

Minutes of Code Change Committee

Public Session

Meeting 17

12 July 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	Kye Smith	KS	Wholesaler Member
Mike Rathbone	MR	Wholesaler Member	Matthew Glover	MG	Retailer Member
Trevor Nelson	TN	Retailer Member Alternate (for Claire Yeates)	Christina Blackwell	CB	Customer Representative
Ulrike Hotopp	UH	Independent Member	Jesse Wright	JW	Wholesaler Member Alternate (for Mike Rathbone) item 6 only

AFFILIATE MEMBERS PRESENT

Dan Mason	DM	Ofwat			
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SECRETARIAT

Adam Richardson	AR	Panel Secretary	Sam Mawby	SMA	Secretariat
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OTHER ATTENDEES

Holly Woodhead	HW	Ofwat	Sasha Pearce	SP	Ofwat
Stuart Boyle	SB	MOSL Presenter (items 3 and 6)	Phoebe Nixon	PN	MOSL Presenter (item 4)
Miles Robinson	MRO	MOSL Proposer (item 4)	Evan Joanette	EJ	MOSL Observer (item 4)
John Gilbert	JG	MOSL Observer (item 4)	Markus Lloyd	ML	MOSL Presenter (item 5)
Chris Dawson	CD	MOSL Presenter (item 7)	Steve Formoy	SF	MOSL Proposer (item 7)
Spencer Mattia	SM	MOSL Observer	Monica Falasca	MF	MOSL Observer

APOLOGIES

Claire Yeates	CY	Retailer Member	Sarah McMath	SM	MOSL Affiliate Member
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1. Welcome and Introductions

- 1.1. The Chair¹ 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 and SM. TN attended as an alternate for CY.
- 1.4. CCC members were asked to declare any potential conflicts of interest in relation to the meeting agenda. No declarations were made.

¹ Mike O'Connor acted as Chair until the beginning of item 3

2. Minutes and Outstanding Actions

- 2.1. The committee noted the minutes from CCC16 (07 June 2023) which had been circulated for review with the agenda and meeting papers for CCC17. No comments had been received and the minutes were approved, including the open session minutes for publication.
- 2.2. The CCC agreed that the following actions should remain open:
CCC03_01, CCC08_01, CCC12_02, CCC13_01

3. Change Report

- 3.1. SB presented a summary of the change report. This highlighted the current delivery programme, the context of the Strategic Panel priorities, upcoming changes, changes in the pipeline, consultations, trading party requests, post-implementation reviews and Ofwat decisions.
- 3.2. SB made the committee aware that the August CCC was likely to include a prioritisation discussion, in light of the increasing number of changes, in terms of resourcing and the funding required.
- 3.3. A committee member queried how 'MPS 18 and 19 Clarification' (PIP188) linked with the change proposal for 'MPF Incremental Improvements' (CPW144) which the Committee would be considering later in the meeting. SB responded that PIP188 sought to clarify how MPS 18 and 19 were calculated as opposed to changing how they were calculated. The plan would be for the committee to consider the recommendation reports for both PIP188 and CPW144 at the same meeting.
- 3.4. A committee member suggested that, in relation to the Bilaterals programme, that 'benefit realisation' was added to the agenda for September as part of the Change Report for committee consideration.

ACTION CCC17_01

- 3.5. A committee member asked how MOSL made payments for CMOS changes to understand whether these would fall in the current financial year and provide insight to support the prioritisation discussion. SB responded that the cost of a CMOS change was phased over the months leading up to the relevant release. This would mean that for a release in May 2024 approximately 80% of the cost would fall within the 2023-24 financial year which is why it formed an important strand of the prioritisation discussion.

3.6. The Code Change Committee:

- **NOTED** the change report.

