

Governance Sub-group

Meeting 1

04 May 2021



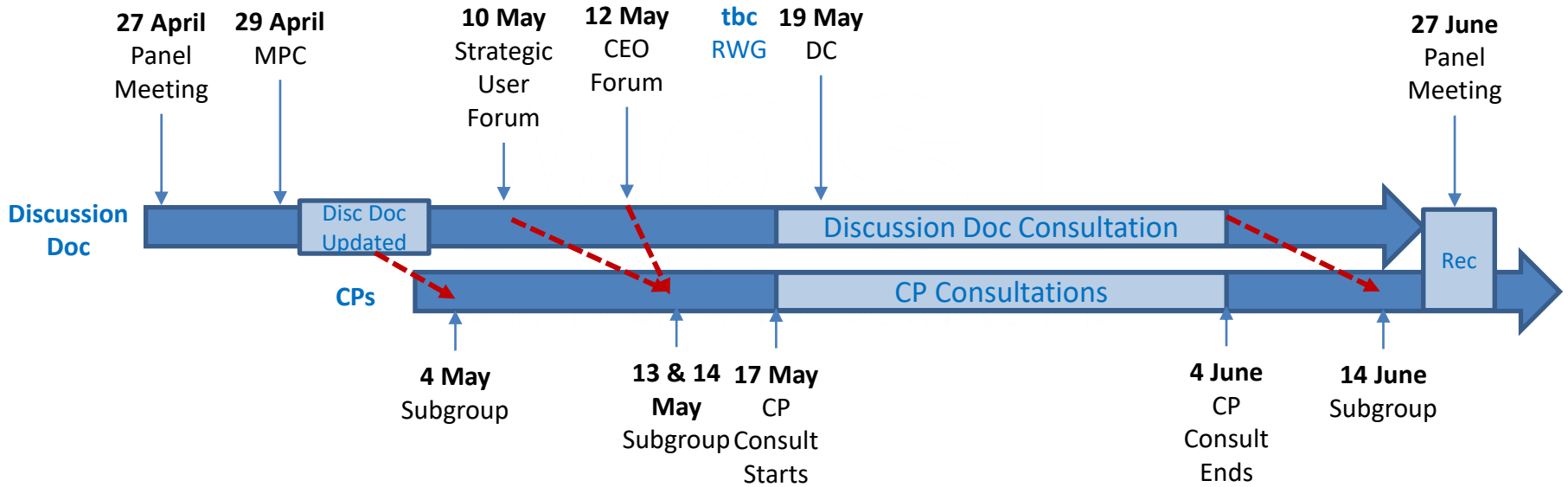
Welcome and Introductions - Agenda

Time	Item	Purpose	Reference	Presenter
09:30-09:50	Welcome and introductions	Info	Verbal	Chair
09:50-10:00	Governance Review Programme Overview	Info	Verbal	Adam Richardson
10:00-10:10	Sub-group Deliverables	Info	Verbal	Stuart Boyle
10:10-10:55	Code Principles	Discussion	CPM040 CPW121 GSG01_03	Flo Monea
11:00-11:10	Break			
11:10-11:15	Panel Purpose Discussion Models	Info	GSG01_01	Tom Daborn
11:15-12:00	CPM021 Solution	Info	CPM021 GSG01_02	Chris Wright
12:00-12:50	CPM039 Solution	Info	CPM039	Dan Mason
12:50-13:00	Break			
13:00-13:20	Scenario Testing: Strategic Change	Discussion	Verbal	Stuart Boyle
13:20-13:40	Scenario Testing: Code Change	Discussion	Verbal	Stuart Boyle
13:40-14:00	Scenario Testing: Poorly performing party	Discussion	Verbal	Stuart Boyle
14:00-14:20	Scenario Testing: Dispute between parties	Discussion	Verbal	Stuart Boyle
14:20-14:30	Actions for next meeting	Info	Verbal	Chair

