

## TDC Meeting 13 – Minutes

20 June 2018 | 10:30 – 11:30 | Teleconference

Status of the minutes: Draft

### MEMBERS PRESENT

Name	Role
Elsa Wye	Chair
Tim Orange	Committee Member (Wholesaler)
Martin Mavin	Committee Member (Wholesaler)
Paul Stelfox	Committee Member (Wholesaler)
Emily Worthing	Alternate Committee Member (Unassociated Retailer)
Richard Stanbrook	Committee Member (Associated Member)
Cleo Acraman	Committee Member (Associated Retailer)
Kirstie King	Committee Member (Associated Retailer)
Emma Taylor	MOSL (Presenter)
Abu Rashid	MOSL (Secretary)
Pavindeep Dosanjh	MOSL (Observer)

### APOLOGIES

Name	Role
Julian Tranter	Committee Member (Wholesaler)
Neil Pendle	Committee Member (Unassociated Retailer)

## 1. Welcome

### **PURPOSE: FOR INFORMATION**

- 1.1 The Chair began proceedings by welcoming members of the Trading Disputes Committee (TDC) to its thirteenth meeting and gave a brief overview of the items on the agenda for discussion.

## 2. Update of Change Proposal Related Work

### **PURPOSE: FOR INFORMATION**

- 2.1 The Market Operator (MOSL) presented a summary of the responses to the Request For Information (RFI) that was carried out between 4 and 18 May 2018, regarding the potential TDC change proposal to lower the materiality threshold for unplanned settlement runs and extend the window in which trading parties can request corrective settlement runs.
- 2.2 MOSL stated that in total, 13 responses had been received to the RFI, of which 7 were from wholesalers and 6 from retailers.

#### **Corrective Runs Deadline**

- 2.3 MOSL stated that most respondents had agreed with the extension to the corrective runs deadline, although 3 wholesalers had raised concerns with the extension, citing that the current window of 10 days to request corrective runs following an 'R' settlement run was adequate in its length.
- 2.4 Committee members discussed the purpose of requesting corrective runs, with one member observing that the TDC had already noted that the potential change proposal being raised would not affect the Business Terms of the Wholesale Retail Contract (WRC).
- 2.5 A committee member questioned whether the industry had understood the intent of the potential change proposal. The TDC discussed the various ways forward in addressing the need to clarify the purpose and objectives of the change being brought forward. Committee members agreed that a webcast should be set up, in which the TDC present the change to other members of the industry who have understanding and knowledge of the settlements process.
- 2.6 Paul Stelfox and Martin Mavin volunteered to present the potential change proposal in the webcast.
- 2.7 The TDC requested that MOSL facilitates in the setting up of an industry-wide webcast that will allow TDC members to present the potential change proposal.

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#### **Materiality Thresholds**

- 2.8 MOSL stated that only some respondents had agreed with the reduction in the materiality thresholds, with some trading parties requesting values for the thresholds to be raised even higher.
- 2.9 The TDC discussed the impacts of changing the wording of the requirements to request corrective runs, in terms of whether requests would be received that could be deemed as vexatious or frivolous.



- 2.10 A committee member noted that five trading parties disagreed with the lowering of the materiality thresholds; however, the retailers who disagreed were not small companies and therefore, the responses were indicating that this change could be beneficial to smaller retailers.
- 2.11 MOSL noted that Business Stream had disagreed with the proposed reduction in materiality thresholds as it felt that the lowering would increase the number of corrective runs requests.
- 2.12 Committee members discussed whether the proposed solution of changing the wording of the requirements from an 'and' to an 'or' was the best solution, or if there are potentially other solutions.
- 2.13 The TDC also discussed whether the thresholds truly present a problem to smaller retailers. The TDC agreed that it would be appropriate to discuss this at the webcast.
- 2.14 One committee member commented that in some cases, trading parties were spending weeks on finding cases where settlement calculations were inaccurate, in order to be able to meet the materiality thresholds. The committee member agreed that an industry-wide webcast would be beneficial, as the market may not be working effectively in this area.
- 2.15 MOSL stated that it had observed a few cases where the materiality thresholds to request corrective runs had not been met, but that generally, more requests had met the thresholds than had not.
- 2.16 A committee member suggested that the solution being proposed, in terms of reducing the materiality, may be helping market operations but it does not address all the issues in this area; one example given was settlement runs that do not meet the thresholds but are mutually agreed by both parties as being needed to be processed. Another committee member stated that the concept of mutually agreed runs (which do not meet the thresholds) between trading parties was a good idea; however, this had not been included as a question in the RFI.
- 2.17 A TDC member questioned how the process of agreeing a run that is lower than the materiality thresholds would work. MOSL stated that, for data corrections that are low in materiality, the normal settlements process would recalculate and rectify inaccurate charges, i.e. the following settlement run for the invoice period would take into account data corrections and recalculate primary charges accordingly. As such, any mutually agreed settlement run placed between planned settlement runs would only expedite the recalculation of primary charges.
- 2.18 The TDC agreed that adjusting the materiality thresholds for corrective runs should still be included in the potential change proposal; however further work was required to determine if the suggested lower levels were appropriate.
- 2.19 The TDC requested that MOSL return to the TDC with further analysis on the materiality percentage thresholds, and whether lower ranges would have enabled dispute settlement runs to take place for trading disputes raised so far, in cases where they were not agreed as part of rectification.

