

Change Proposal Plan

CPW139 & CPM051: Bilateral Hub

Summary

[CPW070 & CPM043 \(Bilateral Transactions\)](#) has delivered 16 priority operational processes on a new technical platform, supplemented by improved market code drafting, redesigned workflows, more appropriate and consistent service level agreements, and transparent reporting. CPW139 & CPM051 proposes to standardise, combine, and/or streamline the remaining processes of the Operational Terms before bringing them into the Bilaterals Hub, enabling wholesalers to decommission their legacy systems.

Recommendation The Code Change Committee is invited to:



- **AGREE** to progress to assessment
- **AGREE** the Change Proposal Plan

Impacts



Impacts on:

- Non-Household Customers
- Wholesalers
- Retailers
- MOSL
- Wholesale-Retail Code (WRC)
- Market Arrangements Code (MAC)

What stage is this document in the process?

01	Change Proposal
02	Consultation
03	Draft Report
04	Final Report

Proposer

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Any Questions?

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About this document

This document is the plan for progressing CPW139 & CPM051. This document provides initial information on the issue, solution(s), and a recommendation to the Code Change Committee on the proposed progression of the change.

This document has 2 attachments:

- Attachment 1 contains the CPW139 & CPM051 Change Proposal Form
- Attachment 2 contains the proposed governance framework for CPW139 & CPM051

The Code Change Committee will consider this change at its meeting on 8 March 2023, where it will determine the plan for progressing CPW139 & CPM051.

For further information, please see the Change Proposal Log on the MOSL [website](#) or contact the Panel Secretariat at: codechange@mosl.co.uk.

1 Problem Statement

1.1 What is the issue?

[CPW070 & CPM043 \(Bilateral Transactions\)](#) has delivered 16 priority processes of the [Operational Terms](#) on a new technical platform, supplemented by improved market code drafting, redesigned workflows, more appropriate and consistent service level agreements (SLAs), and transparent reporting. However, whilst the [full benefits review of CPW070 & CPM043](#) has demonstrated significant time, cost and resource savings have already been realised across the market, a total of 49 remaining processes of the Operational Terms still only function outside of the Bilateral Hub.

1.2 Who is impacted by the issue?

The 49 remaining processes (4 OPS¹, 45 non-OPS) currently outside the Bilateral Hub require Wholesalers to maintain and operate multiple legacy systems which could potential be rationalised or retired if these processes were migrated away. Trading Parties are required to initiate, record, and complete processes in a number of different ways as opposed to one standardised central system, making it extremely difficult for these parties to operate effectively and efficiently across the market. Trading Parties have highlighted the criticality of de-commissioning these systems to maximise the enduring benefits of the Bilateral Hub for market participants and Non-Household Customers. Furthermore, market frictions caused by a lack of consistency in approach to bilateral transactions outside of the Bilateral Hub will continue to have a negative impact on Non-Household Customers' experience and perception of the market.

In discussion with MOSL through advisory groups and other engagement channels, as well as through the approval of [MOSL's 2023-26 Business Plan](#), Trading Parties have indicated a strong preference for the remaining processes to be delivered as a matter of priority.

¹ OPS, Operational Performance Standard - the performance standards set out in Table 2 of [CSD 0002 \(Market Performance Framework\)](#) which are used for the purposes of monitoring Trading Party performance

2 Solution

2.1 Solution Overview

Having completed the Ofwat-mandated programme of work (CPW070 & CPM043) in 2022/23, the next phase of the [bilateral transaction programme](#) aims to standardise, combine and/or streamline the remaining processes of the Operational Terms and bring them into the Bilateral Hub. The general functionality of the Bilateral Hub will also be enhanced where suitable, drawing from a backlog of suggestions received from Trading Parties during the development of CPW070 & CPM043. These process developments and functionality enhancements will result in amendments being required to the Wholesale-Retail Code and potentially the Market Arrangements Code.

2.2 Solution Scope

The programme is proposed to be delivered over two years at an approximate cost of £1.76million, and experience of CPW070 & CPM043 has demonstrated that merging the remaining processes into several groupings will deliver significant cost and efficiency savings, and simplification of the market codes. MOSL has engaged extensively with Trading Parties through the development of its [2023-26 Business Plan](#) on the phasing and rollout of this solution to minimise cost and ensure sufficient time is provided for testing and system integration. MOSL will continue to work directly alongside Trading Parties and advisory groups to assess, review, and where appropriate deliver the remaining processes of the Operational Terms, following governance arrangements established by CPW070 & CPM043. This approach will enable MOSL to take forward work with appropriate checks and balances to ensure the continuation of the Bilateral Hub solution is coordinated in close consultation with Trading Parties and Code Change Committee. The project will also be subject to oversight by the MOSL Board who will liaise with advisory groups to support the development of the technological solution and define the appropriate code amendments across the life of the project. To summarise the benefits of this methodology, the proposed governance framework:

- Provides transparency and sets clear accountabilities for the overall process,

- Ensures that robust code amendments are identified throughout the project and that there is clarity on how these will ultimately be approved and implemented,
- Ensures that the continuation of the Bilateral Hub solution considers the needs of all types of Trading Parties and customers, facilitates the objectives and principles of the Market Codes, and recognises strategic objectives, and
- Ensures that any mandated Bilaterals solution is embedded within standard market governance going forward.

MOSL will also ensure that the future needs of the [Market Performance Framework \(MPF\) Reform](#) are fully considered to enable tracking of new performance measures in the Bilaterals hub.

