

Minutes of Code Change Committee Public Session Meeting 25

12 March 2024

Elxon, London

Status of the Minutes: FINAL

Anthony Pygram	AP	Independent Chair			
John Vinson	JV	Customer Representative	Steve Creighton	SC	Alternative Customer Representative
Mike Rathbone	MR	Wholesaler Member	Kye Smith	KS	Wholesaler Member (attended for items 1-7)
Euan Mitchell	EM	Retailer Member	Matthew Glover	MG	Retailer Member
Ulrike Hotopp	UH	Independent Member	Mike O'Connor	MO	Independent Member

AFFILIATE MEMBERS PRESENT

Sarah McMath	SM	MOSL			
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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 (item 4 &10)	Luke Coyle	LC	MOSL Presenter (item 5)

Sayonee Nandi	SN	MOSL Presenter (item 6)	Hannah Allardice	HA	Proposer - MOSL (item 6)
Flo Monea	FM	MOSL Presenter (item 7)	Steve Formoy	SF	Proposer – MOSL (item 7)
Amanda Hinde	AH	MOSL Observer	Huw Comerford	HC	MOSL Observer

APOLOGIES

Dan Mason	DM	Ofwat
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1. Housekeeping and Introductions

- 1.1. The Chair welcomed members to the Code Change Committee (CCC) meeting and introduced Euan Mitchell as the new Retailer member for the CCC.¹
- 1.2. It was confirmed that the meeting was quorate.
- 1.3. Apologies were received and accepted from DM.

2. Declarations of Interest

- 2.1. CCC members were asked to declare any potential conflicts of interest in relation to the meeting agenda. None were declared.

3. Minutes and Outstanding Actions

- 3.1 The committee noted that the minutes from CCC23 (11 January 2024) had been approved ex-committee as CCC24 had not been required. The minute from the public session for CCC23 had been published on the MOSL website.
- 3.2 The CCC agreed that the following actions should remain open:
CCC20_02, CCC21_01 and CCC23_02.
- 3.3 The CCC agreed to close the following action:
CCC23_01

¹ The meeting also marked the beginning of the second two-year term of office for MR, MG, UH, MO.

4. Change Report

- 4.1 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.
- 4.2 SB made the CCC aware that Ofwat had approved CPM056 'Resource Support to Industry Groups' on 4 March with an amendment to the legal text to widen the definition of the groups that could apply for support from MOSL.
- 4.3 SB commented that since the January CCC meeting where Ofwat raised the requirement to carry out statutory consultations MOSL had been working closely with Ofwat to understand what this meant in practical terms. SB confirmed that the Water Industry Act required Ofwat to consult on Wholesale Retail Code (WRC) changes which it was minded to approve unless Ofwat considered that the change was urgent or that consultation was not necessary. Following the introduction of the revised change process statutory consultation would be the default approach unless the change was:
- Only related to the Market Arrangements Code (MAC)
 - Urgent
 - Immaterial such as housekeeping and clarifications
 - Did not otherwise significantly affect underlying obligations on trading parties
- 4.4 When changes were being planned in the future at least three months between the recommendation and implementation stages would be included to allow for a consultation and the potential intervention of the Secretary of State or Welsh Minister after Ofwat's decision had been made.
- 4.5 SB commented that for the programme changes where there were multiple elements to the change replanning was currently underway to take account of the potential need for consultation and the upcoming pre-election period.
- 4.6 A member asked how the criteria that a change 'does not significantly affect underlying obligations on trading parties' would be interpreted by Ofwat. SP responded that this would be considered on a case-by-case basis.
- 4.7 A member asked whether there was the danger of essentially re-running the consultation that had already been commissioned by the CCC. SP responded that Ofwat would consult on

its 'minded to' position on the change that it was proposing to accept. It was likely that Ofwat would provide a summary view in response to the original consultation responses. The expectation would be that respondents to the statutory consultation would provide new information rather than re-iterate the points already raised. However, Ofwat acknowledged that respondents could make the same points in the statutory consultation if they chose to do so.

- 4.8 A CCC member commented that it would be important for Trading Parties to understand that responding to the initial consultation to flag issues or indicate support would be crucial to ensure that the change process was not slowed down. The member also suggested that guidance could be issued by Ofwat to help Trading Parties understand the scope of the statutory consultation.
- 4.9 A CCC member added that it was important to have an efficient process but that Trading Parties needed to feel that they could make a point again if it felt particularly strongly about an issue.
- 4.10 The Code Change Committee:
- **NOTED** the change report.