Governance Review Programme Overview

Adam Richardson

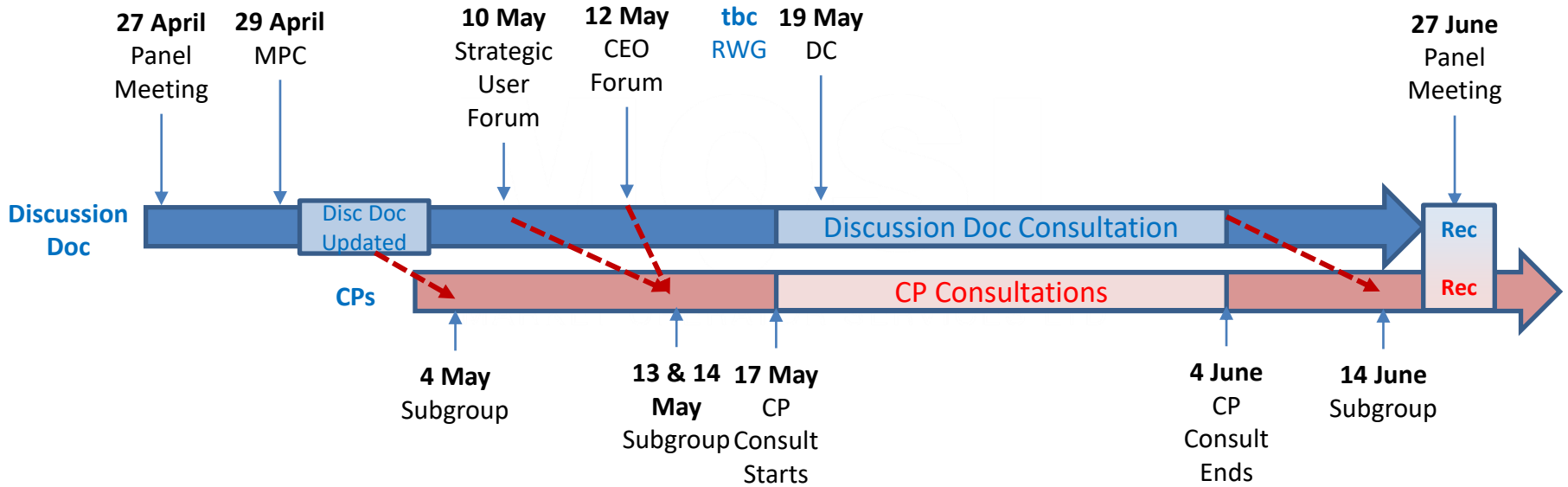
Timeline



Sub-group Deliverables

Stuart Boyle

Timeline



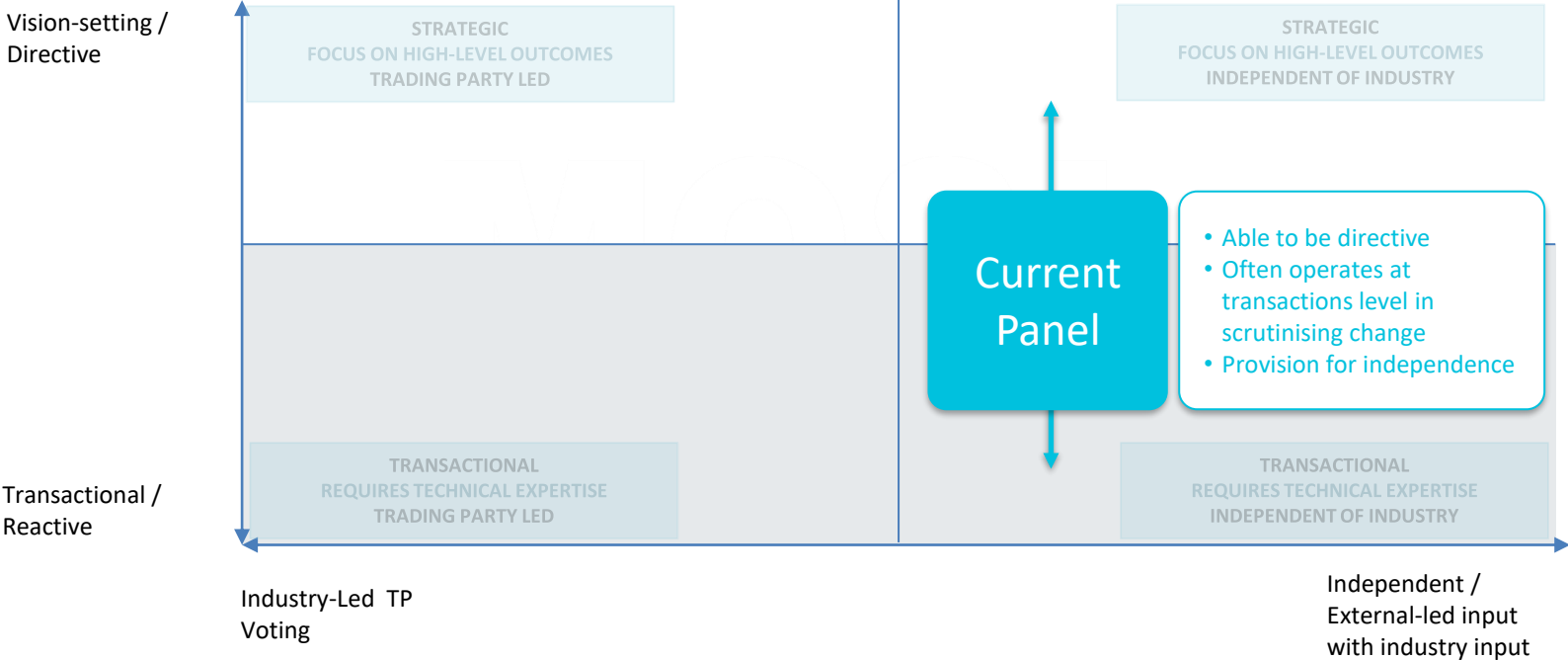
Code Principles

Flo Monea

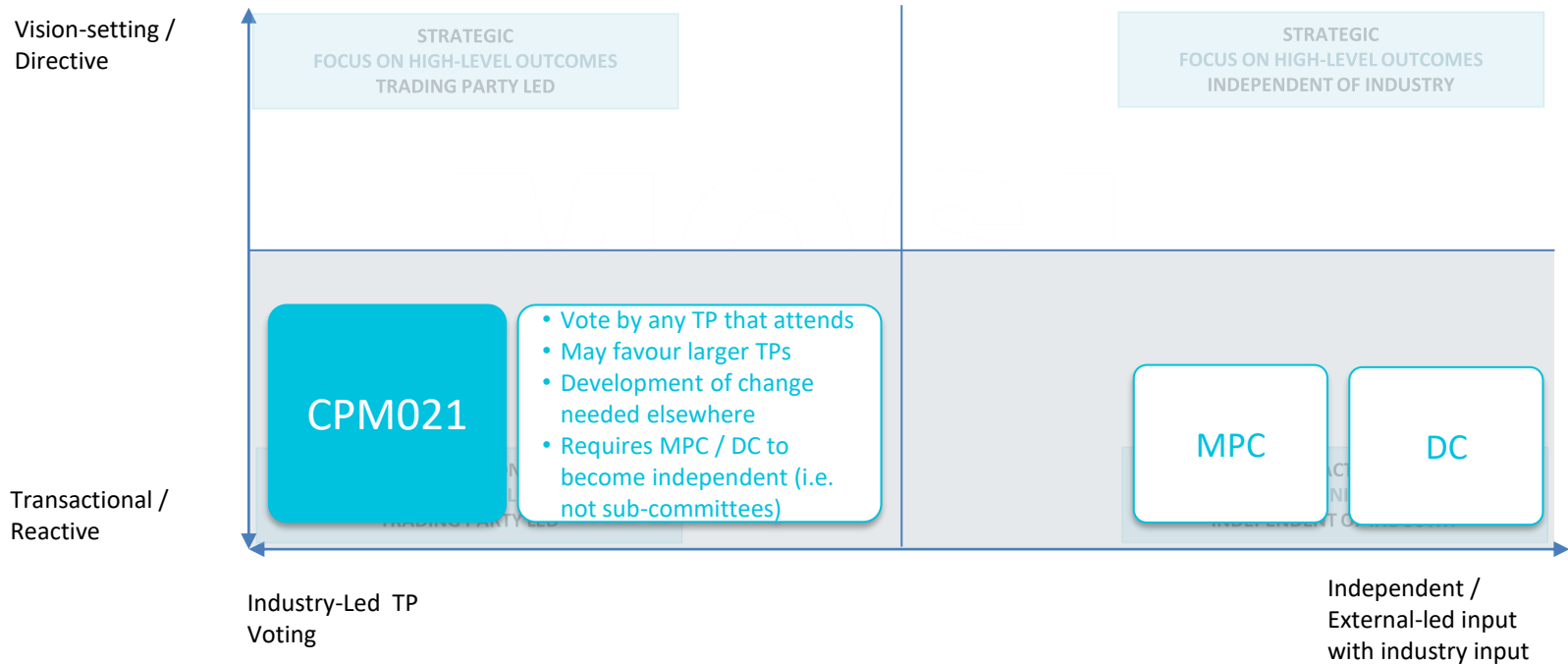
Panel Purpose Discussion Models

Tom Daborn

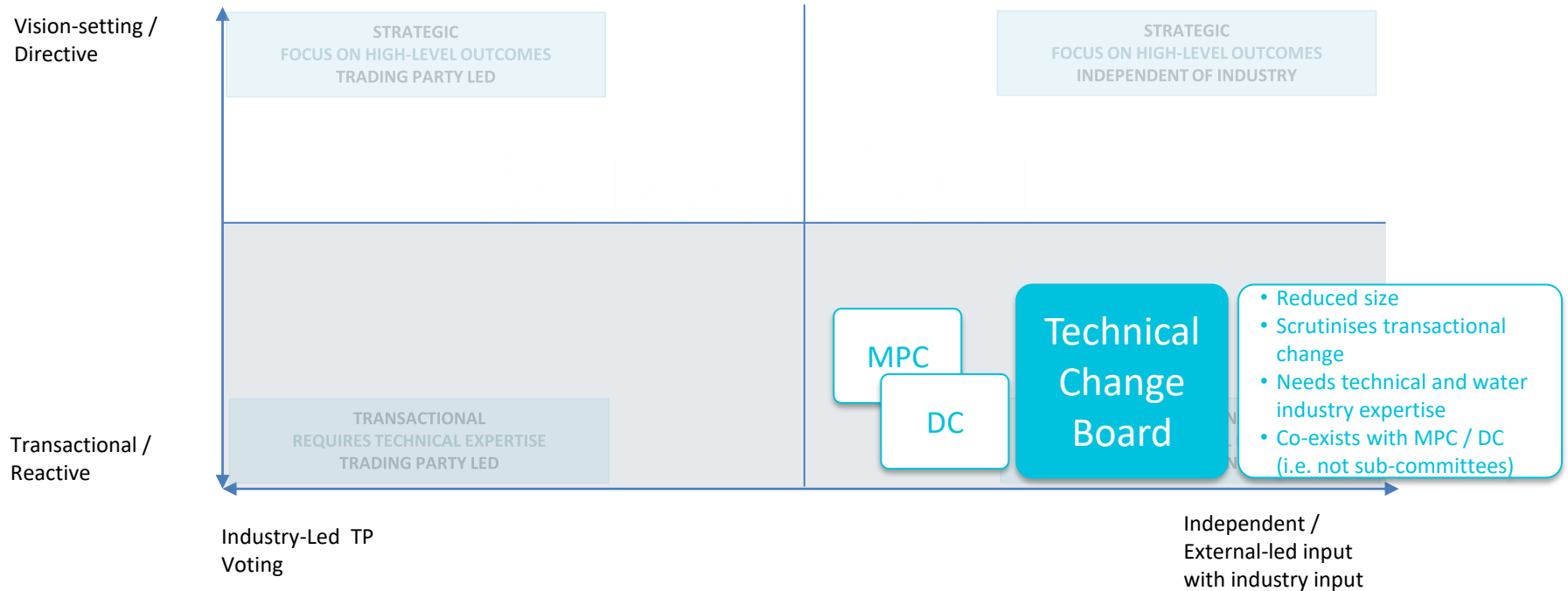
Option 1 - Current Panel



Option 2 - Open Voting Forum

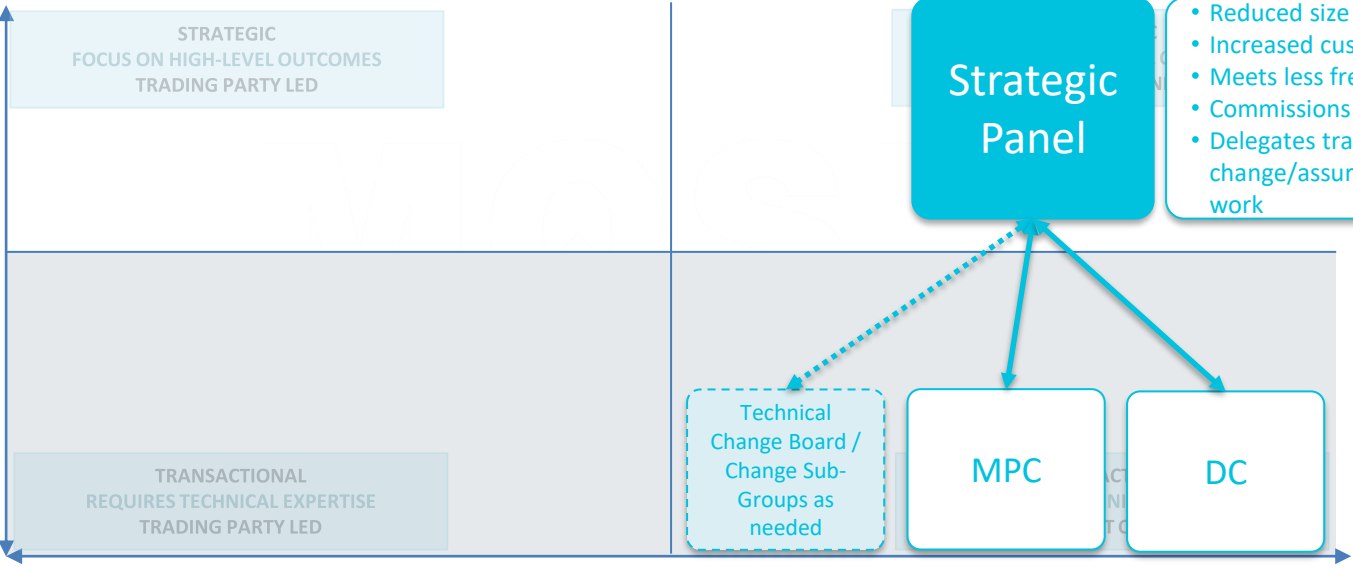


Option 3 - Technical Change Board



Option 4 - Strategic Panel

Vision-setting / Directive



- Reduced size
- Increased customer input
- Meets less frequently
- Commissions work
- Delegates transactional change/assurance/disputes work

