

**Phase**

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P424 'Re-insert correct definition of Settlement Error'

The Modification seeks to restore the correct definition of Settlement Error, used to assess whether a Trading Dispute is valid. The wording 'the data and/or processes used for the purposes of Settlement', needs to be re-inserted into Section W clause 1.3.1, which was incorrectly and inadvertently removed by [P420 'Retail Code Consolidation Significant Code Review'](#).



The BSC Panel recommends **approval** of P424



Ofgem granted P424 as an Urgent Modification Proposal



The BSC Panel **does not** believe P424 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- All Trading Parties
- Elexon

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## About This Document



Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read section 1
- Have 15 mins? Read sections 1, 6, 8 and 9
- Have longer? Read all sections and the annexes and attachments

This is the P424 Final Modification Report, which Elexon has submitted to the Authority on behalf of the BSC Panel. The Authority will consider this report and will decide whether to approve or reject P424.

There are three parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the draft redlined changes to the BSC for P424.
- Attachment B contains the P424 Modification Proposal Form.

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## 1 Summary

### Why Change?

The definition of Settlement Error, as currently defined in Section W clause 1.3.1 is not correct.

P420 made changes to [BSC Section W 'Trading Disputes'](#) including removing text in Clause 1.3.1 that following subsequent legal review needs to be re-inserted. The correction of this clause will ensure no commercial impact on Trading Parties from having Trading Disputes rejected, which if the definition of Settlement Error was as it should be, would otherwise be accepted.

This to re-insert wording to include 'the data and/or processes used for the purposes of Settlement', which was incorrectly and inadvertently removed by P420.

### Solution

Update Section W clause 1.3.1 to re-insert wording to include 'the data and/or processes used for the purposes of Settlement'. To ensure that Trading Disputes can be considered for errors in the data and/or processes used for the purposes of Settlement.

### Impacts & Costs

P424 is expected to impacted Elexon and any BSC Parties wishing to raise a Trading Dispute.

Costs Estimates			
Organisation	Implementation (£k)	On-going (£k)	Impacts
Elexon	<1	0	Document update
NGESO	0	0	Trading Disputes validity
Industry	0	0	Trading Disputes validity
<b>Total</b>	<1	0	

### Implementation

P424 is proposed to be implemented **1 Working Day following Authority decision** as part of a special BSC Release. P424 is proposed to **take effect retrospectively, from 1 September 2021**, when the definition of Settlement Error was incorrectly and inadvertently amended by P420. This will ensure a limit to any Trading Disputes that are raised being affected by the current Section W wording.

### Recommendation

The BSC Panel recommends to the Authority:

- That P424 should be **approved**;
- An Implementation Date of:

- +1 Working Day after Authority Decision, with an effective date of 1 September 2021; and
- The draft BSC legal text for P424.

## 2 Why Change?

### What is the issue?

P420 made changes to BSC Section W including removing text in Clause 1.3.1 that following subsequent legal review needs to be re-inserted to ensure no commercial impact on any raised Trading Disputes to Elexon and other BSC Parties.

The text was removed in response to Industry feedback suggesting the proposed wording was not clear. However, the deleted text, means that Parties will be unable to raise Disputes that arise from data and/or processes used for the purposes of Settlement.

The amendment to Section W 1.3.1 was intended to make clear that data produced under the Retail Energy Code, which affects Settlement, is also eligible for consideration under a BSC Trading Dispute. This was correctly included in Section W, but incorrectly removed the existing provisions of Section W that enabled errors in BSC data and/or process, used for the purposes of Settlement, to be considered under Trading Disputes.

As it stands, the definition of Settlement Error is wrong and will exclude Disputes that should otherwise be considered. For context, of the potential commercial impact to Parties there are currently 27 open Trading Disputes with Elexon. In the 12 month period since 1 October 2020, 61 Trading Disputes have been closed with a Materiality of Correctable Error of over £17.3m.

