



## Minutes of Panel Meeting 31

28<sup>th</sup> May 2019 | 10:30 – 15:00  
ETC Venues, 6 Avonmouth Street, London, SE1 6NX

Status of the Minutes: Approved

### MEMBERS PRESENT

Jim Keohane	JK	Chair	Martin Mavin	MM	Panel Member (Wholesaler)
Mike Brindle	MBr	Panel Member (Associated Retailer)	Helyn Mensah	HM	Panel Member (Independent)
Christopher Williams	CW	Panel Member (Associated Retailer)	Nigel Sisman	NS	Panel Member (Independent)
Trevor Nelson	TN	Panel Member (Unassociated Retailer)	Elsa Wye	EW	Panel Member (Independent)
Nicola Smith (T-con)	NSm	Panel Member (Unassociated Retailer)	Steve Hobbs	SH	Alternate Affiliated Panel Member (CC Water)
Claire Yeates	CY	Panel Member (Unassociated Retailer)	Des Burke	DB	Affiliated Panel Member (MOSL)
Julian Tranter	JT	Alternate Panel Member (Wholesaler)	Dan Mason	DM	Affiliated Panel Member (Ofwat)
Ian Dearnley	ID	Panel Member (Wholesaler)	Adam Richardson	AR	Panel Secretary

### OTHER ATTENDEES

Rachel Fletcher	RF	Presenter (Ofwat)	Amanda Hinde	AH	Secretariat (MOSL)
Steve Arthur	SA	Presenter (MOSL)	Antoine Schmidt	AS	Observer (Thames)
Stuart Boyle	SB	Presenter (MOSL)	John Vinson	JV	Observer (Independent)
Huw Comerford	HC	Presenter (MOSL)	Emma Kelso	EK	Observer (Ofwat)
Abu Rashid	ARa	Presenter (MOSL)	Sarah McMath	SM	Observer (MOSL CE-designate)
Charles Unvala	CU	Presenter (MOSL)	George Monea	GM	Observer (MOSL)
Scott Christie	SC	Presenter (Verastar Ltd)			

## APOLOGIES

Mark Holloway	Panel Member (Wholesaler)
Christina Blackwell	Affiliated Panel Member (CC Water)

### 1. Welcome and Introductions

- 1.1. The Chair welcomed attendees to Panel Meeting 31, including Rachel Fletcher from Ofwat, Sarah McMath (MOSL’s CEO Designate), Steve Hobbs as alternate for Christina Blackwell, and Julian Tranter as alternate for Mark Holloway.

### 2. View from Ofwat

- 2.1. Rachel Fletcher (RF) outlined her views on the water market, roles of the Panel and MOSL. RF referred to Ofwat’s letter to Wholesalers which had been published that morning, a link to which would be circulated.

#### ACTION 31\_01

- 2.2. RF reflected that Ofwat believes in using competition as a means to drive better outcomes for customers, such as lower prices, better quality services, and/or improved choices. She outlined her view of the challenges in the water sector, including population growth, climate change, and legitimacy. She emphasized that competition was not an end in itself and that Ofwat was prepared to use regulation if competition could not address these challenges and deliver benefits for customers. In particular, RF reiterated that Ofwat was disappointed in the progress of addressing market frictions in the last twelve months.
- 2.3. On the roles of the Panel and MOSL, RF’s view was that they work together to make the water market work in the interests of customers. She continued that the Panel was constituted as a way of industry self-governance and Ofwat is supportive of industry self-governance if it drives the right outcomes for customers. For self-governance to work, it required discipline from Panel members to put customers’ interests ahead of their companies’ interests, for MOSL to provide leadership, and Ofwat to be an active participant.
- 2.4. RF had seen some positive outcomes in recent months, such as clarity on MOSL’s plans to drive better market performance and the publication of performance data. These were major steps to show that the Panel members were focused on holding each other to account and to drive improvements for customers.
- 2.5. As stated in Ofwat’s 19 December 2018 open letter to Trading Parties in the business retail water market, Ofwat continued to be concerned about the slow progress at changing some of the governance arrangements around the Panel.
- 2.6. On market participants, RF explained that Ofwat was concerned that Wholesalers were not constructively and proactively thinking about the needs of market participants, including Retailers, NAVs (new appointments and variations), and self-lay providers. Ofwat saw that there were some companies deliberately trying to slow down and frustrate the market, although there were others that provided exemplary services. She emphasized that the letter sent a clear message that Ofwat was