Transactional / Reactive

Industry-Led TP Voting

Independent / External-led input with industry input



Composition Considerations

In each of the models, thought should be given to the composition of a Panel. Areas for consideration include:

1. Terms of Appointment
2. Selection of Panel and Panel Committee Members
3. Voting Panel Members
4. Affiliated (non-voting) Panel Members
5. Quorum
6. Observers

Evaluating the models

It is proposed that models might be evaluated in relation to whether they provide for governance that:

1. Places the **customer at the heart**
2. Enables **market-led self-governance** with a blend of experience and voices
3. Provides **outcome-focused, evidence-based** decision-making
4. Enables **appropriate prioritisation** ensuring **customer outcomes and strategic changes** are prioritised
5. Ensures **transparency** in decision-making that is **demonstrably cost effective**
6. Provides **appropriate opportunity for all stakeholders** to input
7. Ensures **Panel is accountable** to its stakeholders
8. Ensures **Trading Parties are appropriately held to account**

CPM021 – Panel Membership and Voting Rights

Huw Comerford

CPM039 – Revisions to Panel Composition

Dan Mason

Scenario Testing

Stuart Boyle

Scenario Testing

Aim

To review the Panel responsibilities and how they may work under the hybrid (Strategic Panel and Technical Board) and Open Forum models so that the composition of these groups can be determined.

1. Strategic change
2. Code Change Proposal
3. Market participant performance issue
4. Dispute between trading parties
5. Reviewing the Market Operator Budget
6. Reviewing the Market Assurance process

Scenario 1: Strategic change

A strategic direction has been received from Ofwat or government. Examples might include:

- ◆ Consistency of bilateral arrangements between Wholesalers and Retailers
- ◆ Expanding the market to domestic customers
- ◆ Restricting water usage in the Non-Household Market

Assume the Panel is responsible for developing and implementing the non-household market response.

