

Minutes of Code Change Committee Public Session Meeting 22

11 December 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
Neil Pendle	NP	Retailer Member Alternate (for Claire Yeates)	John Vinson	JV	Customer Representative
Ulrike Hotopp	UH	Independent Member			

AFFILIATE MEMBERS PRESENT

Sarah McMath	SM	MOSL	Dan Mason	DM	Ofwat
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SECRETARIAT

Adam Richardson	AR	Panel Secretary	Sam Mawby	SMY	Secretariat
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OTHER ATTENDEES

Holly Woodhead	HW	Ofwat	Sasha Pearce	SP	Ofwat
Stuart Boyle	SB	MOSL Presenter (items 3)	Sayonee Nandi	SN	MOSL Presenter (item 4)

Hannah Allardice	HA	MOSL Presenter (item 4)	Huw Comerford	HC	MOSL Presenter (item 5, 7 and 8)
Andrew Johnson	AJ	MOSL (item 5)	Evan Joanette	EJ	MOSL Presenter (item 9)
Phoebe Nixon	PN	MOSL Presenter (item 9)	Miles Robinson	MR	MOSL Observer (item 9)
Trevor Nelson	TN	Observer (Business Stream)	Peter Strain	PS	Observer (Castle Water)

APOLOGIES

Claire Yeates	CY	Retailer Member			
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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. NP 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 conflicts of interest were declared.

2. Minutes and Outstanding Actions

- 2.1. The committee noted the minutes from CCC21 (06 November 2023) which had been circulated for review ahead of the meeting. The minutes were approved, including the open session minutes for publication.
- 2.2. The CCC agreed to close the following actions:
CCC03_01
- 2.3. The CCC agreed that the following actions should remain open:
CCC20_02 and CCC21_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 CCC aware that CPM053 and CPW 146 '[Change Process Improvements](#)' had been approved by Ofwat and would be implemented on 18 December 2023.
- 3.3. The Code Change Committee:
- **NOTED** the change report.

4. Change Plan – CPW148 Transfer Read Notifications for Outgoing Retailers

- 4.1 The Code Change Committee (CCC) considered the change plan for CPW148 '[Transfer Read Notifications for Outgoing Retailers](#)'. The change proposal sought to introduce notifications to Outgoing Retailers when Transfer Reads were updated or removed.
- 4.2 SN outlined the background to the change, the problem statement and the anticipated impact on the principles as outlined in the papers.
- 4.3 SN commented that the consultation dates had been amended slightly to start on 8 January 2024 to take account of the Christmas holiday period.
- 4.4 The CCC discussed the change plan making the following observations:
- A query was raised as to whether the change could be perceived as trying to accommodate a problem. It would be useful to include in the consultation, questions that related to the behaviours associated with changes to transfer reads. This would help to gain a clearer understanding of why so many were needing to be changed and also reinforcing the necessity to ensure these were undertaken. HA commented that the issue had been in place since market opening. The change would provide greater transparency for the outgoing Retailer to understand if a change had been made by the incoming Retailer.
 - One Member suggested that the anticipated customer benefits were exaggerated as it was not necessarily going to reduce complaints. The CCC noted the key difference that the change would make would be in relation to the outgoing retailer who would have earlier sight of the data and would be able to act on any issues more quickly.
 - The committee noted that the change could not be implemented until December 2024 as it required changes to CMOS and also trading party systems. Such changes needed to allow a lead time following any Ofwat decision for the market to prepare and test systems as appropriate. Therefore this change would fall into the next scheduled window for major changes to CMOS after any such Ofwat decision.

- A committee member raised a query as to whether the decline in transfer read numbers following a peak in 2019 was a reflection of the market switching rate or that the transfer reads were now more accurate and timely. PN responded that this data could be included in the recommendation paper.
- The committee agreed that having access to the data gathered so far in relation to the impact of CPW130 'Transfer Read Estimated Reason Codes' which had been implemented in May 2023 would be useful to include in the recommendation report.

