

Stage 03: Draft Recommendation Report

CPW064: Changes to Corrective Settlement Runs for Individual Supply Points

Summary

This change proposal seeks to amend the current requirements set out in the Market Terms to enable corrective settlement runs to be undertaken on a specified set of combination of Supply Points (SPIDs). This change proposal is proposed by the Trading Dispute Committee (TDC).

Recommendation



The proposer states that the proposed change does better facilitate the Objectives and Principles of the Wholesale-Retail Code (WRC) and should therefore be recommended for approval.

Implementation date is recommended as:

- 30 September 2019, if Authority approval is received by 13 September 2019; or
- 8 November 2019, if Authority approval is received by 1 October 2019.

Impacts



- Trading Parties:
 - Wholesalers
 - Retailers
- Code Subsidiary Document (CSD) 0201: Settlement Timetable and Reporting;
- CSD 0207: Charge Calculation, Allocation and Aggregation;
- Schedule 1 Part 2 Business Terms; and
- Schedule 1 Part 4 Market Terms
- There are no impacts on Central Systems or Trading Party systems

What stage is this document in the process?

01	Change Proposal
02	Initial Report
03	Draft Report
04	Final Report

Proposer

Name

[on behalf of the TDC]

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Any Questions?

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About this document

This document is the draft recommendation report for CPW064. This document provides detailed information on the issue, solution(s), impacts, costs, industry consultation and conclusions on the change.

This document has 6 attachments:

- Attachment 1 contains the change proposal form;
- Attachment 2 contains the amendments to legal drafting text to CSD 0201 Settlement Timetable and Reporting;
- Attachment 3 contains the amendments to legal drafting text to CSD 0207 Charge Calculation, Allocation and Aggregation;
- Attachment 4 contains the amendments to legal drafting text to the Business Terms;
- Attachment 5 contains the amendments to legal drafting text to the Market Terms; and
- Attachment 6 contains the full responses to the RFI.

The Panel will consider this change at its meeting on 25 June 2019, where it will determine whether CPW064 should be recommended for approval or rejection.

For further information, please see the Panel change proposal log on the MOSL website or contact the Panel Secretariat at: panel.secretariat@mosl.co.uk.

1. Executive Summary

What is the issue?

The current process of undertaking Corrective Settlement Run ensures all Supply Points (SPIDs) within the wholesaler-retailer pairing are included within the settlement run. The TDC believes that whilst completing corrective settlement run of a full wholesaler-retailer pairing has advantages, it also considers that this does not provide enough flexibility to trading parties. The TDC believes that the current approach not only increases Trading Party workloads, but also increases the risk of introducing further errors and/or queries on SPIDS where no queries have previously been raised. The TDC believes that Trading parties will significantly benefit from having the option and flexibility to decide on their preferred approach of completing Corrective Settlement Run.

What is the Proposed Solution?

The proposed solution for CPW064 seeks to amend the current requirements in the market codes for requesting corrective settlement runs for a selection of SPIDs, based on any specific invoice period. This change will ensure that trading parties are able to either request settlement re-running on full wholesale-retail pairings or individual SPIDs.

Impacts

The impacts of implementing CPW064 that have been identified are:

Trading Party Impacts
Implementing this change will provide trading parties with flexibility in selecting their preferred option for processing corrective settlement runs. The TDC believes it also reduces the risk of including erroneous data in settlement calculations.
MOSL Impacts
Implementing the changes to the market codes.
Consumer Impacts
N/A
Impacts on CMA - Scotland
N/A
Impacts on WRC/MAC
Changes to the following market codes documents: <ul style="list-style-type: none">• CSD 0201 Settlement Timetable and Reporting;• CSD 0207 Charge Calculation, Allocation and Aggregation;• WRC Schedule 1 Part 2 Business Terms; and• WRC Schedule 1 Part 4 Market Terms.

Implementation Costs

The total estimated implementation cost to deliver CPW064 is approximately low and consists of:

Cost Type	MOSL	Trading Parties	External
Implementation	£0	£0	£0
Ongoing Operational	None	None	None

Implementation Date

MOSL recommends an implementation date of:

- 30 September 2019, if Authority approval is received by 13 September 2019; or
- 8 November 2019, if Authority approval is received by 1 October 2019.

2. Why Change?

2.1 Background

Unplanned settlement runs relates to three distinctive types of runs: corrective, dispute and post RF Settlement Runs. Each category of unplanned settlement runs have their own requirement and thus have different potential benefits to trading parties. As a requirement stipulated within the market codes, trading parties must be able to agree on the type of each run and meet the specified materiality threshold.

Where both trading parties request a corrective settlement run, this run will involve all SPIDs for the respective wholesale-retail pairing. The unplanned settlement run will consider specific data items which have been corrected and any other changes to SPID data arising from the normal course of business since the date on which the planned settlement run is carried out. This means that the corrective settlement run will capture the corrected data item for the supply points and include changes to other supply points which may be not be subject of the corrective settlement run.