5. Change Plan – CPM150 Governance of Incentive Scheme Guidance Documents

- 5.1 The Code Change Committee (CCC) considered the change plan for CPW150 'Governance of Incentive Scheme Guidance Documents'. The change proposal sought to make the implementation of changes to the incentive scheme guidance documents more efficient and economic, whilst reassessing the nature and necessity of the annual review included in the current codes.
- 5.2 LC outlined the overview to the change, the problem statement and proposed timeline as outlined in the change plan. LC highlighted that it may be possible to bring the recommendation report to the CCC earlier than the July meeting pending engagement with the Strategic Panel and Ofwat.
- 5.3 A member noted that the problem and the summary of the change referenced an incentive payment and asked for clarification that this had been used as an example rather than being the focus of the change. LC confirmed that the solution was focussed on how quickly updates could be made to the guidance document and that this had been used as an example.
- 5.4 A member asked in relation to section 3.2 of the paper whether a wholesaler could change a process or incentive rate and whether that would then become effective immediately,

regardless of what was in the guidance. If that was the case, it would mean that the guidance was not aligned with actual practice. The member asked what would stop a wholesaler from reducing the incentive rate if a retailer had been very active. A wholesaler member responded that a wholesaler could change the incentive process, in line with its scheme of charges, but it was not something that a wholesaler would opt to do on a regular basis as it would create problems for retailers.

- 5.5 A CCC member asked whether the audit process at MOSL had identified further non-compliance matters that would need addressing and how these were recorded. AR responded that these were identified through the internal audit process and recorded and shared in the MPC papers which were publicly available. To date a small number of non-compliances had been identified that were low materiality. AR said that the audit process took a risk-based approach.
- 5.6 A member asked in relation to incentives how this would impact customers. A wholesaler member responded that effectively the incentives were paid for by the wholesaler from the charges that were recovered from the customer that it had not been aware of. The costs were essentially redistributed across a wider base of customers.
- 5.7 A member asked whether further changes would be raised under the heading of non-compliance. Another member asked whether there were areas where MOSL was compliant with the Codes, but it was not of value to undertake the activity in terms of resource and cost. It was observed that this change, and other recent changes relating to non-compliance (e.g. CPM055 'CMOS Data Escrow') had been raised to ensure that the code supported efficient service provision. The CCC noted that MOSL might continue to seek minor changes to the codes from time to time to address areas of inefficiency.
- 5.8 The Code Change Committee:
- **AGREED** (unanimous) that the CPW150 Change Proposal passed the Acceptance and Prioritisation Criteria;
 - **AGREED** (unanimous) the CPW150 Change Plan²; and
 - **AGREED** (unanimous) that there is no requirement for a Post Implementation Review.

6. Recommendation – CPW148 Transfer Read Notifications for Outgoing Retailers

- 6.1 The CCC considered the draft recommendation report for CPM148 'Transfer Read Notifications for Outgoing Retailers'. The change proposal sought to introduce notifications to outgoing retailers when transfer reads were updated or removed.

² The CCC asked that the draft recommendation report be submitted to the CCC ahead of July if the engagement with the Strategic Panel and Ofwat had been completed earlier than outlined in the Change Plan.

- 6.2 SN outlined the background, solution and potential benefits of the change, as detailed in the draft recommendation report, together with the scope for the PIR.
- 6.3 A detailed discussion followed including the following points:
- A CCC member queried the relevance of the eight months cut off after which an incoming retailer was required to contact the outgoing retailer before revising a transfer read. The proposer explained that some outgoing retailers had complained they were not receiving (non-CMOS) communications from incoming retailers prior to revising Transfer Reads eight months after the transfer (retrospective amendments), despite this being a code requirement. The CCC member commented that a 24-month time frame would perhaps be more realistic.
 - A member noted how confusing it could be for customers to experience changes to their bills after they had been transferred.
 - A CCC member suggested that the underlying issue was Trading Party behaviour, namely providing incorrect or poorly estimated Transfer Reads which then had to be revised. CPW148 sought to mitigate the impact of revised Transfer Reads rather than address the underlying behaviour. The proposer agreed that the change was not designed to address behaviours but rather to improve communication and transparency of revised Transfer Reads to retailers and customers. However, the feedback gathered via the consultation would be used to inform further work that could be used to start to address Trading Party behaviours. The CCC member indicated their support for the change but also noted that the focus on behaviours, both customer and Trading Party, was important. AR commented that post-Covid 19 most transfer reads were based on estimates compared to pre-Covid 19 where approximately 50% of transfer reads had been based on visual reads. This indicated a clear change in Trading Party behaviour which could be addressed by placing a greater focus on switching and transfer reads in the reformed MPF (Market Performance Framework).
 - A CCC member commented that in relation to customer impact if the retailer used the information in a timely way, then it should be possible to see a reduction in customer complaints.
- 6.4 **Post-Implementation Review (PIR):**
- A CCC member commented that it was important to have a reliable source of data to inform the PIR and to carefully consider the method used.
 - SN confirmed that data from both customers and Trading Parties would be included in the PIR. Customer information would be accessed via CCW (Consumer Council for Water). JV added that this would be likely to take the form of engagement with retailers

and wholesalers and customer fora to understand the impact of the change.

Quantitative information could also be drawn from the complaints data held by CCW.

- A CCC member commented that it would be important to gather information on whether customers were being rebilled as a result of a notification, particularly by the outgoing retailer. This information could be gathered from the retailers concerned.
- A CCC member commented that there were two aspects to consider, whether the retailer had been made aware and then what the retailer did with the information. HA commented that the change would provide the ability to report on the notifications and to be proactive in identifying potential issues and challenging Trading Party behaviours.
- A CCC member indicated that they would be interested to understand the time difference between the transfer read going in and the adjustment being communicated.
- SN advised that a 12-month PIR had been recommended as it would provide an initial idea of how the change was working, acknowledging that it was not a significant amount of time to collect data. A CCC member queried whether a longer initial assessment period would be more appropriate to ensure it was possible to observe the impact of the change.