4.5 The Code Change Committee:

- **AGREED** (unanimous) the proposed change plan; and
- **ENDORSED** the proposal that a PIR should form part of the change proposal.

5. Recommendation – CPM057 Late Payment of Market Operator Charges

- 5.1 The CCC considered the draft recommendation report for CPM057 '[Late Payment of MO Charges](#)'. The change proposer sought to make the application of interest for the late payment of Market Operator (MO) charges proportionate and avoid situations arising where the cost of invoicing exceeded the value being recovered.
- 5.2 HC outlined the background to the change and how the points raised by the CCC at Gate 1 had been addressed, as outlined in the papers.
- 5.3 HC also made CCC members aware that the legal drafting had been clarified further following the distribution of the papers and that it was now drafted as follows in the MAC (Market Arrangements Code):

'Section 10.7.2 The Undertaker Wholesaler Business or Retailer Business will only be invoiced for the interest owed to the Market Operator in respect of an overdue invoice, if the total amount of interest owed under said invoice exceeds £50. If payment is received for an invoice before the accrued interest exceeds £50 then no interest will be levied on that invoice.'

5.4 The CCC had a detailed discussion including the following points:

- A query was raised regarding what percentage of payments were deemed to be late. HC responded that this currently stood at 20% although these payments were generally for

small amounts and over a short period meaning that the interest charged would be small as interest was calculated on a daily basis. HC acknowledged that the figure was high but charging interest to collect a small amount was not deemed to be an incentive to Trading Parties to change behaviours in this area. Where a Trading Party became a concern in relation to late payment there was the option to escalate the matter to the Market Performance Committee for consideration.

- Some CCC Members observed that late payment was a real issue in broader terms and that organisations should be incentivised to make all payments on time. There was recognition that the solution would save costs for the MO and Trading Parties but these CCC members felt concern that the change would send the wrong message to Trading Parties in relation to the need to make payment on time.
- A query was raised as to whether the MAC was being changed to fit with current practice. HC responded that a minimum charge had been considered but MOSL had concluded that if that had been applied to all late payments it would not have been a proportionate solution to the issue.
- A query was raised as to whether more costs could be generated than benefits if MOSL charged interest on all late payments and the need to be mindful of the impact to smaller Trading Parties who had less resource to ensure all payments were made on time.
- The CCC noted that MOSL's administration of late payment interest charges was currently a manual process and therefore invoicing late payment interest would incur material resource.
- The CCC acknowledged that the MPC would be a good mechanism to ensure that the issue of late payment was monitored and managed as a performance issue, as needed. The MPC would be able to suggest that further changes could be made to the Code if that was warranted. HC added that the MPC had provided input to the change and were supportive of the outlined approach.
- A CCC member acknowledged that changing to a de minimis of £50 would provide a limited incentive to encourage on time payments of large bills. The CCC member also commented that the de minimis amount of £50 would generate revenue of up to £6.5K for the 127 cases over the five month period outlined in the paper (c.£12K per annum).
- A CCC member observed that the change was about making a proportionate business decision on how to handle late payments and felt like an appropriate approach.