In the case where the retailer and wholesaler agree to undertake a post RF or dispute settlement run by means of settling the dispute, all parties involved in the dispute will need to agree on the set of SPIDs to be involved within the run.

2.2 What is the Issue?

The current code provisions stipulate that where a trading parties identifies a material error following the issuance of a settlement report, the affected trading parties can request a corrective settlement run via the Market Operator. Although in most cases, the affected trading parties have been able to meet the requirements to request for a corrective settlement run, this run is undertaken on the full set of SPIDs between the relevant trading parties. This is regardless of whether they are affected by the errored data item.

Discussions at the TDC illustrated that, although processing corrective settlement runs on full wholesale-retail pairings has advantages, the TDC considers that in its current format, it does not provide enough flexibility to trading parties. Trading parties wish to have the option to select the preferred mode of the corrective run (i.e. full wholesale-retail pairings or individual SPIDs). The TDC also stated that this provision will deliver and facilitate room for bilateral cooperation between trading parties and result in making settlements more accurate. Furthermore, processing settlement runs on individual SPIDs may be less likely to introduce and cause new errors.

2.3 User Forum

Prior to the issuance of the RFI on 4 May 2018, MOSL presented this change as part of a package to the user forum in April 2018. The presentation included an outline of the issues that MOSL and the TDC were seeking views from trading parties; namely:

- Whether materiality thresholds for unplanned settlement runs should be amended;
- Whether time restraints on requesting corrective settlement runs should be altered; and
- Whether the processing of settlement runs against a subset of individual supply points (SPIDs) should be undertaken.

Participants queried the reasons behind the raising of the change as well as whether there would be any change in costs relating to the actual processing of unplanned settlement runs. MOSL confirmed that it would collate responses to the RFI and share them with the TDC for discussion.

3. Solution

3.1 Proposed solution

The proposed solution involves amending the respective market codes to allow trading parties to request a corrective settlement run on either a full wholesaler-retailer pairing or a specified set of combination of SPIDs (or a subset of SPIDs from respective wholesaler-retailer pairing). This solution does not stipulate the removal of the current process of completing corrective settlement runs on full wholesaler-retailer pairings but seeks to provide an additional option.

CPW064 also proposes that for trading parties to request a corrective settlement run in respect of a specified set of combination of SPIDs, the total of the charges at these SPIDs run must equate to 1% of the full wholesaler-retailer pairing. In the case where trading parties do not meet this threshold, they will need to revert to a corrective settlement run for the full wholesaler-retailer pairing.

3.2 Draft Legal Text

The proposed legal text changes to deliver CPW064 can be found in:

- Attachment 2 – CSD 0201 Amendments to Legal Drafting;
- Attachment 3 – CSD 0207 Amendments to Legal Drafting;
- Attachment 4 – WRC Part 2 Business Terms Amendments to Legal Drafting; and
- Attachment 5 – WRC Part 4 Market Terms Amendments to Legal Drafting.

4. Summary of Consultation Responses

The TDC undertook a consultation in May 2018 to understand the industry's appetite on amending the timescales to request for corrective settlement run (CPW046) and unplanned settlement run for individual SPIDs. The consultation yielded 13 respondents; 9 Wholesalers and 7 Retailers. The consultation provided a wide variety of responses from trading parties regarding the provisions to allow individual SPIDs for unplanned settlement run.

Support for proposal (unplanned settlement run for individual SPIDs).

Trading parties believe that additional option to run unplanned settlement on individual SPIDs or a specified set of combination of supply points would provide flexibility. Castle Water stated that unplanned settlement run on full wholesale-retail pairing should remain the default option. Castle Water believes re-settlement on individual SPIDs will generate accurate information as well, but this is very essential when incorrect data items have been entered during periods outside the re-run request time. Northumbrian Water believes both options has merits. It also believes the run for individual SPIDs are more targeted and less likely to introduce new errors.

Thames Water felt there is greater flexibility for trading parties to agree a re-run on individual SPIDs. It stated that re-runs are because of erroneous data items and believes re-runs on individual SPIDs would be an appropriate to fix these issues. The smooth operation of the market would be significantly facilitated by providing trading parties an option to request for re-runs on either full wholesale-retail pairing or a subset of SPIDs. Water Plus also voiced similar opinions, as both options

have merits and demerits. It believes there should not be an upper limit for the number of SPIDs where a re-run is completed on a subset of SPIDs.

Disagreements with the proposal

Southern Water believes that unplanned settlement run on full wholesale-retailer pairing would be more beneficial as this approach allows for a greater level of accuracy to account for adjustments and corrections. It also believes that this makes invoicing easier. Business Stream also voiced similar views, as it believes re-runs on full wholesale-retail pairing is more beneficial. South West Water stated that the market was initially set up to run unplanned settlement run on a full wholesale-retail pairing as settlement checking and verification tool has been set up around this principle. It believes this amendment would require significant investment to redevelop these tools.

Anglian Water Services does not believe there’s substantive benefits associated with unplanned settlement run on individual SPIDs. Affinity for Business also understands the merits in re-runs on individual SPIDs but does not envisage the distinctions between the options to be significant in term of cost and consistency. Welsh Water stated that unplanned settlement run on full wholesale- retail pairing allows trading parties to view the latest position across all SPIDs.