running out of patience and was giving a period up to October 2019 for performance updates, and would not shy away from taking actions. With regard to the slow progress in code modifications, including seeing strategic code modifications being blocked, Ofwat had been thinking about what tools could be used to address these issues but Ofwat would adopt a wait and see mode for the time being.

- 2.7. RF closed by saying that Ofwat singled out Wholesalers in the letter because they have special responsibilities sitting with regional monopoly positions, but Retailers have an equally important role to take agency in the market to think about what they can do as individual businesses.
- 2.8. A Panel member asked RF how Ofwat would monitor the incumbent water companies, what information would be looked for, and whether that information would be shared. RF replied that the questions were free-form for respondents to the letter to decide what evidence they wanted to present to Ofwat. On sharing in the public domain, RF said that Ofwat was open by default and would not see a reason for this to be different.
- 2.9. Another Panel member asked if Ofwat would be embarking on Significant Code Reviews (SCRs) as had been seen in the energy industry. RF replied that Ofgem had had good reasons for conducting SCRs, but the need for SCRs was reduced where industry self-governance arrangements were operating effectively. Emma Kelso (EK) added that she understood the Panel would be considering its strategic priorities and this drive for improvement at a strategic level might result in improvement work that might otherwise require regulatory intervention.
- 2.10. A different Panel member queried whether RF felt there were any significant issues that the Panel had missed in its work to date. In addition, the Panel member explained that data issues, which cause significant friction in the market, came from a mixture of Retailers and Wholesalers, and is also a result of legacy issues. The current process will not fix data issues in a reasonable timeline, and there was a need to find another mechanism to attribute responsibility more clearly to specific Trading Parties (TPs) to put things right. The Panel member asked Ofwat what this mechanism might be, and how Ofwat could run parallel with the Panel on this. RF responded that the bilateral ideas from MOSL were potentially a game changer, and would also help improve the quality of data. RF reflected that the Panel should collectively think about key strategic priorities to deliver water efficiency and cost savings, improvement in services, even if that pushed against the interests of an individual Panel member's company.
- 2.11. A Panel member said that they would like to see clearer strategic priorities for the Panel and would like to make sure they were aligned with Ofwat's perception of the market issues before these issues were moved forward. He also sought Ofwat's clarification on the delays in initiatives that had been alluded to in its open letter to Wholesalers. RF replied that she had heard frustrations from many quarters that proposals were kicked back because of technicalities. RF encouraged the Panel to think about where they want to be in a year's time, and in October 2019 when the incumbent water companies report their progress to Ofwat. Another Panel member remarked that a Panel workshop had been scheduled the following Tuesday to discuss Panel objectives and overall strategy.
- 2.12. A Panel member asked if the priority was competition first and make improvements (removing market frictions) second or the other way around, as reducing friction may come at the cost of competition. RF replied that the primary objective was to deliver improvements for customers, but that this was not mutually exclusive of increased competition. RF added that pushing for competition at the low end of the market without sorting out the fundamental frictions would be unlikely to deliver customer

improvements. RF reflected that even if many Retailers competed in the market, if customers save very little from switching, they would not want to give up their time to shop around and participate in the market. Therefore, Ofwat's focus was on getting the frictions sorted out. RF pointed out that lessons could be learnt from other markets where the initial excitement to quickly open up the market for competition and tracking switching figures eventually gave way to the question of whether these markets actually operated in the interests of the customer.