- A CCC member suggested that it would be useful to understand more clearly the causes of late payment to help to understand how better behaviours could be driven.
- 5.5 DM acknowledged the point around the principle of late payment and the importance of sending the right messages to Trading Parties but on balance considered the approach to be proportionate. DM added that understanding the drivers for late payment was important and that issue arising from late payment would be an area that the MPC could monitor.
- 5.6 DM observed that the recommendation report did not clearly address how the solution would meet the primary principle of being of benefit to customers. AR responded that facilitating a more efficient market operation would ultimately benefit customers in terms of impact on bills but to claim a direct benefit to customers in relation to a change of this size did not seem appropriate. In this instance the change was considered to be broadly neutral in terms of the impact to customers.
- 5.7 The CCC noted that if approved, the change proposal would disapply the requirement for the Market Operator to invoice Trading Parties for small amounts of interest where they paid late. The proposer felt that charging these amounts would not change behaviour.
- 5.8 The Code Change Committee:
- **AGREED** (six in favour, three against) to recommend CPM057 to Ofwat for approval;
 - **AGREED** (six in favour, three against) that a Post Implementation Review was not required; and
 - **AGREED** (six in favour, three against) to recommend that, if approved, CPM057 be implemented on:
 - On 1 April 2024, if Ofwat approval is received before 5 March 2024; or
 - On 10 May 2024, if Ofwat approval is received 16 April 2024
- 5.9 The members of the committee who voted against CPM057 considered the proposal did not introduce an incentive for trading parties to pay invoices on time and whilst it would conserve Market Operator resource, it could potentially encourage late payment. In addition, there had not been sufficient consideration of a 'suitable' penalty charge that would incentivise prompt payment.

6. Prioritisation of Changes:

- 6.1 The Code Change Committee considered the changes with Ofwat for decision. The committee noted that Ofwat would decide the order in which it considered recommended changes and that it was currently working on six from earlier CCC meetings. The committee

advised Ofwat of its priorities (highest first) based on the understanding that currently all changes were on schedule for a decision within the expected timeframe:

- CPM054 & CPW145 Deductions and Withholdings under dispute process
- CPW141b Clarifying Meter Chamber Responsibilities
- CPW139e Bilateral Hub (Miscellaneous)
- CPM057 Late Payment of Market Operator Charges

7. Post Implementation Review CPW087 Ability for Wholesalers to Add Meter Reads

7.1 The Code Change Committee considered the post implementation review update for CPW087 [‘Ability for Wholesalers to Add Meter Reads’](#) as outlined in the paper. The key benefits of the change could be evidenced in the following areas:

- Significant increase in the number of Wholesaler reads that were being submitted by wholesalers
- Retailer uptake increased
- Increase of LUM (Long Unread Meter) resolution

7.2 HC commented that the Metering Committee was making use of the data in relation to the development of CPW142 [‘Wholesaler Smart Reads’](#).

7.3 The Code Change Committee:

- **NOTED** the paper.

8. Post Implementation Review CPW123 Improved Remote Read Type Codes

8.1 The Code Change Committee considered the post implementation review (PIR) for CPW123 [‘Improved Remote Read Type Codes’](#) as outlined in the paper. The key benefits of the change could be evidenced in the following areas:

- Significant improvement to the understanding of metering technology installed on market meters
- Clear understanding of the type of data that can be obtained from each meter type
- Assistance with meter read cycle planning
- Providing the ability to identify meter types

- Metering Committee considered that the change had improved the data in the market and that it would support market improvement initiatives aimed at increasing the number of bills based on actual reads
- 8.2 A CCC member asked whether any data anomalies had been identified when undertaking the PIR. HC responded that no anomalies had been found although there had been a number of instances where meters were not being recorded accurately. This issue has been raised with the relevant Trading Party.
- 8.3 A CCC member queried the accuracy of the data and suggested that the data may be more of an indicator as meter definitions could vary across wholesalers. HC noted this and said that in relation to definition one of the key aspects of CPW142 'Wholesaler Smart Reads' related to how a smart meter was defined.
- 8.4 The Code Change Committee:
- **NOTED** the paper.

9. Market Performance Framework Reform Update

- 9.1 EJ and PN provided the CCC with an update on the MPF (Market Performance Framework) Reform programme which included:
- Interim improvements to MPF (CPW144)
 - Recap on MPF Reform programme
 - Consultation 3 findings
 - Summary of proposed MPF model
 - Business Case update
 - Looking ahead
- 9.2 PN reminded CCC members regarding the background to CPW144 '[MPF Incremental Improvements](#)'. Ofwat had approved the change on 17 November 2023 with an implementation date of 18 December 2023. Ofwat's approval was subject to legal drafting changes which would mean that the suspension of MPS18 and MPS 19 could be reversed if monitoring showed that customers were being adversely affected by the changes. Following implementation changes to performance and reporting would take effect from 1 January 2024.