2.3 Desired Outcomes

Delivering the remaining operational processes into the Bilateral Hub offers further opportunities to improve customer service, reduce complaints and improve efficiencies whilst removing remaining frictions in the market. Initial analysis indicates that adding the remaining bilateral processes to the Bilateral Hub would save Trading Parties a further £1.1million per year - on top of the £2.1m already delivered - as a result of efficiency savings and the decommissioning of legacy systems. It will also improve Trading Party performance through transparency and standardisation and therefore enable and incentivise market participants to continue improving outcomes and value for customers in terms of timeliness and quality of service. See the [full benefits review of CPW070 & CPM043](#) for a consolidated perspective of efficiency, cost, and non-financial benefits previously realised by the Bilateral Hub.

2.4 Strategic Priorities

MOSL's [2023-26 Business Plan](#) notes that continuing to improve customer service request handling through the Bilateral Hub is a key driver to reducing trading parties' costs to serve and supporting efficiencies in customer service (by freeing up resource or getting things right the first time). The continuation of this key improvement programme is therefore fundamental to the delivery of the Strategic Panel's priority market outcomes, in particular value creation and customer service excellence.

3 Initial Assessment of the Change Proposal

3.1 Expected benefits

Initial analysis indicates that adding the remaining bilateral processes to the Bilateral Hub would save Trading Parties a further £1.1million per year (on top of the £2.1m already delivered) as a result of decommissioning wholesalers' systems and efficiency savings in standardising processes.

CPW139 & CPM051 will deliver improved transparency (where all Bilateral Hub processes will feature relevant and robust end-to-end SLAs that focus on customer outcomes and provide full oversight of the process journey), accountability (where robust centralised reporting will help to build confidence that the market is delivering for customers and increase the markets ability to intervene on emerging risks and opportunities for improvement), and quality (where the requirement to complete CMOS updates whilst fulfilling operational requests will help to improve the quality of central market data and therefore facilitate accurate customer billing).

3.2 Expected Impacts and Cost

CPW139 & CPM051 will have a high impact on the Central Systems and a medium to high impact on Trading Party systems. The programme is proposed to be delivered over two years at an approximate cost of £1.76million (MOSL resource and CGI inclusive). MOSL has already engaged with Trading Parties through its 2023-26 Business Plan consultation on the phasing and rollout to minimise cost and ensure sufficient time is provided for testing and system integration.

In terms of the Market Code documents, anticipated impacts are as follows:

- Markets Arrangement Code: **low**
- Wholesale-Retail Code Schedule 1: Terms and Conditions of a Wholesale Contract: **low**
- Schedule 1 Part 1: Objectives Definitions and Principles: **low**
- Wholesale-Retail Code Schedule 1 Part 2: Business Terms: **low**
- Wholesale-Retail Code Schedule 1 Part 3: Operational Terms: **high**
- Wholesale-Retail Code Schedule 1 Part 4: Market Terms: **medium**

- Wholesale-Retail Code Schedule 1 Part 5: Code Subsidiary Documents: **high**
- Wholesale-Retail Code Schedule 1 Part 6: Operational Forms: **high**
- Wholesale-Retail Code Schedule 1 Part 7: Operational Subsidiary Documents: **high**

3.3 Initial Views

In discussion with MOSL through advisory groups and other engagement channels, as well as through the approval of [MOSL's 2023-26 Business Plan](#), Trading Parties have indicated a strong preference for the delivery of the remaining operational processes to be delivered as a matter of priority.

3.4 Assessment against the Objectives and Principles of MAC/WRC

The proposer has provided rationale for how CPW139 & CPM051 facilitates the principles and objectives of the MAC and WRC in attachment 1.

4 Proposed Plan

4.1 Development and Engagement

The Bilateral Hub Governance Document in attachment 2 establishes a clear governance framework to oversee the approach set out in the solution scope (section 2.2).

Whilst this project will be conducted in accordance with existing governance arrangements under section 6 and 7 of the MAC, the nature and complexity of bilateral transactions and the need for agile methodology to develop the solution (which will require multiple changes to the WRC and MAC at different times) means that MOSL will take the same phased approach for CPW139 & CPM051 as deployed for CPW070 & CPM043.

The Operational Advisory Group (OAG) and Code Advisory Group (CAG) will both be an integral part of the development and engagement of the solution:

- OAG will be responsible for reviewing proposed amendments to operational processes falling within the scope of the change and identifying preferred process amendments where consistency impacts Trading Parties' existing working practices.

- CAG will be responsible for reviewing the proposed code amendments that are required to deliver the revised operational processes and technology requirements.

The CCC will not be required to formally consider code changes until each phase is developed. Following development of each phase, the CCC will be presented with finalised code drafting (which would have received “minded to support” and “formal recommendation” views from the relevant advisory groups beforehand). This will provide a detailed view of the processes developed in the solution and 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 to approve implementation, or reject the new code drafting.

This approach has 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 more detail, see the attached Bilateral Hub Governance Document.

4.2 Timetable

Figure 1 below sets out a phased delivery across a two-year programme with fixed and agreed adoption dates. This approach best enables Trading Parties to plan effectively, retain the necessary level of knowledge within their organisations and in third-party providers, and deliver at a manageable pace. It therefore represents a pragmatic approach that is in the best interest of trading parties, customers and the market overall.

The programme ensures that the four remaining OPS processes can be delivered as a matter of priority. It also prioritises residual operational processes based on request volumes, and customer impact, reflecting Trading Party feedback and preference. Furthermore, the proposed implementation plan provides for quicker benefits realisation than an alternative approach featuring fewer, larger releases of multiple groupings simultaneously. Nine groupings have been proposed under this two-year programme, and it is envisaged that the final group will be delivered circa March 2025.

Figure 1: Bilateral Transactions Programme proposal to deliver remaining processes in nine groups over two years.

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

5 Recommendation

The Code Change Committee is invited to:

- **AGREE** to progress to assessment.
- **AGREE** the Change Proposal Plan.