- 2.13. To a Panel member's question whether there would be a risk of market stagnation (no switching), RF said that it was more important to remove market frictions so that Retailers could make margins without putting prices up, and customers were willing to pay for value-added services, and these visions had to be realized first.
- 2.14. A Panel member reflected on Ofwat's review of the Retail Exit Code (REC) and asked if there was a sense of giving up on the prospects of competition in the low end of the market. They reflected that however unpalatable lifting ceilings might be, if the market does not go down that route, there will be a disproportionate cost burden in the supply in that part of the market. The Panel Member noted that the code of conduct only requires that invoicing is based on one meter read per year, while the market codes require two readings per year. In addition, the switching arrangements stipulated a very tight window for getting meter reads. They noted that the Market Performance Committee (MPC) was about to review the Market Performance Standards (MPS) and suggested there may be an option to reduce the cost of competition by reducing the frequency of meter reading. In the context of meter reads challenges, there is something radical that could be done to reduce the cost, but it would appear as a softening of the service level agreements in the code. He queried Ofwat whether there was mileage in exploring this option. EK replied that it is good to be innovative, but the MPC has to think about the journey rather than just the next steps, and to try to think with an eye to the future rather than assuming the model is the status quo. To this, the Panel member responded that this is where there is a need to separate what is put into the regulatory contract with what is happening in the market. If there is a case for more frequent meter reads on the basis of water efficiency, then there is a business case for it. But there is a risk of over-regulating in the context of the market codes. RF explained that Ofwat is open to new ideas, but the challenge is to go beyond searching out the existing known frictions, and envision what good looks like in terms of market arrangements. What Ofwat hoped to see is what would it take to allow disruptive new entrants to come into the market, new business models that could make a profit serving small businesses, and new business offerings for customers that is different from a regional monopoly model.
- 2.15. A Panel member remarked that the challenge was to get more meter reads in a cheaper manner. A different Panel member said that the risk is doing too many things, as even small changes have to face trade-offs; also certain things may be better managed outside the market codes. To these comments, RF said that the first question to answer is what the customer wants and what does the customer's journey look like, rather than what the market participants want. The key question for the Panel is how to unpick through what is currently at play, to identify the strategic priorities and what they need from the regulator.
- 2.16. A Panel member commented that there is no end-to-end view of the water market. As a case in point, while Ofwat's priority is the customer, MOSL has no view and control over whether the customer is happy with the bill. The business case stops at the benefits to the market and not the benefits to the customer. He felt that it might be useful for the Panel and Ofwat to explore the boundaries so that

there is a full scope capture of the market. RF summarized this as a concern that the market codes may not be wide enough. The Chair concurred that MOSL's articles of association are very narrow.

- 2.17. To a Panel member's concern about financial pressure put on Retailers if additional obligations were placed on Retailers in the interests of customers, EK replied that the REC review was still work in progress and would not be able to provide an answer at the moment.

### 3. Minutes and Outstanding Actions

- 3.1. The Panel agreed with the revised minutes from Panel Meeting 30.
- 3.2. The Panel agreed with the outstanding actions and to close actions: A28\_01, A30\_01, A30\_02, A30\_03, A30\_04, A30\_05, and A30\_08.
- 3.3. The Panel Secretary informed the Panel that the minutes would be circulated in parallel in email and on SharePoint.

### 4. Update from MOSL

- 4.1. Steve Arthur (SA) presented the update from MOSL. To a Panel member's question if the Industry Level Estimates (ILE) review was still a priority given that it only comprised 0.2% of June 2017's Final Settlement Run ('RF settlement'), SA replied in the affirmative as the market still lacks many estimates. Des Burke (DB) explained that in designing the solution for ILE review, consideration would be given to the costs associated with the solution.
- 4.2. A Panel member asked if the Initial Performance Rectification Plans (IPRPs) actually worked to incentivise performances. SA replied in the affirmative that IPRPs had been shown to work as a tactical solution as they help companies to focus its attention on resolving performance issues.
- 4.3. SA included a draft Market Performance Operating Plan (MPOP) dashboard report as part of the MOSL update and asked for feedback on the suitability of this summary report for Panel purposes of tracking improvement progress and issues.