### Desired outcomes

To restore the correct definition of Settlement Error by re-inserting wording made as part of P420 to Section W. To ensure Trading Disputes can be considered where an error has been identified as being linked to the data and/or process used for the purposes of Settlement, as well as data required under the Retail Energy Code which has, or potentially has, an impact on Settlement.

### Proposed solution

Update Section W clause 1.3.1 to re-insert wording to include 'the data and/or processes used for the purposes of Settlement'. To ensure that Trading Disputes can be considered for errors in the data and/or processes used for the purposes of Settlement.

The original P420 proposed amendment to Section W 1.3.1 was:

- the data and/or processes used for the purposes of Settlement (including data produced required under the Retail Energy Code which has or potentially has an impact on Settlement);

Following the P420 consultation, it was amended to the following, which was implemented on 1 September 2021:

- the data and/or processes required under the Retail Energy Code which has or potentially has an impact on Settlement;

Section W 1.3.1 should be amended to:

- the data and/or processes used for the purposes of Settlement (including data required under the Retail Energy Code which has, or potentially has, an impact on Settlement);

The Modification is requested to be **effective retrospectively** from the 1 September 2021. This is on the basis that this would be a correction of the rules back to the previous definition and should have been in place throughout the period since P420 was implemented. Importantly, this would mean that the rules would reflect what Parties would have expected (mindful that the definition of Settlement Error that was wrongly amended had been in place since the inception of the BSC).

### Benefits

To ensure errors in Settlement, that meet the Disputes criteria, can be corrected. This will ensure the allocation and/or determination of Trading Charges is more accurate.

### Legal Text Changes

To implement the solution to this Modification, BSC Section W 1.3 requires amendment. The draft legal text can be viewed as attachment A to this document.

### Applicable BSC Objective

Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity	Neutral

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	<b>Positive</b>
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

#### **(d) Promoting efficiency in the implementation of the balancing and settlement arrangements**

The current definition of Settlement Error in Section W 1.3.1 limits the ability for Trading Parties and Elexon to correct errors in Settlement, resulting in the incorrect allocation of Trading Charges. Reverting this definition to its original intent will better facilitate the efficient implementation and operation of the Trading Disputes process.

## 4 Impacts & Costs

### Estimated central implementation costs of P424

No Consultation responses were received for P424 so Elexon do not believe there are any costs to Industry to implement the Modification.

The cost to Elexon is <£1k to make a document only change to BSC Section W.

Implementation cost estimates			
Organisation	Item	Implementation (£k)	Comment
Elexon	Systems	0	
	Documents	<1	Document only change to update Section W
	Other	0	
NGESO	Systems	0	None
	Other	0	None
Industry	Systems & processes	0	None
<b>Total</b>		<1	

### Estimated on-going costs of P424

On-going cost estimates		
Organisation	Implementation (£k)	Comment
Elexon	0	No ongoing costs to Elexon
NGESO	0	
Industry	0	
<b>Total</b>	0	

### P424 impacts

Impact on BSC Parties and Party Agents		
Party/Party Agent	Impact	Estimated cost
All Trading Parties	Unless the definition of Settlement Error is corrected, Parties will not be able to have errors in the data and/or processes used for the purposes of Settlement corrected via the Trading Disputes process (subject to all Disputes criteria being met). We anticipate P424 will only impact Parties that need to progress Trading Disputes.	L

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Impact on the NETSO		
Impact		Estimated cost
Will be able to raise Trading Disputes		L

Impact on BSCCo		
Area of Elexon	Impact	Estimated cost
Rules Management	Progression and implementation of P424.	L

Impact on BSC Settlement Risks		
No direct impact on Settlement Risks. However, P424 will reduce the risk to Settlement by ensuring Trading Disputes can be considered with the correct definition of Settlement Error, which will facilitate the correction of errors in Settlement and Settlement accuracy.		

