

Minutes of Code Change Committee

Public Session

Meeting 16

07 June 2023

MS Teams

Status of the Minutes: FINAL

Anthony Pygram	AP	Independent Chair	Steve Creighton	SC	Alternative Customer Representative
Mike O'Connor	MO	Independent Member	Paul Stelfox	PS	Wholesaler Member
Mike Rathbone	MR	Wholesaler Member	Matthew Glover	MG	Retailer Member
Neil Pendle	NP	Retailer Member Alternate (for Claire Yeates)	Christina Blackwell	CB	Customer Representative

AFFILIATE MEMBERS PRESENT

No affiliate members attended the meeting.

SECRETARIAT

Adam Richardson	AR	Panel Secretary	Sam Mawby	SMa	Secretariat
-----------------	----	-----------------	-----------	-----	-------------

OTHER ATTENDEES

Holly Woodhead	HW	Ofwat	Sasha Pearce	SP	Ofwat
----------------	----	-------	--------------	----	-------

Huw Comerford	HC	MOSL Presenter (item 3)	Chris Dawson	CD	MOSL Observer (item 3)
Spencer Mattia	SMat	MOSL Observer (item 3)	Ivy Mandinyenya	IM	MOSL Presenter (item 4 and 8)
Christopher Wright	CW	Castle Water – Proposer (item 4)	Judith Grant	JG	Castle Water – Observer (item 4)
Luke Coyle	LC	MOSL Presenter (item 5 and 6)	Paul Heron	PH	Castle Water – Proposer (item 5)
Simon Bennett	SM	MOSL Observer (item 5)	Steve Formoy	SF	MOSL Proposer (item 6)
Flo Monea	FM	MOSL Presenter (item 7)	John Davies	JD	MOSL Proposer (item 7)
Claire Stanness	CS	Wave Utilities – Proposer (item 8)			

APOLOGIES

Claire Yeates	CY	Retailer Member	Sarah McMath	SM	MOSL Affiliate Member
Ulrike Hotopp	UH	Independent Member	Dan Mason	DM	Ofwat Affiliate Member

1. Welcome and Introductions

- 1.1. The Chair welcomed members to the Code Change Committee (CCC) meeting.
- 1.2. It was confirmed that the meeting was quorate.
- 1.3. Apologies were received and accepted from CY, SM and DM. NP attended as an alternate for CY.
- 1.4. Code Change Committee members were asked to declare any potential conflicts of interest in relation to the meeting agenda. No declarations were made.

2. Minutes and Outstanding Actions

- 2.1. The Committee noted the minutes from CCC15 (11 May 2023) which had been circulated for review with the agenda and meeting papers for CCC16. No comments had been received and the minutes were approved, including the open session minutes for publication.

2.2. The Code Change Committee agreed that the following actions should remain open:

CCC03_01, CCC12_02, CCC13_01

2.3 The Code Change Committee agreed that the following action should be closed:

CCC15_01

3. Change Report

- 3.1. HC presented a summary of the change report. This highlighted the current delivery programme, upcoming changes, changes that were currently on hold, those in the pipeline, consultations, trading party requests, post-implementation reviews and Ofwat decisions.
- 3.2. HC commented that, in terms of strategic changes PIP156 'Wholesaler Reads in Defined Circumstances' had been moved back in order to undertake further work on the business case.
- 3.3. HC added that in relation to PIP179 'Data Cleanse Processes' this had been included in the delivery programme as a placeholder at this point should the programme team need to raise any changes.
- 3.4. HC drew the CCC's attention to CPW139d 'Assessments'. The Bilateral project team were proposing to bring forward the draft recommendation report for CPW139d from October 2023 to September 2023 as a result of efficiencies in the work programme.
- 3.5. The Code Change Committee:
 - **NOTED** the change report.

4. Change Plan (Amended) CPW132 Credit Support and Wholesaler Credit Ratings

- 4.1 The Code Change Committee considered CPW132 '[Credit Support and Wholesaler Credit Ratings](#)'. The change proposal sought to address the level of Credit Support that a Retailer has to provide to a Wholesaler whose credit rating is lower than the Minimum Credit Rating (i.e., below investment grade).
- 4.2 IM made members aware of the background to the change as outlined in the meeting papers.
- 4.3 A detailed discussion followed, with input from the proposer, which included:
 - Clarifying the difference between what Ofwat was proposing in relation to this as part of PR24 and what was outlined in the change proposal.