#### **ACTION 31\_02**

- 4.4. A Panel member asked how many G read removals had taken place since the Change Proposal CPW041 came into effect on 29 March 2019. SA agreed to include this information in the next update.

#### **ACTION 31\_03**

- 4.5. A Panel member queried if long unread meters should be identified as an Additional Performance Indicator (API) and suggested that there would be merits to run a trial of this with some companies. Another Panel member opined that the MPC has powers (in the market codes) to introduce any performance metric as an API, and should therefore proceed to do so quickly, without a need for trial. The Panel directed MPC to request MOSL to introduce long unread meters as an API and report the outcomes to the Panel in around 3 – 4 months.

#### **ACTION 31\_04**

- 4.6. To a Panel member's request for an update on the bilateral solutions, SA replied that MOSL will update the Panel in the June meeting.

## 5. Change Report

- 5.1. Stuart Boyle (SB) gave an update on the Change Report.
- 5.2. Dan Mason (DM) informed the Panel that the Authority decision for CPW058 (Removing Processes A1-A5 (Developer Services)) would be published the next day.
- 5.3. To a Panel member's question on who does the Detailed Impact Assessment (DIA) and who pays for it, SB replied that DIAs related to impacts on the central system (CMOS). He confirmed that MOSL requested DIAs be undertaken by its service provider (CGI) and these were paid for by MOSL as part of the CMOS development and support service.
- 5.4. The Panel Secretary highlighted that MOSL received a new Change Proposal the week before Panel Meeting 31 (after paper day). It was raised by Castle Water as an urgent change. The Change Proposal sought to give Retailers the same flexibility as Wholesalers for bilateral service requests to be made using Excel versions of the forms prescribed under the Operational Terms of the Wholesale Retail Code. Having looked through the change, MOSL assessed that, in code terms, it was a relatively straightforward change, although there could be potential to impact Wholesalers' systems and processes. The Panel Secretary recommended that a sub-group would not be required, and sought the Panel's agreement that this change should not be considered urgent. The Panel Secretary sought the Panel's view whether there was merit in undertaking consultation for the change.
- 5.5. A Panel member raised concerns that if Retailers raise one bulk submission of service requests, that would mean putting a tight timeline on Wholesalers to respond.
- 5.6. The Panel agreed that MOSL should proceed to develop the Change Proposal with the proposer (rather than requiring a sub-group). The Panel agreed that the change was not considered urgent, and that consultation should be undertaken.

## 6. Change Proposal: Introducing a process for Urgent Change Proposals (CPM006)

- 6.1. Huw Comerford (HC) presented the Change Proposal Plan for CPM006. This change sought to introduce criteria and process for managing urgent changes to the market codes.
- 6.2. A Panel member asked if MOSL would be able to raise urgent Change Proposals as the Change Proposal Form only mentioned Trading Parties, to which HC replied in the affirmative.
- 6.3. The Panel raised the following points for the sub-group to consider:
  - Who should set the timeline for progressing an urgent change, whether it should be Ofwat or Panel;
  - Whether commercial impact should be considered as "significant impact" in the criteria;
  - Whether obligations to comply with changes in law should be considered as urgent;
  - If the Authority determines that the change is not urgent, whether there would be an opportunity for appeal against that decision (which would impact the timetable for implementation); and
  - Whether just TPs can raise urgent changes or can MOSL and/or Ofwat also do so.

#### 6.4. The Panel:

- **APPROVED** the approach for developing CPM006;
- **AGREED** to use the Panel sub-group appointed for CPM013, CPM014 & CPM015 to develop a solution for this Change Proposal; and
- **AGREED** that the sub-group report its recommendation to the Panel in August 2019.

## 7. Change Proposal: Chargeable Data – Fixed RTS (CPW063)

7.1. Abu Rashid (ARa) presented the Change Proposal Plan for CPW063. This change sought to include a fixed volumetric allowance alongside the existing percentage allowance in CMOS in relation to the Return to Sewer (RTS) sewerage volume calculation.