Impact on BSC Systems and process		
BSC System/Process	Impact	
N/A	N/A	

Impact on BSC Agent/service provider contractual arrangements		
BSC Agent/service provider contract	Impact	
N/A	N/A	

Impact on Code		
Code Section	Impact	
Section W	Clause 1.3.1 updated to include the original intent	

Impact on EBGL Article 18 terms and conditions and objectives		
EBGL Article 18 Terms and Conditions held within the BSC are not impacted by this Modification Proposal.		

Impact on Code Subsidiary Documents		
CSD	Impact	
N/A	N/A	

Impact on other Configurable Items	
Configurable Item	Impact
N/A	N/A



### What are the consumer benefit areas?

- 1)** Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?
- 2)** Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?
- 3)** Will this proposal support:
  - i) new providers and technologies?
  - ii) a move to hydrogen or lower greenhouse gases?
  - iii) the journey toward statutory net-zero targets?
  - iv) decarbonisation?
- 4)** Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.
- 5)** Are there any other identified changes to society, such as jobs or the economy.

Impact on Core Industry Documents and other documents	
Document	Impact
Ancillary Services Agreements	No impact
Connection and Use of System Code	
Data Transfer Services Agreement	
Distribution Code	
Grid Code	
Retail Energy Code	
Supplemental Agreements	
System Operator-Transmission Owner Code	
Transmission Licence	
Use of Interconnector Agreement	

Impact on a Significant Code Review (SCR) or other significant industry change projects
This modification does not directly impact an SCR, but is as a result of P420 which was raised due to the Retail Code Consolidation SCR.

Impact of the Modification on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability	Neutral
2) Lower bills than would otherwise be the case	Neutral
3) Reduced environmental damage	Neutral
4) Improved quality of service	Neutral
5) Benefits for society as a whole	Neutral

Other Impacts	
Item impacted	Impact
N/A	N/A

### Recommended Implementation Date

The Panel recommend P424 be **implemented 1 Working Day following Authority decision**, as part of a special BSC Release and **become effective from 1 September 2021**. This will ensure a limit to any Trading Disputes that are raised being affected by the current Section W wording. This approach has been confirmed by [Ofgem in their letter to the BSC Panel dated 17 September 2021](#) confirming P424 should be progressed on an urgent basis.



P424 was presented to the BSC Panel at its adhoc meeting on 16 September 2021. The panel unanimously agreed to raise the Modification in accordance with BSC Section F 2.1.1(d)(iv). All other recommendations were unanimously agreed:

The BSC Panel initially:

- a) **RAISED** the Modification Proposal (in accordance with F2.1.1(d)(iv));
- b) **RECOMMENDED** to the Authority that this Modification should be treated as an Urgent Modification Proposal;
- c) **AGREED** the Urgent progression timetable for recommendation to the Authority;
- d) **AGREED** that this Modification progresses directly to the Report Phase;
- e) **AGREED** that the Modification:
  - **DOES** better facilitate Applicable BSC Objective (d);
- f) **AGREED** that the Modification **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- g) **AGREED** an initial recommendation that the Modification should be **approved**;
- h) **AGREED** an initial Implementation Date of:
  - +1 Working Day after Authority Decision
- i) **AGREED** the draft legal text;
- j) **AGREED** an initial view that this Modification should not be treated as a Self-Governance Modification; and
- k) **NOTED** that Elexon will issue the Draft Modification Report (including the draft BSC legal text) for a 5 Working Day consultation (if granted urgency) and will present the results to the Panel at its meeting on week commencing 27 September 2021. Or if urgency is rejected, will issue the Draft Modification Report (including the draft BSC legal text) for a 10 Working Day consultation and present the results to the Panel at its meeting on 14 October 2021.

## Modification progression route

We requested the BSC Panel raise the Modification in accordance with [BSC Section F 2.1.1\(d\)\(iv\)](#) to rectify a manifest error on the advice of the Elexon legal team. They believe this Modification satisfies the definition of a manifest error in that the current text is obviously incorrect and that there could be no difference of opinion about it.

