

## Minutes of Code Change Committee

### Meeting 03

24 May 2022

MS Teams

Status of the 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
Trevor Nelson	TN	Business Stream (Observer)	Stuart Boyle	SB	MOSL Presenter (item 3 and 9)

Amanda Hinde	AH	MOSL Presenter (item 4)	Ray Porter	RP	Castle Water -Proposer for CPM048/CPW131 (item 4)
Peter Strain	PS	Castle Water – Proposer for CPM048/CPW131 (item 4)	Luke Austin	LA	MOSL Observer
Ivy Mandinenya	IM	MOSL Presenter (item 5)	Oli Robins	OR	MOSL Presenter (item 6)
John Gilbert	JG	MOSL Presenter (item 6)	Evan Joanette	EJ	MOSL Presenter (item 6)
Kayleigh Neal	KN	MOSL Observer	Huw Comerford	HC	MOSL Observer

#### APOLOGIES

Sarah McMath	SM	MOSL Affiliate Member			
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## 1. Welcome and Introductions

- 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. No interests were noted.

## 2. Minutes and Outstanding Actions

- 2.1 The minutes from Code Change Committee 02 (26 April 2022) were approved.
- 2.2 The following actions were presented for closure and were closed:

CCC01\_09, CCC01\_10 and CCC02\_02

- 2.3 The following actions (in addition to the actions relating to Post Implementation Reviews) would remain open:

CCC01\_08 and CCC02\_01

### 3. Change Report

- 3.1 SB 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, on-hold changes, consultations and Ofwat decisions.
- 3.2 DM commented that in relation to the strategic changes under the heading of Supplier of Last Resort there were likely to be further changes that would come to the committee for consideration in the near future. Ofwat and MOSL were currently planning the work programme to take this forward.

### 4. Draft Recommendation Report – CPM048/CPW131 Suspending MPS Charges Pending Full Review of the MPF

- 4.1 The Code Change Committee considered the draft recommendation report for CPM048/CPW131 '[Suspending Market Performance Standards Charges Pending Full Review of the Market Performance Framework](#)'. The change proposal sought to suspend the invoicing and payment of Market Performance Standards (MPS) charges 17, 18 and 19 until superseded by the reform of the Market Performance Framework (MPF), on the basis that a significant proportion of these charges were caused by factors outside the control of the Retailer.
- 4.2 RP and PS attended the meeting on behalf of the Proposer (Christopher Wright from Castle Water) to answer points of clarification relating to the change proposal, as needed.
- 4.3 A discussion followed which included the following comments and observations:
  - The committee noted that it had not been possible to definitively quantify the proportion of skipped meter reads outside of retailers' control due to missing information from retailers on why meter reads had been skipped. However, the analysis and qualitative feedback from the consultation did present a strong case for reviewing the current incentive regime and the committee looked to the MPF reform programme to explore this. In the meantime, several members felt that the uncertainty in the analysis' findings was too great to support the case for the change.
  - A committee member observed that as retailer MPS performance increased, factors outside of the control of retailers would account for a greater proportion of the remaining MPS charges.
  - Another member observed that it would be challenging to design an incentive framework that eliminated all factors outside of a retailers' control.

- The committee recognised that a proportion of MPS charges were likely due to factors outside retailer control, but the proposed solution also suspended the incentive for those that were under retailer control. Therefore, the impact of removing the incentive for these also needed to be considered.
- The customer representative advised that over 70% of customer complaints related to billing and therefore there should be an incentive to ensure accurate billing.
- Most members agreed that suspending MPS charges for meter reads under retailer control would result in a worse outcome for customers.
- Another member commented that suspending charges would not demonstrate a progressive market and would be challenging to justify to customers.
- A committee member commented that the Market Performance Committee's (MPC) view was that MPS charges drove Trading Parties to focus on resolving issues that caused them to incur charges. The MPC considered that market performance still needed to improve and that without MPS charges Trading Party behaviour would not change in relation to addressing hard-to-read meters.
- The committee queried how retailers might use savings from MPS charges as this was not highlighted in the consultation responses. The proposer outlined their own initiatives to improve meter read data and compared this with a Market Improvement Fund project with the same objective, but said their own initiatives were more efficient.
- The committee asked the proposer if they had considered alternative solutions such as amending the charge free allowance. The proposer believed code obligations and the business need to read meters were sufficient incentive to read meters. MPS charges had no further impact on the outcome, particularly where the retailer was waiting for wholesaler action, and therefore they proposed to suspend the charge in full.