MPF Reform Programme:

- 9.3 EJ advised CCC members that the change proposal for the MPF Reform programme would be submitted to the January CCC meeting. The update provided an opportunity for the programme team to give CCC members a view of the wider landscape relating to the change, ahead of a more detailed teach-in session on 20 December.
- 9.4 At the Strategic Panel meeting in November the model, full business case and budget for MPF Reform were considered and approved. The Strategic Panel also supported MOSL's recommendation that the Code Advisory Group be utilised in a similar way to the Bilateral Hub programme to help develop the market code document drafting for recommendation to the CCC.
- 9.5 EJ reminded CCC members that the current MPF was considered by stakeholders to be a framework that measured a range of activities that did not actually drive change. The number of metrics was high with a significant number of blunt interventions e.g. application of MPS (Market Performance Standards) and OPS (Operational Performance Standards) together with a lengthy change process. The future MPF was being designed to be more targeted with fewer interventions and would make use of KPIs (Key Performance Indicators). Accountability would be clearer and the framework would be designed to have greater flexibility and adaptability.
- 9.6 Consultation three feedback had been broadly positive with over 80% of respondents supportive of the MPF model and the proposed approach to implementation. Three Trading Parties were neutral about the proposed model and two retailers were unsupportive. MOSL was working with those stakeholders to ensure they are comfortable with the direction of travel.
- 9.7 A CCC member asked, given the metrics for MPF 2.0 had already been formulated, what the role of the Committee would be. EJ responded that the CCC would want to ensure that the enabling code was in place and that the governance related to the programme was working effectively. The governance model proposed was similar to that of the Bilateral Hub programme. The CCC member asked whether the Committee would be asked to approve the metrics put forward or opine on whether the metrics would be appropriate. EJ responded that the recommendations submitted to the Committee would have worked through in detail in conjunction with Trading Parties and industry experts. It was not anticipated that the CCC would undertake detailed debates on the changes, however a number of CCC members were also involved in the MPF Reform programme work so it would be possible for CCC to have input to the detailed discussions via this mechanism.

- 9.8 A CCC member queried whether MPF 2.0 would effectively be a mechanism to hold Trading Parties to account that had been designed by Trading Parties. EJ responded that although industry expertise had been crucial in developing the design of the framework would be proposed by MOSL, taking account of trading party input but also views of independent consultants and end-customers.
- 9.9 DM added that Ofwat was involved in the MPF steering group as was CCW providing a further level of scrutiny. The CCC would not just be approving the mechanisms of MPF 2.0 but would be essential in providing challenge, as needed.
- 9.10 A CCC member asked whether the late payment of MO charges would fall within MPF 2.0. EJ responded that it was not planned to include payment of MO charges in the first iteration of MPF 2.0 as this was not a significant customer-affecting market risk or issue that was identified at an earlier stage of the programme. However, the model had built in flexibility so there was the option to include that or any other issue in the future, if the industry felt that was appropriate.

10. AOB

Stakeholder Engagement Policy Guidelines

- 10.1 The CCC considered an updated version of the Stakeholder Engagement Policy guidelines. The document had been reviewed in detail at the September CCC meeting and the updates proposed were non-substantive.
- 10.2 Further non-substantive changes were put forward by CCC members which the Committee was content to adopt.
- 10.3 The Code Change Committee:
- **AGREED** (unanimous) to approve the updated Stakeholder Engagement policy Guidelines incorporating the non-substantive amendments put forward by CCC members.

CCC Effectiveness Review:

- 10.4 SMY advised the CCC that the Committee Effectiveness Review was on track and thanked members for completing the questionnaire.

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CLOSED SESSION:

11. Committee Reflections

11.2 The committee shared their learning from other market governance committees and groups they were involved in, and reflected on the meeting.