In this case, their view is that this test has been met because the wording removed from the Code had been an integral part of the BSC definition of Settlement Error since inception and the removal of that wording was an error that was unnecessary to achieve the objectives of P420. The purpose of the P420 amendment was to extend the scope of the definition of Settlement Error to reflect that some BSC processes had transferred to the REC, whereas the implemented drafting constitutes a significant and unintentional reduction in the scope of the definition.

### What is the Self-Governance Criteria?

A Modification that, if implemented:

- (a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:
  - (i) correcting minor typographical errors;
  - (ii) correcting formatting and consistency errors, such as paragraph numbering; or
  - (iii) updating out of date references to other documents or paragraphs;
- (b) is unlikely to have a material effect on:
  - (i) existing or future electricity consumers; and
  - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
  - (iii) the operation of the national electricity transmission system; and
  - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
  - (v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

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Elxon advised the Panel that it did not believe P424 satisfies the Fast Track Self Governance or Self-Governance criteria and recommended P424 be treated as an Urgent Modification Proposal in order to resolve in the quickest possible timeframe as outlined in the timetable and procedure below. This includes a 5 working day consultation period where we will ask the standard consultation questions.

The Panel agreed that P424 should be submitted directly to the Report Phase as the solution is self-evident (given the issue is a manifest error).

Event	Date
Panel considers Modification Proposal	16 September 2021
Report Phase Consultation	20 September 2021 - 24 September 2021
Draft Modification Report presented to Panel	Week commencing 27 September 2021
Final Modification Report submitted to Authority	Panel considers Draft Modification Report +1 Working Day
Implementation Date	+1 Working Day after Authority Decision



#### **BSC Section F 2.1.1(d)(iv)**

A proposal to modify the Code may be made by any of the following...

(d) the Panel:

(iv) on the recommendation of BSCCo to rectify manifest errors in or to correct minor inconsistencies (or make other minor consequential changes) to the Code;

## 7 Report Phase Consultation Responses

P424 was issued for a five Working Day consultation on Monday 20 September 2021, with responses invited by 5pm on Friday 24 September 2021. No responses were received to the consultation.

## 8 Panel's Final Discussions

Elexon presented the Draft Modification Report to the BSC Panel at its adhoc meeting on 30 September 2021. The Panel unanimously agreed with all recommendations and didn't provide any additional comments.

The BSC Panel:

- a) **AGREED** that P424:
  - **DOES** better facilitate Applicable BSC Objective (d);
- b) **AGREED** that the Modification **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- c) **AGREED** that P424 should be **approved**;
- d) **AGREED** an Implementation Date of:
  - +1 Working Day after Authority Decision, with an effective date of 1 September 2021; and
- e) **AGREED** the draft legal text for P424.



## 9 Recommendations

The BSC Panel recommends to the Authority:

- That P424 should be **approved**;
- An Implementation Date of:
  - +1 Working Day after Authority Decision, with an effective date of 1 September 2021; and
- The draft BSC legal text for P424.

## Appendix 1: Glossary & References

### Acronyms

Acronyms used in this document are listed in the table below.

Acronyms	
Acronym	Definition
BSC	Balancing and Settlement Code
CSD	Code Subsidiary Document
EMR	Electricity Market Reform
NETSO	National Electricity Transmission System Operator
NGESO	National Grid Electricity System Operator
SCR	Significant Code Review

### External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
1	P420	<a href="https://www.elexon.co.uk/mod-proposal/p420/">https://www.elexon.co.uk/mod-proposal/p420/</a>
3	BSC Section W	<a href="https://www.elexon.co.uk/the-bsc/bsc-section-w-trading-disputes/">https://www.elexon.co.uk/the-bsc/bsc-section-w-trading-disputes/</a>
5	BSC Section F	<a href="https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-f-modification-procedures/">https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-f-modification-procedures/</a>
12	P424 Urgency Approval	<a href="https://www.elexon.co.uk/documents/p424-letter-to-bsc-panel-urgent-modification-request/">https://www.elexon.co.uk/documents/p424-letter-to-bsc-panel-urgent-modification-request/</a>

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