#### 4.4 The Code Change Committee:

- **AGREED** (7 in favour, 1 against) that CPM048 and CPW131 did not better facilitate the Principles of the Market Arrangements Code (MAC) and Wholesale Retail Code (WRC);
- **AGREED** (7 in favour, 1 against) to recommend that CPM048 and CPW131 be rejected by Ofwat; and
- **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.

- 4.5 The Code Change Committee recommended rejection on the basis that retailers should be fully incentivised to read meters. Suspending the charges reduced that incentive markedly, given that there were reasons for meter reads not being taken that were within a retailer's control. The proposal was, therefore, not in the customer interest and would not facilitate the Primary Principle of improving customer outcomes.
- 4.6 The Code Change Committee also disagreed with the view that the current framework created a perverse incentive where a charge would be incurred for submitting a late read. MPS15 had created this perverse incentive but was suspended in November 2019 following the implementation of CPW072 [‘Setting MPS 15 Charges to Zero’](#). MPS17, 18 and 19 charged for missed reads e.g. for MPS18 if CMOS did not receive a meter read within 200 business days from the date of the last reading the meter would be charged. If the meter wasn't read within the next 200 business days it would be charged again.
- 4.7 One Committee member voted to recommend approval based on the reasons set out on pages 25-26 of the draft recommendation report.

**RP and PS left the meeting**

## 5. Post Implementation Review – CPW092/CPM029 Unified Disputes Process

- 5.1 MOC took the Chair as AP needed to temporarily leave the meeting.
- 5.2 The Code Change Committee considered the Post Implementation (PIR) Review for CPW092/CPM029 [‘Unified Disputes Process’](#). The change proposal had sought to consolidate the processes for Trading, Non-Trading, Market Arrangements Code and Market Operator Disputes into one Dispute resolution process and expand the remit of the Disputes Committee.
- 5.3 IM highlighted the benefits of the change which included greater transparency and visibility of disputes to the whole market, potential cost savings and a streamlined timeline where disputes were dealt with significantly faster.
- 5.4 The committee noted that having an overview of the disputes in the market provided a clearer view of potential market frictions which had not been visible previously.
- 5.5 The committee noted that the Trading Parties who had gone through the Disputes process had not been interviewed as part of the PIR process. If this had taken place it may have been possible to better understand the impact to customers of introducing the change, although the committee appreciated that this could be challenging to measure.

- 5.6 The committee also noted that the 14 disputes raised since the change had been introduced had been resolved or determined by the Disputes Committee (12 were resolved during the negotiation period and 2 escalated to the Disputes Committee) and that the majority of these had been raised by 2 Trading Parties.<sup>1</sup>
- 5.7 A committee member (who also serves on the Disputes Committee) commented that the impact of the change had been challenging to effectively measure as the numbers of disputes were very low. The initial view from the Disputes committee was that the process seemed more effective and was easier to navigate. Further evidence gathered over the next 12-24 months would help to show the full extent of the impact of the change proposal.
- 5.8 The committee noted that the PIR could inform the pending review of the Disputes Committee which formed part of the Strategic Panel's priorities.
- 5.8 The Code Change Committee:
- **NOTED** the findings of the report and the lessons learnt.

## 6. Post Implementation Review – CPW087 Ability for Wholesalers to add meter reads

- 6.1 The Code Change Committee considered the Post Implementation (PIR) Review for CPW087 '[Ability for Wholesalers to add meter reads](#)'. The change proposal had sought to introduce a standard process where Wholesalers could submit a new type of meter read (W read) directly into CMOS (Central Market Operating System). The proposed benefits of the change included more read data and better estimation in CMOS, fewer Long Unread Meters (LUMs) and better Trading Party collaboration.
- 6.2 OR highlighted the following conclusions outlined in the PIR:
- CPW087 had provided more meter read data but this was mainly driven by a subset of engaged Trading Parties.
  - CPW087 had provided retailers with additional choice, but most were not using W Reads, were using them in low volumes or were using them without the correct labels.
  - CPW087 had improved the LUM situation but reductions were not widespread and not always associated with the intended application of CPW087.

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<sup>1</sup> One Disputes Committee decision was subsequently escalated to arbitration in line with code provisions.

