

Minutes of the Code Change Committee 02

26 April 2022 | 09:30-13:00

Venue: Virtual, Via MS Teams

Status of Minutes: Final

MEMBERS PRESENT

Anthony Pygram	AP	Independent Chair	Ulrike Hotopp	UH	Independent Member
Mike O'Connor	MO	Independent Member	Claire Yeates	CY	Retailer Member
Mike Rathbone	MR	Wholesaler Member	Matthew Glover	MG	Retailer Member
Paul Stelfox	PS	Wholesaler Member	Christina Blackwell	CB	Customer Representative

AFFILIATE MEMBERS PRESENT

Dan Mason	DM	Ofwat Affiliate Member
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SECRETARIAT

Adam Richardson	AR	Panel Secretary	Sam Mawby	SMA	Secretariat
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OTHER ATTENDEES

Darren Hayes	DH	Ofwat	Sasha Pearce	SP	Ofwat
Trisha McAuley	TM	Strategic Panel Chair (item 9)	Trevor Nelson	TN	Business Stream (Observer)
Huw Comerford	HC	MOSL Presenter (item 3)	Abu Rashid	ARa	MOSL Presenter (items 4 and 6)
Flo Monea	FM	MOSL Presenter (item 5)	Monica Falasca	MF	MOSL Presenter (item 7)
Kayleigh Neal	KN	MOSL Observer	Oli Robins	OR	MOSL Observer
Andrew Johnson	AJ	MOSL – Proposer for CPW134 (item 5)			

APOLOGIES

Sarah McMath	SM	MOSL Affiliate Member	Stuart Boyle	SB	MOSL
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OPEN SESSION

1. Welcome and Housekeeping

- 1.1. The Chair welcomed members to the Code Change Committee meeting.
- 1.2. It was confirmed that the meeting was quorate.
- 1.3. Code Change Committee members were asked to declare any potential conflicts of interest in relation to the meeting agenda.
- 1.4. MG declared an interest in item 6 in his capacity as Proposer for CPW129 Review of Post RF Materiality Threshold.
- 1.5. No further interests were noted.

2. Minutes and Actions

- 2.1 The minutes from Code Change Committee 01 (29 March 2022) were approved.
- 2.2 The following actions were presented for closure and were closed:
CCC01_01, CCC01_02 and CCC01_03
- 2.3 The open actions relating to the Post Implementation Reviews (CCC01_04, CCC01_05, CCC01_06 and CCC01_07) would not be presented at each meeting as the timeline for each had yet to be determined. The Secretariat would continue to monitor these actions and update the committee as needed.
- 2.4 The remaining actions would remain open:
CCC01_08, CCC01_09 and CCC01_10

3. Change Report

- 3.1. HC presented a summary of the change report which had been circulated with the agenda. This highlighted the delivery programme, upcoming changes including potential changes in the pipeline, consultations and Ofwat decisions.
- 3.2. A committee member highlighted the need for careful consideration of whether a change proposal was truly strategic, noting that it might be a component of a strategic programme and therefore more operational in nature. It would be important to differentiate between these types of change proposals to ensure the committee was focused on the priority areas.
- 3.3. A committee member also noted that it would be necessary to get a sense of the potential scope of customer benefit and to what extent the change proposal would be shifting the dial in the market. Having a sense of this as early as possible in the process would support the prioritisation of decisions.
- 3.4. The Code Change Committee:
 - **NOTED** the Change Report.

4. CPM046/CPW133 Approved Codes of Practice – Request to Delay

- 4.1 The Code Change Committee considered the request to extend the timetable for the assessment of CPM046 and CPW133 '[Approved Codes of Practice](#)' which had been proposed to introduce Approved Codes of Practice (ACoPs) into the code ecosystem. Where most trading parties interacted with multiple wholesalers/retailers, any variation in approach to fulfilling market code obligations imposed additional complexity and cost. The change therefore sought to promote ACoPs as a vehicle for aligning industry interactions.
- 4.2 The draft recommendation report had been scheduled to be received by the Code Change Committee in May 2022, however, in light of feedback from Ofwat regarding the nature of the proposed Codes of Practice, members felt more time was needed to fully explore additional complexities identified in the development of the change.
- 4.3 The Code Change Committee:
- **AGREED** (unanimous) to delay the draft recommendation report for CPM046 & CPW133 to August 2022.

5. Gate 1 Decision – CPW134 Clarifications to Default Provisions

- 5.1 The Code Change Committee considered CPW134 '[Clarifications to default provisions](#)' which sought to correct cross referencing errors in the Default and Termination provisions.
- 5.2 A committee member commented that if the status quo was maintained it could mean that a Retailer that was struggling financially could continue to trade for longer which would impact on customer service as well as cost. This aspect had not been drawn out sufficiently in the paper.
- 5.3 A member queried the likelihood of the issue outlined arising. FM confirmed that there had not been an incidence since market opening. AJ added that the error had been present in the Codes since market opening and that raising the change proposal at this point followed a recent issue where there had been the potential for a failure to pay a credit balance. Although the issue had been resolved it had highlighted the error and therefore it was appropriate to clarify the default provisions at this point.
- 5.4 Using its powers to delegate housekeeping changes to MOSL, the Code Change Committee:
- **AGREED** (unanimous) to delegate CPW134 to MOSL to submit the recommendation report directly to Ofwat
 - **AGREED** (unanimous) the proposed plan for progressing CPW134

6. Draft Recommendation Report CPW129 – Review of Post RF Materiality Threshold

6.1 The Code Change Committee considered the draft recommendation report for CPW129 '[Review of Post RF Materiality Threshold](#)'. The change proposal sought to lower the materiality threshold for raising Post RF settlement runs, as the proposer considered the threshold to be inappropriately high and causing issues related to customer billing and degrading the customer's experience in the market.