4. Change Plan – CPW144 Market Performance Framework (MPF) Incremental Improvements

- 4.1 The Code Change Committee considered '[MPF Incremental Improvements](#)' (CPW144). The change proposal sought to remove the charges associated with certain Market Performance Standards (MPS) considered to be ineffective as they fail to ensure accountability. CPW144 will begin streamlining the existing Market Performance Framework (MPF) to facilitate a phased transition to the reformed framework.
- 4.2 PN provided an overview of the MPF reform programme including the background to the programme, progress to date and anticipated next steps. PN noted that the consultation feedback received so far from Trading Parties indicated a preference for a smaller number of focussed charges emphasising the need to ensure accountability for poor behaviour within the market.
- 4.3 PN commented that the proposed change would incentivise the use of the Bilateral Hub by Trading Parties and outlined the proposed solution, as articulated in the change proposal, and its interaction with the Code Principles.
- 4.4 A detailed discussion followed with the committee raising a range of points and clarificatory queries:
- A CCC member queried the statistics used in the change proposal. PN advised that the figure used in the paper circulated ahead of the meeting related to March 2023 only. The information relating to the whole of 2022-23 was now available and would be included in the draft recommendation report and shared with the committee following the meeting. This information helped to provide a breakdown of the likely volumes of bilateral service requests.

ACTION CCC17_02

- A CCC member raised concern around the likely impact on customers as the change proposal suggested the removal of penalties but didn't provide details of what incentives may be introduced instead. Although acknowledging the unfairness of charges being paid by Trading Parties for failures which were beyond their control there was the potential for customer service to deteriorate. EJ responded that the proposed change was a good mechanism to ensure more requests to find or fix Long Unread Meters were

raised in the Bilateral Hub which would be of benefit to customers. A number of members agreed that customers would benefit from improved service as result of introducing the change.

- The CCC noted that the change would only apply to retailer raised requests.
- A CCC member queried the use of bulk submissions to the Bilaterals Hub, mindful of the impact these could have on wholesalers' workload. EJ responded that bulk submissions had been considered but required further development and therefore was not being pursued as part of CPW144. EJ reminded members that a bulk submissions agreement already existed within the Code to ensure all parties were in agreement prior to requests being uploaded.
- A CCC member queried whether the benefits that were anticipated as a result of the change were a little speculative and being pushed through relatively quickly. EJ responded that while there was a degree of speculation that a temporary pause on MPS would motivate retailer behaviour, experience showed that ensuring the incentives were right was an effective way to ensure Trading Parties engage. EJ added that the change proposal was part of a comprehensive programme of change which would result in a revised MPF and pausing charges for bilateral requests in progress is intended to be part of the enduring MPF 2.0. Prior to any MPF change coming to the CCC for consideration, the solutions had been considered for several months by the PAG (Performance Advisory Group) and MPF Steering group and socialised with Trading Parties and stakeholders.
- A CCC member queried whether the removal of MPS8 charges could pose a risk to data integrity if accredited entity activity increased. EJ responded that accredited entity metrics and incentives did not form part of the recently published nine key focus activities because Trading Parties were not using accredited entities. From the consultation responses to date the industry had indicated that it wanted a focussed MPF that covered activities, risks and issues that were a current concern. The intended MPF governance would however allow for a return to focus on Accredited Entities were they to become a credible issue in the market.
- A CCC member noted that the change was an important stepping-stone in the journey of MPF reform which as a whole would challenge the status quo. The more cases that could be put through the Bilaterals Hub, the more opportunity there was to track and audit in a centralised system which over time needed to become the only tool for engagement between retailers and wholesalers.

- CCC members noted that the draft recommendation would need to provide additional detail in relation to:
 - Clearly articulating the benefits to customers.
 - Explain why the change appeared to remove a number of charges where the issue was beyond the control of the Trading Party but did not seek to apply incentives elsewhere.
 - Demonstrating how the change fitted within, and interacted with, the wider MPF reform programme.

4.5 The Code Change Committee:

- **AGREED** (eight in favour, one abstention²) the Change Proposal Plan;
- **AGREED** (eight in favour, one abstention) the approach/scope to be considered in the assessment.