- Noting that in relation to who would make the decision with regard to lifting the obligation on the retailer to lodge credit where the wholesaler was in financial distress this would need to be drawn out in the consultation to make it very clear to trading parties.
- Noting that the change proposal related to any form of credit security.
- The proposed assessment plan would need to incorporate the impact to customers in the event of both wholesaler and retailer failure.
- Observing that Ofwat had already taken some action on this issue so the change proposal could potentially be duplicating work.
- Challenging the view that directors in wholesaler organisations could draw on available retailer credit in order to support the wholesaler as part of their financial responsibility. IM commented that the legal view outlined that the duties are placed on the wholesaler directors to act in the best interest of their customers and shareholders. However, in relation to the codes this does not allow for a wholesaler to draw any amount that is not owed. To do so would be a breach of both the codes and the organisation's licence.
- Noting the need for caution in conflating a negative outlook and fragility and insolvency. As part of the consultation it would be important to be clear that the change proposal was not talking about default administration.
- Querying whether the change proposal was within the remit of the Code Change Committee and the market codes in general and whether this was potentially a matter for the regulator. AR advised that the change was clear that it was dealing with code based provisions in defined circumstances, and that these defined circumstances related to credit ratings. Therefore in terms of remit it was appropriate for the committee to consider it.

The Code Change Committee:

- **AGREED** (unanimous) to progress to assessment and consultation;
- **AGREED** (unanimous) the Change Proposal Plan.

5. Change Plan – CPW143 Wholesaler Maintenance of Yearly Volume Estimates for Non-Market Meters

- 5.1 The Code Change Committee considered CPW143 '[Wholesaler Maintenance of Yearly Volume Estimates for Non-Market Meters](#)'. The change proposal sought to improve the accuracy of volume estimates for mixed use properties by allowing Wholesalers to amend and add Yearly Volume Estimates (YVEs) for non-market meters.
- 5.2 HC commented that the proposed pace of progression in terms of assessment and consultation reflected the work that had been undertaken via the Metering Committee. In addition, the Market Performance Committee have also had sight of the matter and therefore the solution was fairly well developed.
- 5.3 A Committee member commented that at consultation stage it would be good to outline the process clearly and how a YVE would be challenged. It would be important not to create a situation where the non-household customer is negatively impacted. Ideally the estimate for the business customer and the estimate for the domestic customer would mean that the water being used was properly allocated. If there was a gap in the allocation then that would be an issue and the consultation should be clear on how any gaps would be resolved.
- 5.4 SB commented that the proposed solution was a simple practical step to assist with generating more accurate estimates and to help to reduce negative settlement.
- 5.5 The Committee noted that when the change proposal returned for approval later in the year it would be useful to understand the incentive for the Wholesaler to use this.
- 5.6 The Code Change Committee:
- **AGREED** (unanimous) to progress to assessment;
 - **AGREED** (unanimous) the Change Proposal plan

6. Recommendation CPW137 Interim Supply Allocation: Customer Data Provisions

- 6.1 The Code Change Committee considered CPW137 '[Interim Supply Allocation: Customer Data Provisions](#)'. The change proposal sought to ensure that access to customer data is maintained in the event of an unplanned Retailer market exit.

- 6.2 LC made the committee aware that the working group established to identify the most appropriate solution had unanimously agreed to recommend the solution being considered by the CCC. LC added that the legal drafting had not been included in the meeting pack. The legal drafting was currently being finalised, following feedback from the working group, and would be made available to CCC members, as needed. The CCC noted that the timetable set for the change would have meant that it would have been unlikely that the legal drafting would have been finalised by the CCC paper day.
- 6.3 A committee member, who had formed part of the working group, commented that although the interim solution was not perfect it provided a workable solution that could be utilised straightaway.
- 6.4 A committee member asked why the working group decided not to pursue an enduring solution. They also raised concerns in relation to data security and the use of Sharepoint to store large quantities of customer data. The proposal to gather data on a monthly basis also seemed excessive.
- 6.5 LC responded that the issue of data security had been raised in the consultation feedback and carefully considered by the working group, with advice sought from the Head of IT at MOSL. Assurance had been provided that information could be stored safely in Sharepoint, with access to information carefully controlled.
- 6.6 A committee member commented that it would also be necessary to ensure that retailers had robust security measures in place. LC responded that the MOSL IT team were confident that Sharepoint was secure and that the provisions and retailer processes should continue to comply with the data security requirements set out in the code.
- 6.7 A CCC member asked whether an enduring solution would be developed. LC responded that several trading parties had indicated that an enduring solution could be put in place, potentially using CMOS (Central Market Operating System). The working group had indicated that part of the post implementation review (winter 2024) would include a review of the ISA process and that this could lead to an enduring solution which could utilise a CMOS solution, if trading parties were comfortable with the associated costs.
- 6.8 A CCC member commented that CPW137 shouldn't stop an enduring solution being progressed now.
- 6.9 A CCC member asked whether an enduring solution would be limited to CMOS or whether alternatives would be considered. LC responded that the most appropriate environment for

an enduring solution was likely to be CMOS but if there were alternatives these would be considered.