7.2. Two Panel members queried the benefits of this Change Proposal to the customer. Members also felt there was a lack of quantitative information in the Change Proposal form that outlined the scale and seriousness of the issue. ARa said that the sub-group would consider all points raised by the Panel as part of its assessment of CPW063.

#### 7.3. The Panel:

- **APPROVED** the approach for developing CPW063;
- **AGREED** to establish a Panel sub-group to develop a solution for this Change Proposal;
- **APPOINTED** Nigel Sisman and Martin Mavin to the sub-group and agreed that MOSL would identify two technical experts from outside the Panel membership to join the sub-group; and
- **AGREED** that the sub-group report its recommendation to the Panel in November 2019.

## 8. Draft Recommendation Report: Credit Proposal 1B – Improving the Transparency of Credit Guarantee Arrangements (CPW057)

8.1. Charles Unvala (CU) presented the Draft Recommendation Report for CPW057 which sought to increase the transparency of Credit Guarantee Arrangements by requiring the Market Operator to publish a document provided by the Retailer setting out the Guarantee Details (Guarantor, Wholesaler, start, end and agreement dates), a Declaration of Assurance that the Guarantee has been provided on an arm's length basis, and that it had provided the Authority with the requisite information to determine that the Guarantee had been provided on an arm's length basis.

8.2. The Panel noted that, having considered its request to further assess whether to add a definition for arm's length and whether to specify any further evidence to be provided to the Authority, the Committee had decided not to change the existing proposal.

8.3. EK noted that at Panel Meeting 29, she had said that it was not the intention of Ofwat to automatically assess the terms of every Guarantee, and that it was for individual TPs to ensure they comply with competition laws; therefore the objective of this Change Proposal was to promote transparency.

8.4. A Panel member asked why benchmarking was not used, and why there were no commercial details revealed in the published Guarantee for other Trading Parties to raise concerns. The Panel Secretary explained that the Credit Committee had discussed this matter at length and that Committee members had felt a strong need to balance the desire for full transparency with the need for commercial

confidentiality. In particular, the Committee was mindful of the potentially adverse impact on the availability of Guarantees if full details of all Guarantees had to be published. The Credit Committee had considered whether to differentiate between different types of Guarantee so as to limit full publication to only Parent Company Guarantees but had concluded that doing so would introduce unwarranted additional complexity into the market codes. The Panel member accepted that this Change Proposal was better than the current arrangements even though it did not contain all the details they wanted to be published in the Guarantee.

- 8.5. A Panel member said that they had some comments about the details of the legal drafting. The Panel agreed that MOSL should discuss the detailed technical observations with the Panel Member after the meeting and that any material amendments should be circulated to the Panel for approval following the meeting. Where there were no material amendments, the Panel requested that the revised text be circulated to members for information after the meeting.

#### **ACTION 31\_06**

- 8.6. The Panel Secretary encouraged Panel members to send MOSL any technical drafting points and observations in the two weeks in between receiving the papers and the Panel meeting, so that MOSL could discuss any detailed concerns with the member and seek the Panel's approval of any revised legal drafting at the Panel meeting if material changes were made as a result.

- 8.7. The Panel:

- **AGREED** to recommend the implementation of CPW057 to the Authority for approval; and
- **AGREED** the recommended implementation date of:
  - 30 September 2019, if Authority approval is received by 13 September 2019; or
  - 8 November 2019, if Authority approval is received by 18 October 2019.