5. Water Efficiency Overview

5.1 Markus Lloyd (MOSL Head of Market Improvement) presented an update (circulated with the meeting papers) relating to the Water Efficiency roadmap which is a key focus for the Strategic Panel. The presentation provided an introduction and background to the Strategic Panel subset appointed to define the Water Efficiency roadmap, the previous and ongoing water efficiency activity in the market, the areas of focus for the sub-set, potential code changes and next steps.

5.2 ML noted the considerable amount of work currently being undertaken in the area of water efficiency by a range of industry groups, Ofwat and Defra. ML outlined the recent activity of the Strategic Panel sub-set and commented that its area of focus would centre on the following:

- Exploration of three hypotheses through a workshop (July/August 2023) with market participants, industry experts and external organisations
- Creation of the scope for a report which would aim to influence the UK's approach to tackling water scarcity
- Submission of a request for proposal (RFP) based on the scope to confirm costs, while exploring the viable sources of funding

² CCC member abstained on the grounds that the change plan did not sufficiently clarify the impact on customers

- Commission the report (anticipated publication November 2023)
- Define the roadmap based on the direction agreed at the workshop

5.3 ML advised that the hypotheses for discussion in the workshop, the outputs of which would define the road map for water efficiency, would consider the following themes:

- Government
- Customers are not informed
- Within the water industry the money is in the wrong place

5.4 While code changes were unlikely to be driven in the immediate future by the Strategic Panel Water Efficiency sub-set, a range of code changes related to water efficiency were currently in flight e.g. CPW142 [‘Wholesaler Smart Reads’](#). Code changes may also be necessary in future as the programmes like the Strategic Metering Review and Data Cleanse project progress.

5.5 A committee member commented that in relation to the hypothesis that consumers were engaged but did not have the capital to invest it seemed surprising that consumers were engaged. Where most consumers seemed to be using no more water than domestic consumers it was hard to see the evidence for consumer engagement. ML responded that it was important to recognise the segmentation of consumer groups. Where consumers were larger and the consumption higher, engagement could definitely be seen. The RWG (Retail Wholesale Group) survey highlighted that the willingness to pay for the solution is really low but interest in water efficiency is higher.

5.6 A committee member commented that, regarding the hypothesis that the money was not necessarily in the right place, even if that was proved to be the case, it was unclear what would realistically happen. The Strategic Panel and CCC were limited in terms of the action that they could take to influence in this area. ML acknowledged this and commented that the upcoming water efficiency workshop would include a particular focus on where it might be possible to influence Price Review 29 or Assessment Management Plan 9. The sub-set would scope out what needed to be considered for the longer-term future, as water supply increasingly does not meet demand, to be proactive in trying to meet the challenges ahead.

5.7 DM commented that this area was very broad and, in terms of the business market, there was a limit to the extent to which the market forces were going to be able to deliver on a national strategic issue. There would need to be an additional lever that would accelerate the pace of change in this area. The Strategic Panel would need to be realistic about what it could influence and achieve in this area.

- 5.8 A committee member commented that in terms of customers and water efficiency, CCW (Consumer Council for Water) had published a report as part of its tracking research. Statistics show that water saving activities being undertaken by business customers had fallen despite recent drought conditions. It was important to keep engaging with all sizes of customer to drive home the importance of water efficiency. ML agreed that it was an ongoing issue and noted that the workshop hoped to expose the drivers for those organisations who were engaged with water efficiency.

6. Change Plan CPM053 Change Process Improvements

- 6.1 JW joined the meeting as alternate for MR. MR attended this part of the meeting in his capacity as proposer of the change.
- 6.2 The Code Change Committee considered '[Change Process Improvements](#)' (CPM053). The change proposal sought to improve the existing change process to make it a more flexible and agile process that prioritises impactful change. The revised process would allow changes to fail fast or have the opportunity for alternative solution development.
- 6.3 SB provided the background to the change as outlined in the change proposal together with the issues that it sought to address, the development process and timeline.
- 6.4 SB noted that the solution had been amended following the consultation over winter 2022/23. The proposed solution would mean that all changes put forward would be determined by Ofwat but a recommendation to reject a change proposal could be made earlier in the process by the CCC.
- 6.5 SB added that MOSL recommended that a further consultation on the change was not required as the solution being put forward had not been changed substantively and had taken account of the industry feedback received. The proposed change would be communicated to the industry via a webinar should the change proposal be approved by Ofwat.
- 6.6 A committee member commented that an accessible guide should accompany the webinar to ensure that all Trading Parties were clear on the revised process. SB advised that guides would be produced for the new change process.
- 6.7 A committee member noted that as the process was currently articulated, if someone brought a problem for consideration, they either had no or full involvement in the development of the solution. Was there an option to have an intermediary level of involvement to ensure organisations were not put off from raising a change. SB responded that this was a working