6.10 The Code Change Committee:

- **AGREED** (seven in favour, one against)¹ to recommend CPW137 to Ofwat for approval;
- **AGREED** (seven in favour, one against) that the change was better than the current baseline and agreed with the rationale set out in the paper;
- **AGREED** (seven in favour, one against) the rationale that CPW137 better facilitated the principles of the WRC (Wholesale Retail Code); and
- **AGREED** (seven in favour, one against) to recommend that, if approved, CPW137 be implemented on:
 - 23 August 2023, if Ofwat approval is received by 31 July 2023 or 27 October 2023, if Ofwat approval is received by 29 September 2023; and
- **AGREED** (unanimous) that MOSL continue to explore the development of an enduring solution for CPW137 now rather than waiting for a post-implementation review to decide whether to take one forward.

7. Change Plan CPW142 Wholesaler Smart Meter Reads

7.1 The Code Change Committee considered a revised timetable for CPW142 '[Wholesaler Smart Meter Reads](#)'. A review of the timetable had been requested by the committee at its meeting in May 2023. The change proposal sought to establish that where an Advanced Metering Infrastructure (AMI) smart meter was installed at a premises, the relevant Wholesaler would become responsible for market read submission into CMOS.

7.2 A committee member asked, in relation to the expedited timeline, why the consultation would not start for two months. FM responded that the lead in time to consultation reflected the need for the Metering Committee to consider a solution at its next meeting on 13 June. This would be followed by liaison with CGI to fully understand the extent of the changes that might be required within CMOS. In addition, a number of trading party requests of varying

¹ The rationale for voting against was based on concerns regarding data security and that an enduring solution should be developed as opposed to an interim solution.

complexity were also scheduled in the coming months which would make it challenging to bring forward a consultation in terms of burden to trading parties.

- 7.3 A committee member asked whether if the planned timeline was not likely to be met, should there be significant pushback from trading parties, would the CCC need to give approval to a proposed delay. AR responded that the CCC would be given good notice if a delay was likely in order for the committee to make a considered decision.
- 7.4 The CCC clarified that the expedited timeline would be on the basis that no significant push back was received from trading parties that would then require amendment of the proposed solution. If significant push back had been received following the conclusion of the consultation period an update on the change would be given to the CCC in September as part of the Change Report.
- 7.5 The Code Change Committee:
- **AGREED** (seven in favour, one abstention) the Change Proposal Plan.

8. Recommendation CPW141a Clarification of Read Definitions

- 8.1 The Code Change Committee considered CPW141A '[Clarification of Read Definitions](#)'. The change proposal sought to update the market code definitions of 'remote' and 'visual' meter reads to reflect changes in metering technology that were now available in the market, i.e., the increasing use of smart meters and add-on devices.
- 8.2 IM reminded the CCC members that the change proposal had been presented to the April CCC meeting where a decision had been taken to split CPW141 into two changes. Part A was being considered at this meeting.
- 8.3 In terms of benefits to customers it was anticipated that the change would help to facilitate more accurate and timely reads which would ensure that bills were not based on estimated usage. It would also lead to an increase in the use of smart metering technology and a reduction in long unread meters.
- 8.4 A committee member asked whether there was any specific thinking behind the conclusion that the change would reduce the number of long unread meters. IM responded that it was a general conclusion that long unread meter numbers would reduce as a consequence of introducing the change.

8.5 The Code Change Committee:

- **AGREED** (unanimous) to recommend implementation of CPW141A to Ofwat for approval;
- **AGREED** (unanimous) with the rationale set out in the paper;
- **AGREED** (unanimous) the rationale that CPW141A better facilitated the principles of the MAC (Market Arrangements Code) and the WRC; and
- **AGREED** (unanimous) to recommend that, if approved, CPW141A be implemented on:
 - 25 August 2023 if Ofwat approval is received by 11 August 2023; or 1 December 2023, if Ofwat approval is received by 27 October 2023.

9. AOB

- 9.1 SMA confirmed that Jesse Wright had been appointed as Wholesaler alternate for the committee and advised that approval was pending from Strategic Panel in relation to the appointment of a permanent successor for PS.

CLOSED SESSION:

10. Committee Reflections

- 10.1 The committee shared their learning from other market governance committees and group they were involved in and reflected on the meeting.