## **9. Draft Recommendation Report: Credit Proposal 2 – Unsecured Credit Allowance reflecting payment history (CPW061)**

- 9.1. Scott Christie (SC) presented the Draft Recommendation Report CPW061 which sought to introduce an Unsecured Credit Allowance (UCA) based on Payment Performance, as a way to receive a UCA on top of the existing forms of UCA (credit ratings, credit scores and trade credit insurance), subject to a maximum combined UCA of 40% to help both new entrant and existing Retailers.
- 9.2. Nine Panel members agreed with the rationale set out in the Draft Recommendation Report in relation to the WRC's Objectives and Principles. Of this group, two Panel members felt that the solution could have been refined to allow for a "cure period", as the proposed solution allowed Wholesalers to drop the UCA to 0% immediately for a missed payment, which meant there was no time at all for the Retailers to rectify the problem, even if it was due to genuine clerical errors or system glitches. SC and the Panel Secretary explained that the Credit Committee felt that defining a cure period would introduce complexity and ambiguity in the market codes.
- 9.3. Two Panel members disagreed with the solution, stating that they did not consider it was proportionate given that it had the potential to reduce all Retailers' credit requirements, amounting to a reduction of tens of millions of pounds and increase Wholesalers' default risk without demonstrable reductions in Retailers' default risks or improvements in current payment behaviour. Furthermore,

they considered that the solution was inconsistent with the current UCA structure which limits a Retailer using trade credit insurance to a 20% UCA compared to a potential combined 40% UCA, with a good credit score, that would be equivalent to an investment grade rating. Additionally, they did not consider it aligned with Ofwat's Credit Review finding that there was limited evidence to support a significant change in the allocation of risk and the focus on smaller new entrants. One member queried whether this was about encouraging new entrants as payment history is more advantageous to existing parties and would add to their existing credit allowance. Additionally, there is also no connection between previous payment history and the future likelihood of a retailer defaulting as was seen with the market exit of Aquaflow.

9.4. The Panel voted 9-2 in favour of CPW061, therefore there was no Qualifying Majority vote and the Panel agreed to reject the change by default in accordance with Section 5.10.2 of the Market Arrangements Code.

9.5. The Panel:

- **AGREED** to recommend CPW061 to the Authority for rejection; and
- **AGREED** that, if CPW061 was approved, the recommended implementation date of:
  - 30 September 2019, if the Authority decision is received by 13 September 2019; or
  - 8 November 2019, if the Authority decision is received by 18 October 2019.

## 10. Draft Recommendation Report: Credit Proposal 4 – Clarifying credit scores and ratings for the purposes of Unsecured Credit Allowance (CPW060)

10.1. SC and CU presented the Draft Recommendation Report CPW060 which sought to allow Retailers to report their credit rating or score as determined by their chosen Credit Referencing Agency subject to the Retailer giving Wholesalers three months' notice where the Retailer wishes to change its chosen Credit Referencing Agency.

10.2. To a Panel member's query on the rationale for having a three months' notice period rather than allow for an immediate change of Credit Referencing Agency, SC explained that it was to prevent Retailers from cherry-picking the credit reports. The Panel noted that this was intended to provide clarity to Wholesalers on the Credit Referencing Agency and the credit score or rating to be used. This reduced the potential where, under the current rules, Wholesalers may feel the need to check credit ratings and scores across a range of agencies to ensure that the Retailer was reporting its lowest score or rating.

10.3. The Panel unanimously:

- **AGREED** to recommend the implementation of CPW060 to the Authority for approval; and
- **AGREED** the recommended implementation date of:
  - 30 September 2019, if Authority approval is received by 13 September 2019; or
  - 8 November 2019, if Authority approval is received by 18 October 2019.