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- 2.20 A committee member commented that analysis on who is requesting corrective runs would be useful, as well as the monies involved in the recalculation of settlement, i.e. the differences between the original and correctives settlement runs.

- 2.21 Another TDC member stated that changing the materiality thresholds, to lower or higher values, and seeing the level of corrective runs that would have met the criteria would also be useful.
- 2.22 MOSL stated that the majority of corrective runs requested to date have been from larger wholesalers and retailers. It also stated that smaller retailers may find it more difficult to dedicate resources to respond to consultations; therefore, it is often difficult to collate smaller retailers' opinions from consultations.
- 2.23 TDC members suggested that the £10,000 materiality requirement and its effects on smaller retailers would be a good discussion point on the webcast. A committee member commented that, from the member's own experience, £10,000 could be material for smaller retailers. However, it may not be an issue that is considered by retailers before an actual event that requires a request of rerunning settlement is triggered, i.e. £10,000 may be material for some smaller retailers, but they may have never been put into a situation where they need to request a corrective run; therefore, the £10,000 threshold hasn't yet posed a barrier for them, but it may well do.
- 2.24 The TDC agreed that further analysis work, as suggested by members in the meeting and covered in section 2 of these minutes, should be undertaken by MOSL and brought back to the TDC at a future meeting, so a view can be taken on what following steps should be.

#### **Settlement Running of Individual Supply Points**

- 2.25 MOSL stated that responses to whether the rerunning of settlement should be for individual Supply Points (SPIDs) or entire wholesale-retail pairings were mixed. 7 respondents were against the rerunning of settlement for individual SPIDs, whereas 6 were in support of it.
- 2.26 One committee member commented that the arguments for running settlement against entire wholesale-retail pairings was well understood; however, there may be a need to amend the codes, in a subsequent change proposal, to reflect this stance.
- 2.27 Another TDC member suggested that this element of the potential change proposal should be dropped, as it may be a cause for concern in the market.
- 2.28 The TDC agreed to remove the point of rerunning settlement against individual SPIDs in the potential change proposal, noting that amendments to the codes to reflect this may need to be addressed in a future change proposal.

#### **Time-bound Review Activity**

- 2.29 MOSL stated that most respondents agreed that a review on market activity following implementation of the change would be appropriate; however, there are practical difficulties surrounding how this should be worded into the codes.
- 2.30 A committee member stated that the TDC would look to review all ongoing issues in this area regardless; therefore, putting the time-bound requirement into the codes may not be necessary.
- 2.31 The TDC agreed to drop this element from the potential change proposal.
- 2.32 MOSL stated that comments from respondents had been submitted, as part of the general section of the RFI, but these comments mainly related to MOSL processes and procedures. TDC members had no further comments on any areas of the draft change proposal.



### 3. Update of Recent Trading Disputes

#### **PURPOSE: FOR INFORMATION**

- 3.1 MOSL presented an update of recent trading disputes that had either been resolved or had been newly raised.
- 3.2 These disputes included:
  - (i) A dispute raised by Northumbrian Water Limited against NWG Business which had been resolved, following the running of a dispute settlement run;
  - (ii) Three further trading disputes being raised by Castle Water against Thames Water. These disputes were in relation to incorrect SPID pairing, incorrect assignment of a trade effluent tariff and inaccurate metering setup; and
  - (iii) A trading dispute raised by Southern Water against Business Stream. MOSL noted that this dispute was raised in order to request the running of a dispute settlement run. Therefore, it was unlikely that this issue will be brought to the TDC, as both trading parties were already in agreement on a rectification plan.

### 4. Any Other Business (AOB)

- 4.1 The Chair informed members that, in line with a previous action, the cost of rerunning settlement had been discussed at the previous Panel meeting. The consensus reached was that the cost was neutral and reflective of the resources required to execute the run.
- 4.2 The Chair also informed the TDC that a line of communication had been established between the Chairs of the TDC, the Market Performance Committee (MPC) and the Digital Strategy Committee (DSC). This would enable the committees to collaborate on shared areas of work.
- 4.3 MOSL stated that it had started the nominations process to fill the vacant retailer seat on the TDC and that the nomination deadline was close of business on Friday 22 June 2018.

There was no further business and the Chair closed the meeting.