6.2 A discussion followed which included the following comments and observations:

- The Committee queried whether the issue was significant for Retailers and the market. One Committee member stated that Retailers should be able to provide billing information to customers regardless of the state of the CMOS data, as Retailers' billing systems were separate to, and do not necessarily align with, CMOS.
- The Committee queried whether the change would benefit customers. Further analysis undertaken by MOSL at CCW's request anticipated the likelihood of bill shocks arising from this change to be low, as most Post RF runs appeared to refund charges owed to customers. Therefore, the change could prevent unnecessary delay and enable monies to be exchanged when and where needed.
- A Committee member agreed that Wholesalers should not retain funds owed to Retailers, adding that the inability to meet the threshold for a post RF request meant that significant sums of money could be owed to multiple Retailers over multiple invoice periods. The member noted that, overall, the RF/Post RF settlement process was lengthy and may not facilitate timely customer billing and efficient handling of primary charges. They felt a holistic review that considered these issues together may present a more effective option to address problems.
- A Committee member stated that not every fluctuation in wholesale billing required reconciliation and that this change was attempting to strike a balance between improved settlement arrangements and the frequency of Post RF requests. Another member considered that a clear rationale for decreasing the threshold from £3,000 to £1,500 had not been provided in the recommendation report.
- A Committee member questioned the need for materiality thresholds altogether, stating that the additional costs to trading parties associated with Post RF runs including liaising with the customer, processing additional bills and corrections and checking and adjusting settlement data into CMOS could be seen as a natural disincentive to request runs. It was noted that the cost of the Post RF run (£350) was not necessarily paid by the party making the request. A committee member raised a concern that this could increase Post RF requests to levels that were unmanageable for MOSL to process.

6.3 The Code Change Committee:

- **AGREED** (4 against, 3 in favour¹) that CPW129 did not better facilitate the Principles of the Wholesale Retail Code (WRC)
- **AGREED** (4 against, 3 in favour) to recommend CPW129 be rejected by Ofwat
- **AGREED** (unanimous) the recommended implementation date of:
 - 26 August 2022, if Ofwat approval was received by 5 August 2022, or
 - 21 October 2022, if Ofwat approval was received by 30 September 2022

6.4 Four members voted to recommend rejection of the change proposal on the basis that the scale of the issue and its impact on customers was not clear, and that wider issues related to RF and Post RF should be considered. The members noted that this change could be incorporated into a holistic review.

6.5 Three Committee members voted to recommend approval of the change proposal on the basis that it appeared to be a cost-effective proposal and would benefit end customers.

6.6 The Panel Secretary advised that MOSL would consider the matters that could be considered as part of a holistic review of RF and Post RF issues for circulation to the Code Change Committee.

ACTION CCC02_01

7. Draft Recommendation Report – CPW105 Provisions of Information Obligation

7.1 The Code Change Committee considered the draft recommendation report for CPW105 '[Provisions of Information Obligation](#)' The change proposal sought to rationalise the Code Change Committee's involvement in the Provisions of Information obligation as outlined in the Market Terms.

7.2 The Code Change Committee:

- **AGREED** (unanimous) that CPW105 better facilitated the Principles of the Wholesale-Retail Code (WRC)
- **AGREED** (unanimous) to recommend CPW105 to Ofwat for approval

¹The proposer for CPW129 was also a Code Change Committee member and recused themselves from voting

- **AGREED** (unanimous) the recommended implementation date of:
 - 26 August 2022, if Ofwat approval was received by 22 July 2022, or
 - 2 December 2022, if Ofwat approval was received by 11 November 2022

8. AOB

- 8.1 AP made the committee aware that a decision by the Strategic Panel on the appointment of the Alternative Customer Body Representative was anticipated on 9 May.
- 8.2 AP made the committee aware that meetings going forward would feature occasional in person meetings as needed. The June Code Change Committee meeting would be held in person in London, venue to be confirmed.

CLOSED SESSION

9. Strategic Panel Priorities

- 6.7 Trisha McAuley (Strategic Panel Chair) joined the meeting and provided the Code Change Committee with an insight into the developing Strategic Panel priorities.

10. Change Process Update

- 10.1 AR provided committee members with an update in relation to the immediate changes that had been made to the change process since the last meeting, together with an initial view of the longer-term development plans.

11. Committee Reflections

- 11.1 The committee reflected on the meeting.
- 11.2 There being no further business, the Chair closed the meeting.