

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

## Request to raise a Modification proposal

# Party Agent inclusion in the BSC Trading Disputes process

The Trading Disputes Committee (TDC) is requesting that the BSC Panel raise a Modification Proposal to include Party Agents in the Trading Disputes process.



The TDC recommends  
The attached Modification is raised and issued to a 3 month Assessment Procedure



High Impact:  
The Trading Disputes Committee, BSCCo and Parties who wish to raise a Trading Dispute.

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## About this document:

This document is a request to raise a Modification, which ELEXON will present to the Panel on behalf of the TDC on 08 April 2010. The Panel will consider the recommendations and agree whether to raise a Modification and how it should be progressed.

If the Panel agrees to raise this as a Modification Proposal then this paper should be treated as the Initial Written Assessment (IWA).

Further information is available in the Modification Proposal which is Attachment A to this document.



### Any questions?

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The role of the TDC is to ensure that all Trading Disputes are resolved so that errors are corrected and the integrity of Settlement is maintained.

## 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. Any data can be changed before the Initial Settlement (SF) Run but after this can only be changed through the Disputes process or if the Code explicitly allows.

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 Dispute Process Review 2009

The last time the Trading Disputes process review was carried out, was in 2002. Over the recent years feedback from the industry has indicated that the current process is too complex. The Trading Disputes Committee (TDC) has also become increasingly concerned that the process is not used as much as it could be resulting in less accurate Settlement data.

As a result of this feedback, the TDC instigated a review of the Trading Disputes process to identify improvements that would make the process more user-friendly, simpler and efficient.

The review helped the TDC identify that there is no formal provision in the BSC for Party Agents who have a view of the Settlement Data to escalate error reporting. The TDC consulted the Industry on this issue during November 2009 and the majority of the respondents agreed with the TDC's view, although only a few responses were received.

## What's the issue?

Trading Disputes are raised by BSC Parties or ELEXON. This Modification is not seeking to change this rule. However, it is the Party Agents, especially Data Collectors, that are likely to know if Settlement data is wrong and what the correct data should be. Therefore Party Agent's participation in the process should be encouraged.

Currently Party 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.

## Related Changes

This Modification is one of three Trading Dispute review Modifications that the TDC is recommending the Panel raises. The other two cover:

- Improving the efficiency and clarity of the Trading Dispute process; and
- Removal of the concept of Trading Queries.

All three Modifications will be progressed together using the same Modification Group and proposed timescales.

### Placing an obligation on BSC Parties

The Trading Disputes Committee is recommending that the Panel raise a Modification that proposes to include Party Agents in the Trading Disputes process. This should be done by placing an obligation on BSC Parties to procure their Party Agents to 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 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. The TDC would have to review this value on a regular basis in order to ensure that 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.

Giving Party Agents the power to raise Disputes could also put them in a difficult position given their commercial arrangements with the Suppliers.

### Applicable Objectives

The TDC believes this Modification would better facilitate **Applicable BSC Objective (d)** as it would:

- increase assurance around the accuracy of Settlement data; and
- help Parties who may not fully understand the Trading Arrangements and the Trading Disputes process.

Overall the Settlement data would be more accurate as a result. As such this Modification promotes efficiency in the implementation of the balancing and settlement arrangements.

## 3 Proposed Progression

### Terms of Reference

Proposed Terms of Reference	
The Modification Group will be formed from members of the GSMG. The Group will consider the following items:	
Ref	
1	The effect of the Modification on Applicable BSC Objective (d) and any other relevant BSC Objective(s).
2	Whether the Modification Group supports the TDCs proposed solution to the identified defect.
3	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.
4	The most appropriate implementation approach for the Modification.
5	The most appropriate legal drafting to deliver the solution.

### Costs

As noted above there are 3 related Modifications that the Panel is requested to raise which for efficiency will be progressed together. The costs detailed below are the progression costs for all three together and is duplicated in the other two 'Request to raise Modification Proposal' documents.

Estimated progression costs based on proposed timetable	
Meeting costs (including Modification Group member expenses)	£1500
ELEXON resource	44 man days, equating to £10,140

### Timetable

Assessment Activity	Date
Modification Group 1	19 April 2010
Modification Group 2 (if required)	20 April 2010
Draft Consultation Document	20 April 2010
Assessment Procedure Consultation	30 April 2010
Modification Group 3	19 May 2010
Draft Assessment Report	20 May 2010
Submit Assessment Report to Panel	04 June 2010
Present Assessment Report to Panel	10 June 2010

The timetable above sets out the planned progression approach for all three Trading Disputes review Modification Proposals. Whilst the planned timetable is for two months, this may prove difficult should something unexpected turn up. Therefore we are pragmatically requesting a 3 month timetable, but will attempt to deliver in two.

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## 4 Likely Impacts

### Impact on BSC Parties and Party Agents

BSC Parties and Party Agents should experience increased assurance around the accuracy of Settlement data; and it will help Parties to further understand the Trading Arrangements and the Trading Disputes process.

### 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 Party Agents notify BSCCo of potential Settlement Errors

### Impact on Code Subsidiary Documents

CSD	Potential impact
BSCP11	New process showing submission of information by Party Agents to BSCCo.

### Impact on other Configurable Items

Configurable Item	Potential impact
Business Process Model	Change to 'Manage Disputes, Queries and Claims' process to reflect BSCCo's role in handling and processing information received from Party Agents

There is no impact on any Core Industry Documents.

## 5 Recommendations

The TDC invites the Panel to:

- AGREE to raise the Modification Proposal as included in Attachment A.

If the Panel agrees to raise the Modification Proposal, we also invite the Panel to:

- DETERMINE that Modification Proposal progresses to the Assessment Procedure;
- AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel at its meeting on 08 July 2010;
- DETERMINE that the Modification Group should be formed from members of the Governance Standing Modification Group; and
- AGREE the Modification Group's Terms of Reference.

## 6 Further Information

More information is included in the Modification Proposal form which is an appendix to this document.