## 11. Full SPID Pairings

- 11.1. Steve Arthur (SA) gave a verbal update of how unplanned settlements are being done currently including post RF settlement requests. SA explained that the market codes require for full wholesale-retail pairings to be used in corrective settlements in the pre-RF period, and SPID levels / component levels to be used in dispute settlements and post-RF settlements. The rationale behind this approach was seen as following 16 months after an invoice period, the need to run a post-RF settlement will be at the margins of that invoice period so the most appropriate point would be to just run by exception the particular SPIDs or service components within that. There was no expectation that there would be large-scale differences between runs for an invoice period 16 months later, as all the data in that invoice period should be crystallised and agreed by then. The expectation was set for SPID pairings to be isolated for those post-RF runs as a backstop.
- 11.2. Because of the challenges of scheduling numerous individual SPIDS , MOSL had been running full SPID pairings for a few post-RF settlements. MOSL was tasked to think about what code compliance would look like, and how to be code compliant, based on the few post-RF settlement runs that had been undertaken so far. MOSL had been working with two parties on a post-RF piece by running full pairings (which provided the context) and extracting specific SPIDs level information queried by the two parties. In MOSL's view, this trial achieved two things: it allowed MOSL to provide the parties involved with the SPIDs they are asking for in the post-RF settlement in a code compliant manner, and at the same time, the full pairings provided the context of how much the total Wholesaler to Retailer charge changed over the period as a result of an increase in the quality of data (e.g. meter reads being submitted).
- 11.3. A Panel member observed that running a full SPID pairing would open up possibility for financial disputes when new data (e.g. meter readings) has been entered into the system since the last settlement run, even though the parties should have already agreed to settle on a final figure.
- 11.4. SA acknowledged his concern, and said that a paper would be circulated ahead of the June Panel Meeting.

## 12. 2020 Panel Meeting Dates

- 12.1. SB presented the proposed meeting dates for 2020. A Panel member said that the July meeting date had in the past been brought forward in view of the summer holiday period.
- 12.2. A Panel member asked the purpose of the two Panel workshops. SB explained that the April workshop was for Panel strategic planning and the November workshop was for a mid-year review.
- 12.3. A Panel member requested for meeting locations (Southampton or London) to be stated against the dates, consistent with the Panel's current view to hold four meetings in Southampton, spread across each year.
- 12.4. The Panel:
  - **AGREED** with the meeting dates for 2020, subject to bringing forward the July 2020 Panel meeting to 21 July; and
  - **NOTED** that the meeting dates would be published on the MOSL website.

## 13. Monthly Committee Updates

### ***Market Performance Committee update***

- 13.1. Nigel Sisman (NS) updated that in the past week, MPC had been involved in the selection of consultants to support the work in the redistribution of Market Performance Standard (MPS) revenues and Operational Performance Standard (OPS) revenues. Three companies came forward and the MPC arrived at a unanimous decision to appoint Economic Insight (EI). The MPC's view was EI's work was on track and was due to deliver the report on 26 June 2019. NS stated that the Panel would receive an update at the June meeting even if the final report was not ready. To date, EI had considered the incentives effects in the original CPM008 model and the revised model, as well as reached out to Ofwat. The headline message was there was significant potential that the incentives in the original and revised CPM008 may not be driving the right behaviours. EI's view was that a redistribution could have good incentive proponents, but there were potentially better redistribution models and beneficial prospects for non-redistribution. On the enduring solution, instead of painting a picture of what the end game is, EI suggested defining a path of migration depending on what we are trying to achieve from both the primary incentive mechanism (coming from the standards regime) and also from the redistribution regime. Both MPC members on the Panel felt that the interactions with EI had been good.
- 13.2. NS elaborated that there could potentially be four strands of work. The first is possible revisions to the standards, such as the meter reading standard, as the current regime does not deliver the right incentives to perform. The second is the redistribution charges. The third is what to do with charges associated with the standards, and the treatment of the cap. The fourth strand of work is setting out matrix for a holistic assessment of performance of trading parties.
- 13.3. NS requested for a quarter of an hour at the next Panel meeting to get the Panel's endorsement on the direction of travel for MPC's work.

**ACTION 31\_07**

### ***Trading Disputes Committee update***

- 13.4. Elsa Wye (EW) updated the Panel that the quorum for DCP021/CPW064 (Changes to Corrective Settlement Run for individual Supply Points) was not met in the May meeting. Two further members were waiting to sign up, and the membership would be full by then. EW also updated that Trading Dispute TDC044 was with MOSL at the moment, as MOSL intended to brief the Panel on the approach to running unplanned settlement on individual SPIDs at the June meeting before running corrective settlement for TD0044.

