

# TDC Meeting 10 – Minutes

21<sup>st</sup> March 2018 | 10:30 – 11:30 | Teleconference

Status of the minutes: Final

## MEMBERS PRESENT

Name	Role
Elsa Wye	Chair
Martin Mavin	Committee Member (Wholesaler)
Paul Stelfox	Committee Member (Wholesaler)
Tim Orange	Committee Member (Wholesaler)
Cleo Acraman	Committee Member (Associated Retailer)
Colleen John	Committee Member (Associated Retailer)
Rupert Redesdale	Committee Member (Unassociated Retailer)
Lewis Jones	MOSL (Presenter)
Abu Rashid	MOSL (Secretary)
Emma Taylor	MOSL (Observer)

## APOLOGIES

Name	Role
Richard Stanbrook	Committee Member (Associated Retailer)
Kirstie King	Committee Member (Associated Retailer)
Neil Pendle	Committee Member (Unassociated Retailer)
Julian Tranter	Committee Member (Wholesaler)

## 1. Welcome

### **PURPOSE: FOR INFORMATION**

- 1.1 The chair began proceedings by welcoming members of the Trading Disputes Committee (TDC) to the meeting.

## 2. Update of Trading Dispute

### **PURPOSE: FOR INFORMATION**

- 2.1 MOSL presented a summary of the trading dispute that had occurred between Castle Water and Thames Water, TD0022. This dispute was related to an error at a sewerage supply point (SPID) which had not been rectified after identification. A number of conversations had taken place between the two disputing trading parties following the raising of the dispute. MOSL confirmed closure of TD0022 following corrective action by the involved parties, noting that neither trading party has requested the running of a dispute settlement run.
- 2.2 A committee member queried the exact nature of the dispute. MOSL clarified that Castle Water had stated the incorrect sewerage data item should not have been entered into the Central Systems (CMOS). Therefore, it had raised a dispute to address this issue. MOSL stated it is aware that there will likely be many instances of this in the market, but that trading parties can raise disputes if they feel that that certain erroneous SPID data items should not be present within CMOS.
- 2.3 Committee members discussed the definition of a trading dispute in the market codes, noting that it was fairly broad and encompassing. A TDC member stated that it is acceptable for the definition of a trading dispute to be broad, so long as the issue fits the principle of an issue being disputed between trading parties.
- 2.4 Another committee member stated that trading parties raising all issues through the disputes process would be lengthy. The member also noted that raising issues through the trading disputes process, including the running of dispute settlement runs should not be used to resolve common charges issues that could be identified as 'queries'. MOSL stated that there is a requirement on trading parties to discuss the issues between themselves before raising it a dispute. MOSL also noted that there are further requirements that need to be met for trading parties to request dispute settlement runs. Should the TDC consider a raised dispute as frivolous, it is able to label them as such.
- 2.5 A committee member stated that the preliminary part of the disputes process, in which trading parties engage in dialogue and attempt to reach a resolution of their dispute, seems to be working as intended.
- 2.6 A committee member queried the materiality of TD0022. MOSL stated that it could not calculate an actual value, but its view is that it would have been significantly under the 1% materiality threshold. The value could have been significant, but as the materiality threshold was so large for this pairing, it would not have been met.
- 2.7 A TDC member stated that there may be an issue within CMOS regarding volume estimation and that there may be no mechanism to address this issue.

