

WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW046	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Change Proposal		
	Charging Change Proposal		
Submission Date	16 October 2018		
Title: of Change Proposal/Charging Change Proposal	Changes to the unplanned settlement process		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	This change seeks to extend the timescales for trading parties to request corrective settlement runs and to reduce the materiality thresholds required to request corrective settlement runs.		
General Details of the Proposer			
Name of Proposer	Neil Pendle		
Capacity (to submit Change Proposals and Charging Change Proposals – on behalf of a Party, as a Panel member, as the customer representative, or the Market Operator or on behalf of the Authority; or Charging Change Proposals – on behalf of a Wholesaler).	On behalf of the Trading Disputes Committee		
Contact Email	Panel.secretariat@mosl.co.uk		
Telephone Number			
The Proposer recommends that this Change Proposal/Charging Change Proposal should initially: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)? If yes, please provide reason for urgency (if applicable)	No		
Related Documents			

Reference of any associated Code Panel Change Proposal/ Charging Change Proposal	
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Documents Accompanying Form	Attachment 2 – Market Terms Amendments to Legal Drafting v1.0
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Change Proposal/ Charging Change Proposal Details

Description of (i) the issue or defect which this Change Proposal seeks to address, or (ii) the modified or new charging method or charging structure required pursuant to this Charging Change Proposal, as required under the Market Arrangements Code Section 6.2.1(b).

To date, a number of trading disputes have been raised by trading parties to enable the completion of an unplanned settlement run, outside of the current allowed timescales for running a corrective settlement run. Currently, trading parties must raise any corrective settlement run requests for ‘R’ runs prior to the issuing of the invoice i.e. within 10 days after settlement report publication. It is proposed that this restriction be amended to enable such requests to be raised up until the start of the month before a planned settlement run for the relevant invoice period.

The TDC considers that if this timescale is extended, allowing trading parties additional time to raise corrective settlement runs requests, trading parties will have a greater opportunity to resolve and correct any queries or settlement inaccuracies through this route rather than having to raise trading disputes in order to request dispute settlement runs to amend data errors impacting primary charges.

At present, trading parties looking to raise an unplanned settlement run must meet both components of the materiality threshold for the run type. This results in smaller trading parties having difficulty meeting the absolute value part of the threshold, and larger trading parties with a high concentration of supply points in one wholesale area having difficulty in meeting the percentage threshold of a pairing until significant financial sums are involved.

The TDC considers that lowering the materiality thresholds would level the playing field and allow more trading parties to request unplanned settlement runs to resolve data queries and reflect changes to data.

Description of the Change Proposal/ Charging Change Proposal, its nature and purpose and (for Change Proposals only) how it is consistent with the Principles and falls within the Objectives noted below, as required under the Market Arrangements Code Section 6.2.1(c).

The TDC proposes to extend timescales for corrective settlement runs by removing the requirement for trading parties to request corrective settlement runs before invoices are issued. The TDC suggests altering the Market Terms to remove the requirements for corrective settlement runs to be raised prior to the issue of an invoice.

The TDC also proposes inserting a clause to restrict the requesting of corrective settlement runs for R1, R2, R3, and R4 settlement runs up until the month prior to the planned settlement run of the relevant invoice period. The TDC does not propose extending the timescale to request corrective settlement runs for P1 or RF settlement runs.

The TDC considers that by extending the period in which trading parties are able to request corrective settlement runs, it will reduce the requirement for trading parties to raise trading disputes to resolve issues.

