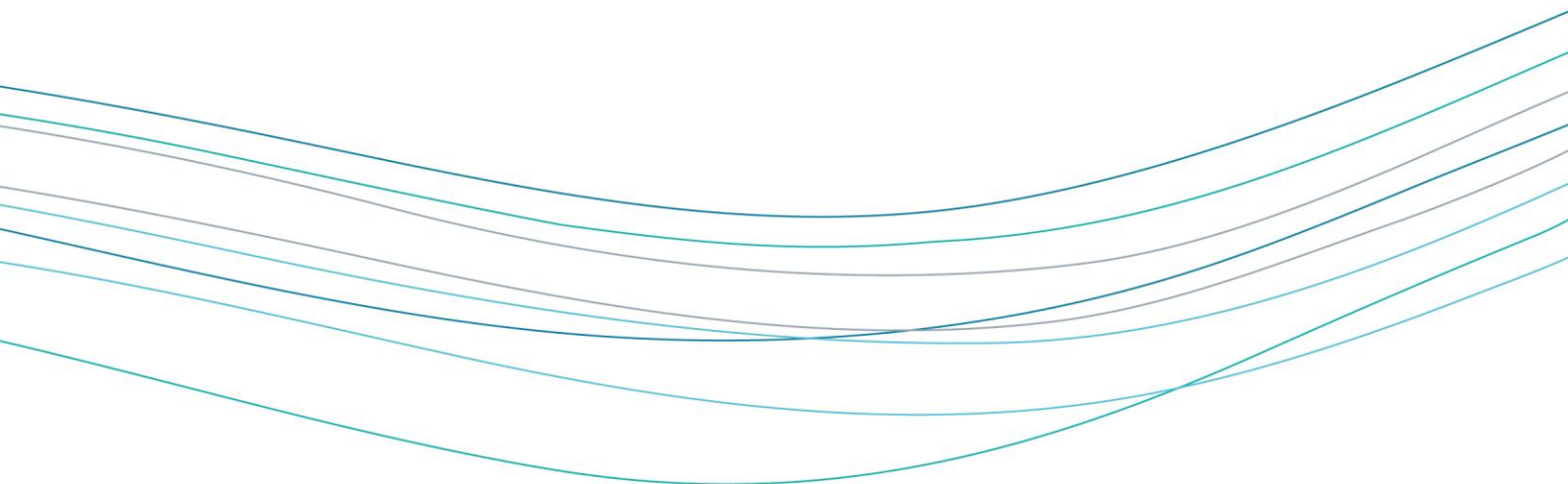


## Bilateral Hub Governance Document

CPW139 & CPM051



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## 1. About this document

This document is designed to support the Bilateral Hub Change Proposal which will provide the mandate, governance, and scope for MOSL to take forward work on the solution delivery for additional bilateral processes within the Bilateral Hub.

Under Sections 6 and 7 of the Market Arrangements Code (MAC), MOSL may raise a Change Proposal with the Code Change Committee (CCC) Secretary in respect of the Wholesale-Retail Code (WRC) and MAC where the solution requires amendments to the market codes. This document therefore sets out the timetable and process that will be followed to enable investigation into, and the development of, the solution and appropriate code amendments to resolve issues with bilateral transactions within the market (the 'Project').

## 2. Scope of the Project

The Project shall seek to:

- a. review (and deliver where appropriate) the 49 remaining processes within the [Operational Terms](#) which are yet to be developed into the Bilateral Hub.
- b. continue work between MOSL and the [Operational Advisory Group](#) (OAG) to assess and ascertain the best route of delivery for the remaining process (be it grouping, descope or merge processes).
- c. facilitate process and performance improvements in the Bilateral Hub, delivering backlog items as appropriate and in consultation with Trading parties.
- d. through the provision of a suitable test environment, enable the testing by Trading Parties of the technical aspects to the solution at appropriate junctures of the Project and in any event prior to the submission of the final proposal(s) to the CCC.
- e. continue work between MOSL and the [Code Advisory Group](#) (CAG) to develop, as appropriate, code modifications to enable the implementation of a solution into the WRC.

### 3. Overview of Governance

The Project will be concluded in accordance with existing governance arrangements under section 6 and 7 of the MAC. These sections of the MAC set out the Market Operator's broad powers to establish the process that should be undertaken with regard to a Change Proposal, and the timetable in which a Change Proposal should first be considered at a CCC meeting and the date by which the CCC Secretary should provide a Final Report in relation to it.

The nature and complexity of bilateral transactions, and the need for a solution that will require changes to the WRC and MAC at multiple different times means that, in this instance, MOSL is taking the same approach to that of the Authority Timetabled Change Proposal CPW070 & CPM043. Instead of submitting to the CCC a Change Proposal Form that sets out the specific changes required (including WRC and MAC legal drafting), the Change Proposal Form provided sets out the areas of the WRC and MAC that are most likely to require changes, with a view that this will be properly investigated, and a technical solution identified and designed, prior to submitting the recommendation document(s) and legal drafting to Ofwat that will be required to give effect to a solution.