- 2.8 Committee members discussed the need to separate issues that are related to data errors and others that are genuine disputes. One member stated that when their organisation identifies data errors in SPIDs that have caused material effects in settlement, they work with other trading parties to agree a resolution.
- 2.9 Members discussed the effects of these issues on smaller retailers, noting that any solution that is arrived at to address these issues needs to take into consideration companies' cashflows.
- 2.10 A committee member stated that the onus should be on wholesalers to determine what is material for each retailer it conducts business with, and that they could have agreements on non-payments in place for cases where data errors have adverse effects on retailer cashflow. In subsequent settlement runs, once the data errors are rectified, regular payment could continue.
- 2.11 MOSL stated that data errors should be kept distinctly separate from disputes. It further stated that it will keep a watching brief on common charging issues, raised as disputes, that could be identified as 'queries'. If deemed necessary, it will look to amend certain parts of the code to provide more clarity around the definition of trading disputes.
- 2.12 MOSL informed the TDC that three more trading disputes had been raised by Castle Water, regarding SPIDs it shares with Thames Water. MOSL stated that these disputes were different from TD0022 in nature, but that they had similar progression routes. As these disputes had been raised later than 10 business days prior to the March 2018 TDC meeting, MOSL stated that it would place these disputes provisionally as agenda items for the April 2018 TDC meeting.

### 3. Potential Change Proposal

#### **PURPOSE: FOR DECISION**

- 3.1 MOSL presented the case for a potential Change Proposal seeking to address unplanned settlement runs criteria. MOSL stated that the restrictions of two or ten business days in which requests for corrective runs must be submitted could be considered unnecessary and in some cases, if these windows are missed, the issues cannot be fixed through other mechanisms other than dispute runs. MOSL also stated that the materiality threshold (to execute dispute runs and corrective runs) of 1% can cause problems for some trading parties. MOSL noted it does not have a view on what the materiality threshold should be. MOSL invited the TDC to provide an appropriate value for the threshold and stated that a Change Proposal to amend both aforementioned issues could be raised by MOSL with endorsement of the TDC.
- 3.2 A committee member questioned whether the materiality thresholds could be reworded to state that either the 1% materiality threshold is met *or* £10,000. This would mean that settlement materiality would only have to meet the minimum of these two values, as opposed to the current situation, where it has to meet both materiality criteria. Several members stated that they would be in agreement with this rewording.
- 3.3 A committee member agreed with the criteria rewording but voiced concerns that this could involve the execution of a large number of settlement reruns every month, which would

eventually become a big problem. The member questioned whether a material amount could be agreed on by a wholesaler and retailer.

- 3.4 The committee discussed a range of potential ways of reducing a large number of corrective run requests, including: a limit to the number of corrective runs that could be requested for an invoice period; a control on the amount of time that the requests could be made; and whether the request should take into account the materiality of each SPID in the request, rather than the sum of the materiality of all SPIDs in the request.
- 3.5 A TDC member stated that this last potential solution may not be an issue for larger retailers but would be a problem for smaller ones, as some smaller retailers may not conduct business with larger customers.
- 3.6 Committee members discussed the possibility of running settlement for a select number of SPIDs, rather than an entire wholesale-retail pairing. MOSL stated that it had taken the position of running settlement for a pairing, rather than a specified list. This was, in part, due to its system limitations but also due to MOSL's stance that update of an entire pairing's primary charges provides trading parties with the most up to date dataset and increases settlement accuracy and charging.
- 3.7 A committee member queried the running of settlement for specific customers, as trading parties generally interact with customers. MOSL stated that as CMOS is set up to run settlement based on SPIDs, rather than by customers, such a change would require substantial changes and result in significant costs. Another member expressed the view that such a design change would not be suitable.
- 3.8 The committee discussed the Request for Information (RFI) being drafted by MOSL for the draft change proposal. A member stated that allowing respondents to provide real examples of what is occurring within the market would be beneficial.
- 3.9 A committee member questioned whether removing the time deadline in which corrective runs needed to be requested is appropriate, as this may de-incentivise trading parties from ensuring data accuracy. Another member stated that, while this may be true, inaccurate data can have a significant impact on settlement. An example given was of an erroneous meter read, at a bi-annually read meter, that affected the settlement calculations for the previous 6 months.
- 3.10 MOSL stated that it had seen a case where erroneous data had resulted in inaccurate settlement charges with a materiality of £200,000. This figure had not meet the 1% materiality threshold. Other cases have been seen where removing the corrective run deadline restriction would have resolved the issue.
- 3.11 MOSL raised a potential situation for consideration by the TDC which could occur if materiality thresholds were lowered, in which an error to be corrected met the materiality threshold but was below the cost of a settlement run. In such a case, trading parties may disagree over the payment of corrective settlement, given the cost would outweigh the benefit gained from running the corrective run. MOSL stated that these cases may develop into trading disputes, but that the TDC could assess such disputes to determine whether they qualify as being legitimate or are frivolous.