The drafting in section 4.13.4 of the Market Terms:

- (a) Corrective Settlement Runs: The Contracting Wholesaler and the Contracting Retailer agree that:
 - (i) if either of them identifies a material error in any Planned Settlement Report ~~prior to the issue of an invoice in relation to the sums set out in that Report~~ and the other Party agrees that there is a material error;
 - (ii) then the Contracting Wholesaler and the Contracting Retailer will be entitled jointly to request that the Market Operator carries out a Corrective Settlement Run ~~provided that they make the request prior to the date for issue of an invoice~~ in relation to the relevant Report;
 - (iii) the Contracting Wholesaler and Contracting Retailer can raise a request with the Market Operator to carry out a Corrective Settlement Run up until the end of the Month before the next Planned Settlement Run for the relevant Invoice Period;
 - (iv) the timescale above will only apply to R1, R2, R3, and R4 Settlement Runs. Trading Parties can raise Corrective Settlement Run requests for P1 Settlement Runs within two (2) Business Days of publication of the relevant Settlement Reports, and Corrective Settlement Run requests for Final Settlement Runs within ten (10) Business Days of publication of the relevant Settlement Reports;

To reduce the materiality threshold for corrective settlement runs, the TDC proposes to change the ‘and’ in the corrective settlement to an ‘or’. This allows trading parties to meet the lower of the two values, which the TDC considers levels the playing field for smaller trading parties, and trading parties with a large concentration of supply points in one area.

The drafting of the Market Terms section 4.13.4 (c) is proposed to be updated to the following:

- (i) for Corrective Settlement Runs:
 - A. 1.0% of the value of the Primary Charges due to the Contracting Wholesaler from the Contracting Retailer for the relevant Area for the relevant Invoice Period; ~~and~~ or
 - B. £10,000.00;

The TDC considers the above changes will reduce the need to trading parties to raise trading disputes to address data errors impacting primary charges.

Description of the principles and objectives affected by the Change Proposal on the items below (if applicable) as detailed in Part A of Schedule 1 Part 1: Objectives Principles and Definitions.

Principles	Affected (Y/N)	Description
Efficiency	Yes	The change promotes efficiency by enabling trading parties to resolve data issues and request corrective settlement runs for a longer period of time, rather than having to recourse through

		the more arduous formal trading disputes process.
Proportionality	Yes	Reducing the materiality thresholds will enable more trading parties to request unplanned settlement runs.
Transparency	No	
Simplicity, cost-effectiveness and security	Yes	Allows greater opportunity for settlement queries and/or inaccuracies to be rectified without resorting to the formal disputes process.
Barriers to entry	No	
Non-discrimination	Yes	Prevents discrimination against smaller players with restricted cash flow by reducing the materiality thresholds
Customer participation	No	
Customer contact	No	
Seamless markets	No	
No limit on upstream competition	No	
Business Terms Objectives	No	
Operational Terms Objectives	No	
Market Terms Objectives	No	
Description of the impact of the Change Proposal/ Charging Change Proposal on the following items, as required under the Market Arrangements Code Sections 6.2.1 (f), (g) and (h).		
Configured Item	Impacted (Y/N)	Description
Schedule 1: Terms and Conditions of a Wholesale Contract	No	
Wholesale-Retail Code, Schedule 1 Part 1 (Objectives, Definitions and Principles)	No	
Wholesale-Retail Code, Schedule 1 Part 2 (Business Terms)	No	

Wholesale-Retail Code, Schedule 1 Part 3 (Operational Terms)	No	
Wholesale-Retail Code, Schedule 1 Part 4 (Market Terms)	Yes	Alterations made to section 4.13.4 as per drafting
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	No	
Wholesale-Retail Code, Schedule 1 Part 6 (Operational Forms)	No	
Appointment	No	
Licence	No	
Any other industry code, agreement or document (e.g. the Wholesale Contract or the MOSL Articles) (please specify)	No	
Central Market Operating System	No	
Trading Party systems which interface with Central Systems and other relevant Trading Party systems/ business processes.	No	
Scottish Core Industry Documents	No	

Further Information

Description of any discussions on the topic of the Change Proposal/ Charging Change Proposal at the User Forum (as relevant) or otherwise relevant discussions with parties, as required under the Market Arrangements Code Section 6.2.1(i).

Further Comments

Key

	To be completed by the Market Operator
	To be completed by the Proposer