### ***General Data Protection Regulation Issues Committee update***

- 13.5. Helyn Mensah (HS) informed the Panel that GDPR Issues Committee met on 16 May 2019 and the agenda was focused on the definition of personal data to ensure that the codes protect the right data in the market. She reflected that the scope of indirect identifiers was very broadly defined in the legislation, so the GDPR Issues Committee asked the lawyers supporting this work (DLA Piper) to conduct a legal review to nail down the concept. The feedback from DLA Piper was that the current solution was appropriate, and the GDPR Issues Committee decided that there should be 11 more data items added to the CSD. The details would be presented as a code Change Proposal.

13.6. The next item for review is the technical security standards to ensure that data is secured in the right way. The GDPR Issues Committee would be engaging an expert to undertake this review.

#### ***Credit Committee update***

13.7. Adam Richardson (AR) updated that the Credit Committee would be working on two pieces of work: the interactions of credit default and termination rules, and the issue of pooled credit.

13.8. In considering the interactions of credit default and termination rules the Credit Committee had also looked at whether there was a need for high speed review mechanism for credit-related disputes. The committee had so far concluded that there was no significant need for such a provision to be introduced.

#### ***Trade Effluent Issues Committee update***

13.9. AR updated that the Trade Effluent Issues Committee (TEIC) had its first meeting in the week before the Panel Meeting to check off the Terms of Reference and agree its workplan. TEIC sought feedback from its members around the benefits experienced from the code amendments that had been implemented to streamline the trade effluent consent processes. The anecdotal feedback given was there had been modest increase in number of applications (there had been a sharp drop in number of applications since market go-live), and also more interactions between parties and customers in relation to consents. The TEIC members came back strongly that the real next step of improvement is to sort out bilaterals interactions.

13.10. AR said that the new Market Design Lead, Evan Joannette will chair the TEIC subsequently. Panel Members endorsed Evan's appointment as the Chair of the TEIC.

## **14. Any Other Business**

14.1. The Chair asked for an update on the sub-group working on CPM013 (Voting Customer Representative), CPM015 (Panel Self-Governance) and CPM016 (Panel Voting Majorities). AR updated that the sub-group agreed for MOSL to work out the solutions for CPM013 and CPM016 and that no consultation would be needed. The sub-group also agreed that CPM015 would require an industry consultation.

14.2. SB informed that SharePoint for the Panel had been launched. Starting from the May Panel meeting, SB would like Panel members to work collaboratively on the minutes. The etiquette would be that if someone had already changed the words, the next person should put a comment so that all changes could be tracked.

14.3. The Chair requested for the Panel Secretary to initiate nominations for the vacant Associated Retailer Panel Member position.

**ACTION 31\_08**

14.4. One Panel member requested for the Panel materials to be shared in Word form (besides the existing PDF versions) as it would be easier to mark up, whilst another Panel member requested for the Actions spreadsheet to be listed on the SharePoint.

**ACTION 31\_09**

14.5. The Chair thanked Des Burke (MOSL's interim CEO) for his contribution to the Panel.

14.6. There was no further business and the Chair closed the meeting.

**Actions:**

A31\_01 Ofwat to circulate link to Wholesaler letter

A31\_02 Panel members to feedback to MOSL on visibility of MPOP delivery

A31\_03 MOSL to provide information on how many G read removals there had been

A31\_04 MOSL to introduce long unread meters as an API

A31\_05 MOSL to update on bilaterals solution

A31\_06 MOSL to circulate the revised legal drafting for CPW057 for information (if there were no material amendments)

A31\_07 Panel Secretariat to set aside time on June agenda for MPC to table an item

A31\_08 Panel Secretariat to initiate the Panel Nominations process for the vacant Associated Retailer Panel Member

A31\_09 Panel Secretariat to share meeting materials in Word form on SharePoint

A31\_10 Panel Secretariat to share Actions spreadsheet on SharePoint