3.12 MOSL stated that the cost of rerunning settlement was determined by an assessment of resources required to carry out the run and was approved by the MOSL board in February 2017. Other areas of efficiency in terms of settlement are being considered by the Digital Strategy Committee (DSC); however, MOSL noted there are other areas being discussed by the DSC which would likely take higher priority.

3.13 Following TDC agreement, the Chair stated that she would raise the issue of settlement rerun costs with the Panel.

#### **TDC10\_01**

3.14 Following TDC agreement, the Chair stated that she would contact the DSC and discuss settlement automation, with how this could tie in with settlement reruns and existing DSC commitments/lines of work.

#### **TDC10\_02**

3.15 A committee member questioned whether the cost of reruns is proportionate and suggested that the apportioning of costs should be a variable scale.

3.16 MOSL stated that it would look to raise a change proposal with the two key areas of focus being the materiality thresholds and the time deadline for corrective settlement runs. The TDC agreed that MOSL should create a draft Change Proposal, issue an industry-wide RFI, then use the information received in responses to create a more complete change proposal.

3.17 Members discussed the contents of the RFI and agreed that a question should be included to gauge market interest in running corrective settlement against a select number of SPIDs or an entire wholesale-retail pairing.

3.18 MOSL invited the TDC to consider whether a question should be added to the RFI asking trading parties on whether payment for the rerun of settlement should shift from a 'polluter pays' principle to one of proportionality. Members agreed with this addition.

3.19 A committee member stated that the RFI should include a question which captures additional views from trading parties on any other material issues related to settlement that should be deliberated and discussed. MOSL stated that it would include this question in the RFI.

## **4. Follow-up on Previous TDC Communication**

### **PURPOSE: FOR INFORMATION**

4.1 MOSL provided an update to the committee on previous communication that had been sent out to TDC members, specifically in relation to: amendments to the TDC Terms of Reference (ToR); drafting of the TDC annual report and MOSL's internal control which is limiting sharing of disputes information.

4.2 MOSL stated that, to date, no feedback had been provided by TDC members on any changes needed to the TDC ToR. The Chair invited members to review the ToR and consider whether any amendments were needed, communicating these proposed amendments to MOSL.

4.3 MOSL stated that it will issue the TDC draft annual report to the committee prior to the April 2018 meeting for members' reviews. It further stated that the report will be similar in

structure to the 6-monthly report issued in 2017 and will describe: the disputes raised in the first year of market operations; the consequent corrective runs executed and the challenges seen in these areas to date. MOSL stated that after issuance of the report, it will consider whether any changes are needed to it following members' reviews before issuing a finalised annual report to the TDC and the Panel for the respective meetings in May 2018.

- 4.4 MOSL stated that currently, it is unable to share dispute information with trading parties in relation to trading disputes due to internal data protection controls. There are ongoing discussions within MOSL on how to appropriately protect data while still being able to share information to trading parties as required by the market codes.
- 4.5 MOSL stated that it will keep a watching brief on this issue and determine whether it needs to be addressed in the near future. A committee member raised concerns as to whether trading parties have access to all relevant information to analyse disputes, but agreed that MOSL should maintain a watching brief for the time being.

## 5. Any Other Business (AOB)

- 5.1 MOSL noted that the next scheduled meeting for the TDC is 18 April 2018. It stated that the TDC secretary would inform members of whether the meeting will proceed and distribute all relevant papers at least five days prior to the meeting.

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