- Observed behaviours did not align to the expected engagement based on the consultation responses.
- 6.3 The committee noted that the Metering Committee would be looking at the barriers to usage and how to support the change to deliver greater benefits to the market. A workshop to start looking at this was scheduled for June 2022 and a further update would be provided to the Code Change Committee later in the year when it should also be possible to see greater evidence of the benefit of the change proposal.
- 6.4 A committee member noted that it was not wholly unexpected that the impact of the change was initially slow and would anticipate that as trading party confidence grew participation would increase.
- 6.5 A committee member asked whether a reduction of just 2% of LUMs could be seen as a result of the change. OR acknowledged that the numbers at this stage were lower than anticipated but these should increase over time.
- 6.6 DH commented that in relation to PIRs it was important to see where the impact of changes would be followed up. DH also asked whether there was a threshold and/or criteria for the reviews to ensure that resources are directed appropriately? OR and SB responded that where a change proposal related to a minor change i.e. housekeeping or was not feasible to measure a PIR would not generally be undertaken. A committee member encouraged the measurement of change proposals even where it might be more challenging to achieve.
- 6.7 A committee member also commented that it was important to look at whether there are unintended consequences relating to the implementation of a change.
- 6.8 The Code Change Committee:
- **NOTED** the findings of the report and that a follow up report would come back to the Code Change Committee as outlined later in the year.

**ACTION CCC03\_01**

## 7. Draft Recommendation Report – CPW070e Bilaterals Submissions and Clarifications

- 7.1 The Code Change Committee considered the draft recommendation report for CPW070e '[Bilaterals Submissions and Clarifications](#)'. The change proposal set out code amendments to deliver an enduring solution for how Trading Parties (TPs) should manage large volumes of

Bilateral Transaction Service Requests. The solution aimed to ensure TPs avoid 'stockpiling' and submitting large quantities of Requests simultaneously.

7.2 The change proposal also sought to make clarifications and housekeeping changes to previously approved code, in response to Trading Party feedback.

7.3 AP re-joined the meeting and resumed the role of Chair.

7.4 The Code Change Committee made the following comments and observations:

- A committee member asked whether there was sufficient clarity regarding the outlined definitions. EJ responded that the Operational Advisory Group (OAG) had considered the definitions in detail and agreed that these should be used but could be reviewed at a later point as needed. EJ added that the Bilaterals Hub provided good visibility of bulk deferral so any issues could be identified quickly and addressed.
- Members noted that CPW070e introduced the ability for wholesalers to use bulk upload as a reason code for deferring tasks.
- The committee discussed the impact of deferrals on customers and considered that bulk uploads should be used for one-off exercises, such as data cleansing, rather than business as usual. Members noted that individual customers were unlikely to be directly impacted by requests being deferred for multiple 30-day periods as may be needed for longer term projects and where the wholesaler and retailer had agreed the extended timescale.
- The committee asked MOSL to monitor deferral use, its impact on customers and to include this in the Post Implementation Review.

#### **ACTION CCC03\_02**

- The Committee considered whether CPW070e adequately mitigated the effects of a bulk request to a wholesaler. Wholesaler members believed complete mitigation was unrealistic and that a degree of reasonableness should be expected in wholesaler-retailer interactions. Furthermore, as bulk requests should be planned, wholesalers should be able to highlight if they were receiving greater volumes of requests than they had agreed to. MOSL advised that limiting the rate of request creation had been considered and rejected as an alternative mitigation approach. Trading Parties' preference was that the market codes set out how they should work together on bulk submissions.



- A Member noted that Ofwat had previously returned [CPW067: 'Bulk Submissions of Service Requests by MS Excel'](#) for further consideration. This was predicated, in part, on the possibility that the Bilateral Hub may accommodate bulk submissions. The Member noted that CPW070e addressed some of the issues raised in CPW067 related to SLAs, but the Bilateral Programme was not intending to facilitate large volumes of deferrals in one transaction. MOSL confirmed that the Bilateral Programme had identified early on that such an interface would be out of scope due to its complexity and the question of progressing CPW067 would need to be revisited.

7.5 The Code Change Committee:

- **AGREED** (unanimous) that CPW070e better facilitated the principles of the MAC and the WRC;
- **AGREED** (unanimous) to recommend CPW070e to Ofwat for approval; and
- **AGREED** (unanimous) to recommend that, if approved, CPW070e be implemented on 2 August 2022, if Ofwat approval was received by 1 July 2022.

## 8. Any Other Business (AOB)

8.1 AR made the committee members aware that the Strategic Panel priorities had been launched on 24 May 2022 and that the committee would have an opportunity to feedback on these formally at the Code change committee meeting in June.

## Closed Session

## 9. Change Process Problem Statement

9.1 The committee discussed the initial feedback regarding the Change Process. This would form the basis for a workshop in June to develop a new mechanism for change.

## 10. Committee Reflections

10.1 The committee reflected on the meeting.

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