- ◆ What are the key decisions and who makes them?
- ◆ What skills, knowledge and input are needed to make these decisions?

Scenario 2: Code Change Proposal

The panel has received the following code Change Proposals:

1. Housekeeping : Gender neutrality
2. Technical: Change to calculation of estimates
3. Urgent: COVID payment deferral
4. Strategic: A new code principle

Assume the Panel must recommend to Ofwat whether each change proposal should be implemented or rejected.

- 💧 What are the key decisions and who makes them?
- 💧 What skills, knowledge and input are needed to make these decisions?

Scenario 3: Market Participant Performance Issue

Whilst compliant with the market codes, a trading party is not meeting the expected service levels. They are paying above average performance charges and responsible for a significant number of customer complaints.

Assume the Panel wants to improve the situation.

- 💧 What are the key decisions and who makes them?
- 💧 What powers would the Panel need?
- 💧 What skills, knowledge and input are needed to make these decisions?

Scenario 4: Dispute between Trading Parties

A Trading Party is disputing another Trading Party's compliance with the Codes.

Assume the Panel is responsible for determining if the Trading Party compliant and if not compliant what rectification is required.

- What decisions should be made and who makes them?
- What skills, knowledge and input are needed to make these decisions?
- What powers do the decision makers need?
- Do the answers to the above change if the Trading Party is the Market Operator?

Scenario 5: Reviewing the Market Operator Budget

MOSL is consulting on its budget for the next three years. Assume the Panel wishes to respond:

- ◆ What decisions should be made and who makes them?
- ◆ What skills, knowledge and input are needed to make these decisions?
- ◆ What powers do the decision makers need?

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Scenario 6: Reviewing the Market Assurance process

Market data quality is declining due to inadequate internal processes of a selection of Trading Parties. Assume the Panel suspects market assurance processes need improvement.

- 💧 What decisions should be made and who makes them?
- 💧 What skills, knowledge and input are needed to make these decisions?

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Panel Role and Responsibilities (as per the MAC)

Industry Self Governance

Market Design

- a) keep the contents of the Wholesale-Retail Code under review to ensure that they continue to reflect the Objectives and Principles;
- b) keep the contents of the Market Arrangements Code under review;
- h) consider, vote on and, make recommendations to the Authority in respect of any Change Proposal and Charging Change Proposal;

Other Areas of Delegation / Oversight

- o) establish Additional Panel Committees, delegate any of the Panel's role and functions to any such Additional Panel Committee and decide that such Additional Panel Committee shall cease to be established from time to time;
- p) report to the Authority on the activities of the Panel, the Disputes Committee, the Market Performance Committee and any Additional Panel Committee; and
- q) establish, maintain and implement a governance framework for the use of any Market Performance Standard Charges and Operational Performance Standard Charges collected to fund other activities.

MOSL Delivery

- g) consider and comment on the draft Market Operator Budget and Market Operator Charges, list of Additional Services and Additional Services Charges;
- i) approve all forms and supporting documents that the Market Operator is required to produce under the Code Subsidiary Documents from time to time;

Industry Self Regulation

Market Performance

- c) work with the Market Operator to develop the scope and audit plan for each market audit;
- d) review and comment on any Market Audit Reports;
- e) provide advice, recommendations and support to the Market Operator on request in order to assist a Trading Party in successfully carrying out and satisfactorily completing the relevant Market Entry Assurance processes or the Market Re-assurance processes;
- f) comment or provide advice to the Market Operator on request in relation to any Market Entry Assurance Plan or Market Re-assurance Plan;
- j) receive and consider Reports from the Market Operator on performance by Trading Parties or any other matters;
- m) establish a Market Performance Committee on a standing basis in accordance and delegate such of its role and functions to the Market Performance Committee as required in order to give effect to the market performance processes and methods;
- n) oversee the administration of the Market Performance Framework;

Disputes

- k) establish a Disputes Committee on a standing basis to investigate and resolve Trading and non-trading Disputes;
- l) perform the role and functions of the Panel in relation to a Trading or non-trading Dispute;

Wrap-up and actions for next meeting

Angela Day