



Governance Sub-Group Meeting 5

Version 1.0

24 June 2021

Agenda



- ◆ Welcome and introductions
- ◆ Review of Consultation Themes – Panel Composition
- ◆ [Sub-group recommendation to Panel – Panel Composition]
- ◆ Review of Consultation Themes – Code Principles
- ◆ [Sub-group recommendation to Panel – Code Principles]
- ◆ Next Steps
- ◆ AOB



Panel Purpose Consultation

1. Continued need for some form of panel as part of market led governance
2. Panel is needed to ensure the market delivers defined outcomes
 - ◆ Differing views who should set the outcomes (Ofwat/Market/customer)
 - ◆ Differing view on Panel scope (codes or codes+)
3. There is a distinction between market and code strategy
 - ◆ Market strategy and who is setting it needs to be clearer
 - ◆ Code strategy is Panel responsibility (plan, prioritise and triage)
4. Panel should have powers to: develop the rules, hold participants to account and resolve disputes
 - ◆ Panel is currently stretched too thin to address strategy
 - ◆ Need the right skills but disagreement if these are inside or outside of the industry
5. Agreement on stakeholders
 - ◆ How should they be engaged?
 - ◆ Is there a continuing role for other groups?



Panel Purpose Consultation

6. Two chamber model of Change Board and Strategic Panel had the most support
7. Mixed views on industry/non-industry balance
 - ◆ Industry ensures the market works/ Non-industry protects against self interest
8. Mixed views on election or selection
 - ◆ Election is open and transparent/Selection ensures the right mix of skills
 - ◆ Engagement of potential candidates?
9. General agreement with the evaluation factors
 - ◆ Equitable outcomes based upon the regulated framework
10. Other comments
 - ◆ Clarity and consultation on the strategic objectives
 - ◆ Frequency of meetings
 - ◆ Duplication and complexity of groups
 - ◆ Other mechanisms, e.g. price controls



Review of Consultation Themes

– Panel Composition

Tom Daborn/Huw Comerford



Forming the Sub-group recommendation

Theme	Proposal 1	Proposal 2	Sub-Group
Colour	Red	Blue	Red preferred
Fuel	Petrol	Diesel	Hybrid Alternative
Seats	Leather	Synthetic	Synthetic preferred
USB	Not specified	Not specified	1 Front, 1 Back Alternative

Consultation Themes



Theme	CPM021 – Current Solution	CPM039 – Current Solution	Sub-Group Conclusion
Wholesaler and Retailer representation (Strategic Panel)	Constituency prescribed	Constituency not prescribed	Constituency prescribed with contingency provision
Associated and Unassociated Retailer representation	Association not prescribed	Association not prescribed	Association not prescribed
Detailed constituency representation (NAV, SS, WOC, WASC)	Detail not prescribed	Detail not prescribed	Detail not prescribed
Industry to non-industry ratio (Strategic Panel)	Majority Industry: 3 independent 1 customer rep [2 cust. reps?] 6 industry	Balanced: 3 independent 1 customer rep 4 industry	Balanced: 3 independent 1 customer rep 4 industry
Industry to non-industry ratio (Code Change committee)	Majority Industry: [3 independent?] 1 customer rep 6 industry	Balanced: 2 independent 2 customer (rep and body) 4 industry	Balanced: 2 independent 2 customer (rep and body) 4 industry

Consultation Themes (Cont'd)

Theme	CPM021 – Current Solution	CPM039 – Current Solution	Sub-Group Conclusion
Trading Party engagement and input (Strategic Panel)	Code Review Panel codified to take into account input from the Trading Party Forum	No codified mechanism for Trading Party engagement	Strategic Panel ToR to include Stakeholder Engagement
Appointment Mechanism (Strategic Panel)	TP Nominees are elected	Selection by Panel Nominations Committee	Transitional - Selection by nominations committee (Ofwat, Defra + industry MOSL Board members) Ongoing – Selection by nominations committee of Strat Panel (Ofwat, Defra + 2 Strat panel agreed members)
Appointment Mechanism (Code Change Committee)	TP Nominees are elected	Selection by Strategic Panel	Transitional – Existing Panel becomes interim Code Change Committee until new Committee is formed Ongoing - Selection by Strategic Panel
Election by membership constituency (Strategic Panel)	All can vote for all TP nominees [Ringfenced constituency voting]	Not applicable	Not applicable
Coverage of Customer Representation	One customer representative on Code Review Panel One customer representative on Code Change Panel	One customer representative on Strategic Panel Two customer representatives on Code Change Committee	One customer representative on Strategic Panel Two customer representatives on Code Change Committee

Consultation Themes (Cont'd)



Theme	CPM021 – Current Solution	CPM039 – Current Solution	Sub-Group Conclusion
Environmental Stakeholders	Defra affiliate member on strategic panel	Defra affiliate member on strategic panel	Defra affiliate member on strategic panel
Strategic Panel remit outside of MAC & WRC	Not prescribed	Not prescribed	Not prescribed
Observers at Panel meetings	“Observers may also attend and speak at all meetings of the Code Review Panel, but will not be entitled to vote.”	“Observers may attend a meeting of the Panel. Observers may speak at meetings of the Panel if invited to do so by the Panel Chair, but will not be entitled to vote.”	
Association with ‘Panel’ (Code Change Committee)	Code Change Panel	Code Change Committee	
Association with ‘Panel’ (Strategic Panel)	Code Review Panel	Strategic Panel	[Something other than Panel?]
Sanctions for failure, including dismissal of the Chair, Panel or Secretariat by the Board.	No change: Panel/Chair – Panel vote Secretariat – MOSL Board	No change: Panel/Chair – Panel vote Secretariat – MOSL Board	



Review of Consultation Themes

– Code Principles

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Consultation Themes



Theme	Suggestions	Sub-Group Conclusion
Primary Principle	The term “Trading Parties” is not included. The code must be governed in a way that enables Trading Parties to meet their market obligations.	
Primary Principle	<p>The codes do not exist to deliver customer benefits other than through their effective operation and that of the settlement regime.</p> <p><i>'...shall be maintained, operated and developed in a manner that best seeks to protect and promote the interests of, and participation by, existing and future Non-Household Customers by ensuring the fair and effective settlement of transactions between market participant.'</i></p>	
Supporting Principles	the deletion of ' where appropriate ' from the principles' definitions	

Consultation Themes



Theme	Suggestions	Sub-Group Conclusion
Seamless Non-Household Customer experience	In addition, it should deliver customer benefits, as an experience may be positive but deliver no tangible customer benefits.	
Removal of <i>Seamless Markets</i> (across Scotland and the Scottish market)	No rationale provided and to some extent could be seen as contradictory to the new Primary Principle	

Consultation Themes



Theme	Suggestions	Sub-Group Conclusion
Cost effectiveness	... of any changes for Trading Parties should be included	
Proportionality		
Measurability	Being able to measure the improvement made after the change has been implemented (post change review) could be considered to keep a check on the decision-making process to ensure changes are in fact having the benefits that they claimed. This is also a good measure of success and effectiveness for the Panel.	