practice issue and would not need to be included in the code noting that the level of involvement would vary depending on the complexity and nature of the proposed change.

- 6.8 A committee member asked whether on the process for urgent changes a change proposal would be assessed for urgency before submission to the CCC. SB responded that the process would remain the same whereby the CCC have to meet to consider whether the change is urgent. If MOSL also needed to check whether a change met the urgency criteria the change could potentially be delayed. The difference in the revised process would be that where a change was not deemed to be urgent by the CCC it would return to the beginning of the change process as a non-urgent change.
- 6.9 A committee member asked how changes would be considered in the transition period between the current and new process. SB suggested that in flight changes would remain on the current process but could be subject to re-prioritisation alongside new changes following the new process.
- 6.10 A committee member asked how the CCC would determine the type of engagement that should be undertaken for a change. SB responded that the stakeholder engagement document sets out the range of engagement activities that could be used for the different types of changes acting as a guidance document. The type of engagement would likely be decided at the prioritisation stage with the CCC using the stakeholder engagement as a guide.
- 6.11 The committee discussed the need to have a further consultation on the solution. The CCC concluded this would not be necessary on the basis that the change to the consulted solution was based on industry feedback from that consultation.
- 6.12 The Code Change Committee:
- **AGREED** (unanimous) the Change Proposal plan;
 - **AGREED** (unanimous) that no further industry consultation would be carried out in relation to the Change Proposal; and
 - **AGREED** (unanimous) the proposed rationale for the Post-Implementation Review.

7. Recommendation CPW139b Bilateral Hub (Verifications)

- 7.1 The Code Change Committee considered CPW139b '[Bilateral Hub \(Verifications\)](#)'. The draft recommendation report (DRR) set out the proposed code amendments to deliver the second implementation of processes into the Bilateral Hub under CPW139 & CPM051, featuring

technical solutions for processes C4 (Identified Missing Service Components) and C7 (Supply Point Address Amendment).

- 7.2 CD outlined the Bilateral programme headlines to date and commented that efficiencies continued to be found in the programme that meant deliverables could be brought forward creating space for additional enhancements at a later stage. Further details on proposed enhancements would be shared with the CCC at a future meeting following review of the programme by the Bilateral programme steering group.
- 7.3 CD commented that both processes C4 and C7 continued to be extensively used by Trading Parties to warrant their adoption as new stand-alone bilateral hub processes. CD also outlined the impact of the change on improved customer outcomes and improving accountability, transparency, standardisation and efficiency.
- 7.4 The continuing governance of the programme was outlined with all change proposal documentation having been reviewed in detail by the OAG (Operational Advisory Group) and CAG (Code Advisory Group). CD added that Trading Parties had had early sight of the pertinent documents from 15 April 2023 pending sign off by the CCC, together with Ofwat and CCW (Consumer Council for Water).
- 7.5 The Code Change Committee:
- **AGREED** (unanimous) to recommend CPW139b to Ofwat for approval;
 - **AGREED** (unanimous) the rationale that CPW137 better facilitated the principles of the Wholesale Retail Code; and
 - **AGREED** (unanimous) to recommend that, if approved, CPW139b be implemented at 00:00 on 27 September 2023, if Ofwat approval is received by 25 August 2023.

8. AOB

- 8.1 There was no additional business that was raised for discussion.

CLOSED SESSION:

9. Committee Reflections

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