Since the completion of the RFI, the TDC has worked to refine the solution to accommodate this change as a code only change.

5. Impacts

The following section sets out the impacts associated with the implementation of CPW064.

5.1 CMOS Impacts

There are no anticipated impacts on CMOS.

5.2 Trading Party Impacts

CPW064 is expected to provide trading parties will more options and flexibility for the processing of corrective settlement runs.

5.3 MOSL Impacts

If the Authority approves CPW064, MOSL will be required to publish the updated market codes on its website. The affected documents are stated below:

- CSD 0202: Settlement Timetable and Reporting;
- CSD 0207: Charge Calculation, Aggregation and Allocation;
- WRC Schedule 1 Part 2 Business Terms; and
- WRC Schedule 1 Part 4 Market Terms.

5.4 Other Potential Impacts

Potential Impacts of CPW064	
Impacts on Consumers	
N/A	
MAC, WRC and CSDs	
Market Arrangement Code (MAC)	N/A
Wholesale Retail Code (WRC)	WRC Schedule 1 Part 2 Business Terms WRC Schedule 1 Part 4 Market Terms
Code Subsidiary Documents (CSDs)	CSD 0202 Settlement Timetable and Reporting

	CSD 0207 Charge Calculation, Allocation and Aggregation.
Other Market Codes and Documents	
N/A	
Impacts on CMA – Scotland	
N/A	

6. Costs

The total implementation cost to deliver CPW064 is estimated to be **Low**.

Cost Type	MOSL	Trading Parties	External
Implementation	£0	£0	£0
Ongoing Operational	None	None	None

6.1 MOSL Costs

CPW064 is likely to cause an increase in corrective settlement run requested by trading parties, which could have an impact on service delivery by CGI, if the number of requests for corrective settlement run increases significantly.

6.2 Trading Party Costs

There are no trading party costs associated to this change.

6.3 External Costs

There are no external costs anticipated with CPW064.

7. Implementation

7.1 Recommended implementation date

MOSL recommends an implementation date of:

- 30 September 2019, if Authority approval is received by 13 September 2019; or
- 8 November 2019, if Authority approval is received by 1 October 2019.

8. Case for Change

This section contains the views of the TDC regarding the change's benefits and drawbacks against the Objectives and Principles.

8.1 TDC views

The TDC understands that MOSL has been undertaking corrective settlement runs on full wholesaler-retailer pairings as this provides the latest and most accurate set of information in respect of settlement charges. The TDC understands that running corrective settlement runs on full wholesaler-retailer pairing aligns both existing CMOS technical capabilities and the market codes. The TDC understands that there are technical constraints which would currently prevent a larger subset of SPIDs to be completed within a single re-run. MOSL have confirmed that CMOS capability is currently limited to 72 individual SPIDs.

Having stated this, the TDC believes that in the spirit of making settlement re-run processes more efficient, the ability for trading parties to request a corrective settlement run either on a full

wholesaler-retailer pairing or a subset of SPIDs from said pairing, would provide greater flexibility. This also creates the avenue for further bilateral cooperation and agreement between trading parties. All corrective settlement run request requires agreement from all trading parties involved. Currently, corrective settlement runs are completed on full wholesale-retail pairing. However, within this change, trading parties involved will need to agree on the specified set of supply points involved in the run which can improve bilateral relations between trading parties.

The TDC believes that completing a corrective settlement run on a subset of SPIDs within a wholesale-retail pairing would also prevent the introduction of new errors/changes into the report. A corrective settlement run on a wholesaler-retailer pairing will consider all changes made to the inaccurate data items and other data items that may have been amended due to daily operations.

8.2 TDC views against Objectives & Principles of the WRC

The TDC unanimously agree that CPW064 better facilities the following Objectives & Principles:

Summary of Committee's view against the Objectives & Principles		
Objectives & Principles	Benefit	Drawback
Efficiency	Allow trading parties to request corrective settlement runs using only the affected/impacted supply points.	Re-run processes require manual interventions, which could introduce mistakes and errors. Manual process is also a time-consuming process.
Proportionality	None	CPW064 is not proportional as it requires considerable amount of effort and resources to ensure that re-runs are completed on a subset of SPIDs.
Simplicity, cost-effectiveness and security	Less radical change to current systems and market codes Reduces the chances of introducing new errors into settlement re-run	None
Non-discrimination	None	SPID count threshold could affect trading parties with more Supply points, although this is mitigated by the percentage figure.

9. Recommendation

The Panel is invited to:

- **AGREE** to recommend implementation of CPW064 to the Authority for approval;
- **AGREE** the recommended implementation date on: and
 - 30 September 2019, if Authority approval is received by 13 September 2019; or
 - 8 November 2019, if Authority approval is received by 1 October 2019.

- **PROVIDE** rationale as to whether the change proposal will or will not better facilitate the WRC Objectives and Principles.