The OAG and CAG will both be an integral part of the development of the solution and as per the approach taken for CPW070 & CPM043, the CCC will not be required to formally consider the Change Proposal until each phase is complete (as set out in the timetable at section 6 below). At the culmination of each phase, the CCC will be presented with finalised documents and legal drafting (which would have received "minded to support" and "formal recommendation" views from the relevant advisory groups beforehand) to provide a detailed picture of the processes undertaken to reach a solution and proposals of how the WRC and MAC should be changed to implement these. The CCC will then make its formal recommendation to Ofwat, with Ofwat making the final decision on approval and implementation, or rejection. This approach is proven to be successful and provides the industry with the necessary visibility and assurance that the CCC is supportive of the direction of travel of the code changes. It also helps the CCC assimilate more digestible work packages of code changes; for example, it is anticipated that approximately two dozen code documents will form part of the recommendation in Phase 2.

To note, due to the impact that changes to the WRC and MAC to address problems with bilateral transactions may have on Trading Parties, Ofwat may undertake one or more statutory consultations in accordance with sections 66DA and 117F of the Water Industry Act 1991 (the 'Act') prior to making its decision on whether to approve, reject or return the solution to the CCC for further work.

## 4. Role of the Market Operator

The nature and the scope of the work required to investigate and resolve problems with Bilateral Transactions means that MOSL will have day to day responsibility for this Project. Using the same governance structure and engagement process as set out in CPW070 & CPM043, MOSL has the requisite functions to carry out the necessary work under the MAC and WRC. For example, section 3.1 of the MAC imposes duties on MOSL which include the requirement under section 3.1.1(a) for it to:

“... fulfil the role of the Market Operator and carry out the obligations of the Market Operator as set out or referred to in the Wholesale-Retail Code, in particular in the Market Terms, the Code Subsidiary Documents and the Disputes Procedure...”

Further, section 1.1.2 of the Market Terms of the WRC specifies that:

“This Part A of the Market Terms describes, at a high level, the role that the Market Operator will carry out in supporting the Contracting Wholesaler and the Contracting Retailer in the Competitive Market. In particular the Market Operator will provide the facilities, resources and services required to:

(a) “Enable the Registration of data concerning Non-Household Customers or Eligible Premises which is or may be relevant to the provision of Water Services or Sewerage Services by the Contracting Wholesaler to the Contracting Retailer in relation to the Competitive Market...”

### 4.1 Duties of MOSL for the Project

MOSL must, at the outset of the Project, produce and publish a plan for the successful delivery of the Project. MOSL will be required to report against this plan to a steering group (the ‘Steering Group’), via a Programme or Highlight Report, on a quarterly basis.

MOSL will offer members of the previous Steering Group established under CPW070 & CPM043 the opportunity to join this Steering Group. The Steering Group must be maintained to consist of:

- a. one Wholesaler Panel Member (or nominated alternate) as nominated by the Panel;
- b. one Retailer Panel Member (or nominated alternate) as nominated by the Panel;
- c. one Independent Panel Member (or nominated alternate) as nominated by the Panel;
- d. one representative from the Consumer Council for Water; and
- e. one representative from the Authority.

The Steering Group, which is accountable to the MOSL Board, will meet a minimum of every quarter, and additionally, where necessary, at key Project milestones and:

- a. Monitor progress of the Project, including the budget, and hold to account the Program Board, Advisory and/or other Governance bodies;
- b. Provide input and advice relating to any risks or issues to the Program Board, Advisory and/or other Governance bodies, where required;
- c. Assist with prioritisation of the work of the Program Board, Advisory and/or other Governance bodies, where required;
- d. Ensure that the Project remains within its scope; and
- e. Provide advice and decisions about implementation of the Project if required.

MOSL must establish an internal Program Board to deal with the regular day to day running of the Project at a more detailed level. MOSL will provide monthly CEO updates to the MOSL Board, and the Program Board will:

- a. Monitor progress of the Project, including the budget;
- b. Provide and publish updates on a two-month basis to the Steering Group, the MOSL Board, the Panel, Trading Parties and the Authority on the Project budget and costs incurred by the Project.
- c. Review risks and issues, and agree escalations to the Steering Group as required;
- d. Prepare and review reports;
- e. Manage the required resources;
- f. Review requests for change and escalate as required, including, for example, changes to the detailed Project plan or variations to the budget.

MOSL will maintain industry groups, to act as advisory groups to the Project (the 'Advisory Groups'). The Advisory Groups may be used throughout the life of the Project.

The Advisory Groups will feedback to the Steering Group on the progression of a Solution and must include, but are not limited to an:

- a. Operational Processes Group which will be responsible for reviewing proposed amendments to operational processes falling within the scope of the Project and identifying preferred process amendments where consistency impacts Trading Parties' existing working practices, and;
- b. Codes Advisory Group which will be responsible for reviewing proposed code amendments that are required to deliver the revised operational processes and technology requirements falling within the scope of the Project and which will be responsible for the associated legal drafting to implement such amendments.

