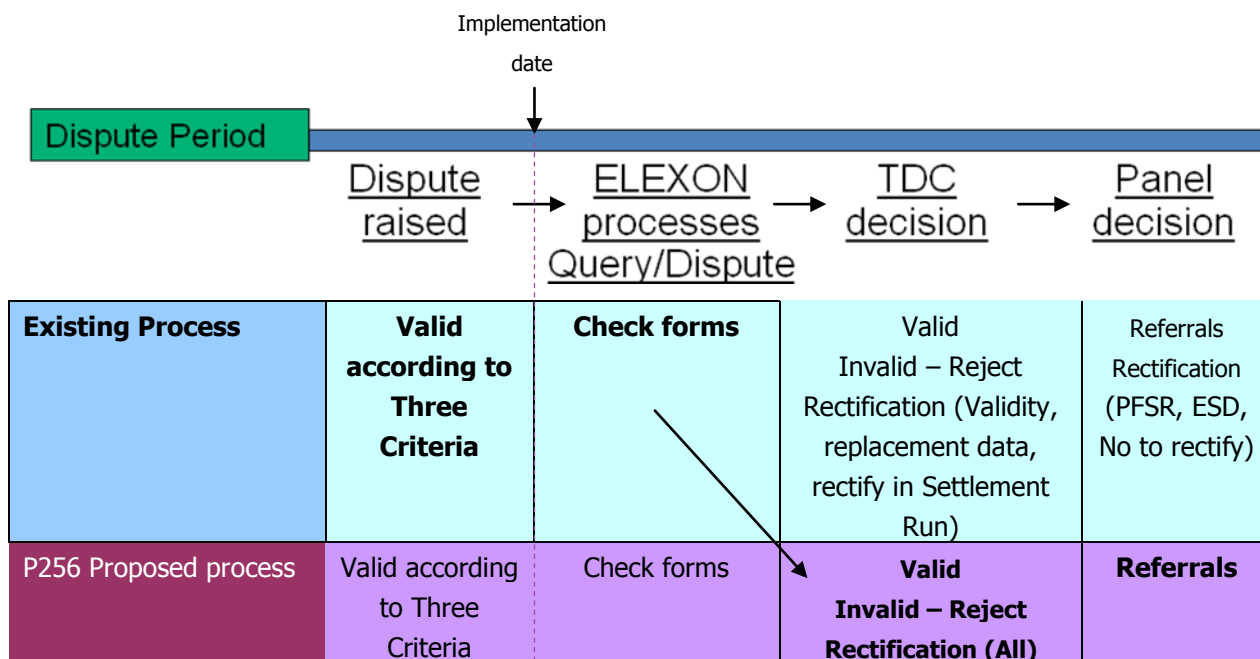
### **Why have a clear implementation date for the cut over to the new P256 process?**

The Group discussed the best method to implement P256, 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 P256.

The diagrams below provide examples of what process would apply based on when the Dispute was raised in relation to the implementation date:

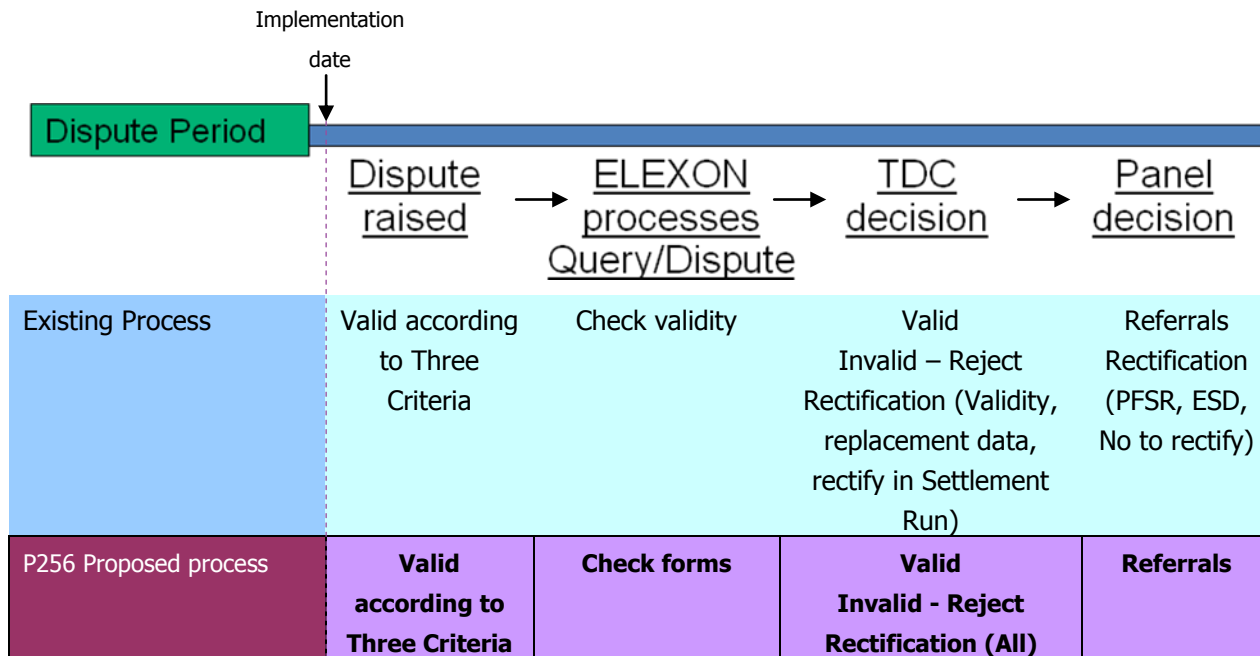


**Diagram 1: Dispute raised and processed by ELEXON before implementation**



In this example a Dispute, that requires a PFSR or ESD, raised just before implementation which was then processed by ELEXON after implementation, would follow the old process of submission, but would switch tracks to the new P256 Proposed/potential alternative process. When presented to the TDC for decision after implementation, the decision to rectify by PFSR or ESD is made by the TDC, which can be referred to the Panel.

**Diagram 2: Dispute raised after implementation**



In this example the Dispute is raised after the P256 has been implemented. Therefore its progression follows the P256 Proposed/potential alternative process.

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

A member of the Group questioned why the implementation of P256 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).

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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 P256 implemented in this way is that no Disputes are raised in relation to the new process for a 14 month period between 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 P256 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.

### Arguments for and against the Applicable BSC Objectives

Section 7 on the main document provides a summary of the arguments for and against the P256 Proposed and potential alternative Modification solutions in relation to the Applicable BSC Objectives. Most of the discussion was around the changes to the SVA HH Query deadline.

Table 3 and 4 provides the arguments for and against the Proposed and Alternative solutions respectively and how each in turns relates to the applicable BSC Objectives.

**Table 3 Views For and Against P256 Proposed Modification**

Area of discussion	Views for P256 Proposed	Views against P256 Proposed
Rectification decisions	Better than the baseline and alternative (majority group view). Removes the need for the TDC to make a recommendation to the BSC Panel on rectification approaches, providing the Raising Party more immediate answers. (Objective (d)) Creates a referral mechanism for decisions on rectification approaches, providing for a second view to be taken rather than only being able to take it to judicial review. (Objective (d)).	None
End Dates	By allowing the TDC to amend the end dates of Queries/Disputes, increases the efficiency of the overall process, as more settlement data can be corrected via a single query/dispute, instead of having to raise multiple queries/disputes. (Objective (d))	None
SVA HH Query deadline	Changing the SVA HH deadline eliminates the need for Parties to assess whether to raise a Trading Query should they feel that an identified error will not be resolved by the RF run. (Objective (d)) Reduces the need for Parties, ELEXON and the TDC to process and consider exceptional circumstance claims. (Objective (d))	Could act as a disincentive to resolve SVA HH errors in a timely manner by the RF run (Objective (d))
Precautionary Queries	Eliminates the work involved in ELEXON assessing a Precautionary Query that has been rectified in the normal course of settlement	None

Area of discussion	Views for P256 Proposed	Views against P256 Proposed
	(Objective (d))	
'settlement error' definition	Provides clarity of the definition, contributing to a process which is more efficient and easier to understand. (Objective (d))	None
P256 overall	The P256 Proposed changes will increase the efficiency of the process by encouraging Parties to participate in a Trading Disputes process that is easier to understand and use, which will help increasing the accuracy of settlement. (Objective (d))	None

**Table 4 Views For and Against P256 potential alternative Modification**

Area of discussion	Views for P256 potential alternative	Views against P256 potential alternative
SVA HH Query deadlines	<p>Not changing the SVA Half Hourly (HH) deadline keeps the incentive of correcting errors in a timely manner and does not diminish overall settlement efficiency. (Objective (d))</p> <p>Not changing the deadline promotes effective competition by preserving the limitations for historic data to be amended well after the RF run. This will aid Parties in their management of liabilities by limiting exposure to uncertainty regarding the Settlement of Trading Charges after RF has passed. (Objective (c))</p>	None
P256 potential alternative overall	<p>Better than baseline and Proposed (Minority group view)</p> <p>Meets the same benefits as the P256 Proposed Modification, with the exception of the SVA HH deadline (Objective (d))</p>	None



## 5 Timetable and Responsibilities

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

**Where can I find other P256 documents?**

Visit the P256 page of ELEXON's website [here](#)

**Table 4 – P256, P257 and P258 Planned Assessment Timetable**

Date	Assessment Activity
08/04/2010	BSC Panel raises P256 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 P256 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 P256 Assessment Report to the Panel
08/07/2010	ELEXON presents the Group's P256 Assessment Report to the Panel

**Table 5 – 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 6 – P256, P257, P258 Modification Group Attendance**

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

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