MOSL, in consultation with the Panel, shall ensure that the Advisory Groups are composed of individuals with the relevant skillset and expertise so as to enable successful delivery of the Project.

In conjunction with the established Steering Group, Program Board and Advisory Groups, MOSL shall develop solutions that align to the Bilateral Hub system interfaces delivered under CPW070 & CPM043. These solutions shall be consistently and clearly defined and appropriately mandated in the WRC so as to deliver such consistency and ease of use for existing and future Trading Parties. Consultation with stakeholders on key design decisions (for example, through the Advisory Groups) is required throughout the Project, and until a final proposal is presented to the CCC for consideration. Key decisions relate to design decisions and include, but are not limited to:

- a. any proposed change to a defined process which, if mandated, could require (some or all) Trading Parties to amend their operational working practices;
- b. any proposed new and/or change to a system requirement that, if mandated, could require (some or all) Trading Parties to amend their own systems and processes; and
- c. any amendments to the WRC, including relevant forms, that delivers (a) and/or (b) above.

MOSL shall also:

- a. Provide a test environment, which will be available to all Trading Parties, which will enable the testing of Bilateral Transactions to take place in accordance with the proposed solution prior to the finalisation of code modifications.
- b. Identify amendments that are required to the WRC and MAC to enable system changes to be implemented within the legal framework.
- c. Provide a communications service to share feedback to and enable engagement with the Advisory Groups across all programme areas. This will include:
  - i. a digital platform such as 'Microsoft Teams' to provide the day to day working platform for the Project;
  - ii. pages that are access controlled to allow different levels of information on the Project;
  - iii. functionality to enable the Program Board, Advisory Groups and other such bodies to have document review and discussion capability to support an iterative style of working; and
  - iv. access for Trading Parties to version-controlled documents, as well as regular updates and progress reports.
- d. Where appropriate, ensure that amendments to the WRC are implemented with effect from 3 months from the date of the approval by Ofwat.



## 4.2 Role of MOSL's Board

The Board of MOSL will have responsibility for the oversight of the Project in accordance with section 4.6 of the MAC which sets out the role of MOSL's Board. Section 4.6.1 of the MAC states that the responsibilities of MOSL's Board are to ensure that the Market Operator:

“carries out its duties pursuant to Section 3.1.1 as necessary for the effective operation of the Competitive Market and in accordance with the requirements in Section 3.1.2; and

carries out its duties under the Market Terms, within the scope of the Market Terms Objectives and consistent with the Principles”.

In accordance with section 4.6.2 of the MAC, in fulfilling the duties set out in section 4.6.1, MOSL's Board will:

- a. have oversight of all the activities of the Market Operator; and
- b. provide a forum for discussion among market participants regarding the operation and development of the Central Systems and the Market Terms and the Market Arrangements Code.

## 4.3 Duties of MOSL's Board for the Project

MOSL's Board will:

- a. meet as required to discuss the Project, and ensure that it remains within the stipulated timetable; and
- b. take into account comments that Ofwat may provide on the Project, including in relation to the process and proposals for changes to the WRC.

## 4.4 Role of the CCC

The CCC will be presented with a draft recommendation report at the culmination of each phase where it will be invited to make a formal recommendation to Ofwat in accordance with the MAC and the timetable set out in section 6 below. It is feasible that re-prioritisation of processes within the plan may be required from time to time, and such cases will be brought proactively to the CCC. There will also be a key milestone in (circa September 2023) where the CCC will review the delivery of work to date, which will also cover updates on risks, issues, financials, and benefits realisation. The CCC will then consider the remaining processes, volumes and perceived benefits, agree the candidate processes for inclusion into the development plan for 2024-25

and their priority, and agree the candidate processes for decommissioning. This will then then inform the development of MOSL's 2024-25 Business plan to facilitate the Project.

## 4.5 Role of Ofwat

Although the associated change proposal is not Authority Timetabled Change Proposal as per CPW070 & CPM043, its complexity means that Ofwat engagement is still key. Ofwat may look to work closely with the 'Project', this includes attendance to the CAG to ensure final proposals include appropriate modifications to the WRC and/or MAC for that phase in order to avoid elongating the delivery time of the project.

## 5. Stakeholder involvement

MOSL recognises that Trading Parties are currently having to manage or engage with Wholesaler legacy bilateral systems alongside the new Bilateral Hub, and that there are potentially significant cost implications for Trading Parties to make the necessary changes to move away from legacy systems. MOSL therefore recognises the importance of engagement throughout the Project with Trading Parties to ensure that potential impacts on them are fully understood and taken into account, enabling the development of the most effective and efficient solution. As such, there is a requirement on MOSL to actively engage with Trading Parties, and other stakeholders, throughout the life of the Project. It is also mandated that the Steering Group must consist of various stakeholders, including a customer representative and both Wholesaler and Retailer Trading Party representatives.

Furthermore, MOSL will be required to enable the testing of system designs by Trading Parties to ensure that the system developed works for, and is workable by, Trading Parties.

## 6. Timetable

Figure 1: Estimated packages to be delivered FY2023/2024 and 2024/2025