6.5 The Chair asked members to inform SN and HC if they had any further questions that they wished to see included in the PIR by 15th March.

6.6 The Code Change Committee:

- **AGREED** (unanimous) the rationale that CPW148 better facilitated the principles of the Wholesale Retail Code (WRC);
- **AGREED** (unanimous) to recommend CPW148 to Ofwat for implementation;
- **AGREED** (unanimous) to recommend that, if approved, CPW148 be implemented at 00:00 hours on:
 - o 6 December 2024, if Ofwat approval was received by 13 June 2024, or
 - o 12 May 2025, if Ofwat approval was received by 11 October 2024; and
- **ENDORSED** (unanimous) the recommended Post Implementation Review (PIR) scope and trigger together with the additional questions put forward by the CCC.³

7. Recommendation – CPW142 Wholesaler Smart Reads

7.1 The CCC considered the draft recommendation report for CPW142 ‘Wholesaler Smart Reads’. The change proposal sought to propose that where an Advanced Metering

³ If any additional questions put forward by CCC members to inform the PIR by 15 March 2024 meant that the scope would significantly change, the revised scope would be submitted to the CCC prior to the PIR commencing. The CCC agreed to consider the data to evidence the impact of the change at 12 months post implementation and request follow up data if needed.

Infrastructure (AMI) smart meter is installed at premises, the relevant wholesaler would become responsible for market read submission into CMOS (Central Market Operating System). The change also sought to remove reliance on retailers to re-enter smart reads into CMOS and so increase settlement accuracy.

- 7.2 FM provided the background, solution and benefits to the change as outlined in the draft recommendation report. FM reminded the CCC that the change had been raised by MOSL on behalf of the Metering Committee. The Metering Committee had been extensively involved in the development of the solution and were supportive of the recommendation being considered by the CCC.
- 7.3 A CCC member noted the extensive development of the proposed solution and wholesaler challenges, in particular where a SmartAMI meter needed to revert to non-smart. However, they recognised that the market benefits (improved settlement, water efficiency) outweighed these challenges. The importance of the commissioning process was highlighted, as it allowed wholesalers to ensure the SmartAMI meter was operational before taking responsibility for read submissions.
- 7.4 A CCC member commented that the change seemed appropriate however the member noted the consultation responses where a significant minority had disagreed with the change. The member had not been able to find sufficient evidence in the paper to be comfortable that all the challenges had been addressed. Cognisant that Ofwat would be likely to carry out a statutory consultation on the change the CCC needed to demonstrate that it was satisfied that the challenges had all been considered and addressed.
- 7.5 A CCC member queried why a monthly read submission was expected rather than mandated for bi-annually read meters if a SmartAMI meter was installed. The proposer considered this too fundamental a change at this early stage of the smart meter roll-out, but it could be considered at a later date. The post implementation review would explore the percentage of monthly reads submitted for bi-annual meters. If only a small percentage were submitted monthly, then the review could investigate the reasons and impact.
- 7.6 A CCC member queried whether wholesalers should submit smart reads on the same day, taking into consideration the timetable for settlement calculations. The committee recognised definite advantages to this but noted that it would present challenges to market systems capacity. The committee noted MOSL's assurance that market system limitations were manageable with the proposed solution and its commitment to review these limitations. The committee member suggested that it would be useful to have a timeline for

this review⁴.

- 7.7 The CCC expressed a concern that disputes could increase where retailers considered an accepted read required amending. The CCC noted that retailers would be able to request a read amendment through bilateral process F7 'General Enquiries'. This process would mean that a formal dispute should be a last resort.
- 7.8 One member noted that a high number of corrective Unplanned Settlement Runs (USRs) were requested within 16 months before the final settlement run (RF). The post implementation review should therefore look at how many USRs are requested where SmartAMI meters are installed.
- 7.9 A CCC member commented that approval of wholesaler Price Review 24 plans were pending so there was a risk that a system would be put in place that ultimately supported relatively few smart meters.
- 7.10 A CCC member raised a concern that where there was a significant increase in smart meters in the market that the cost of reading the remaining dumb meters for retailers would increase. SF responded that the cost profile would change regardless of the change being considered by the CCC as the smart metering programme rolls out.
- 7.11 A CCC member raised a concern that the change was a fundamental alteration to the way the market had originally been structured.
- 7.12 In its discussion, the Code Change Committee noted the following points and queries for the Metering Committee's consideration in developing any further changes, working practices or guidance in this area as the metering strategy progressed:
- Ensuring efficient and clear mechanisms in place for retailers to obtain a transfer read from a SmartAMI meter (e.g. How would this work where some SmartAMI meters have the electric mechanism covering the dial so that retailers are unable to obtain a visual read?)
 - Considering the extent to which transfer reads could or would be chargeable if requested from the wholesaler.
 - Ensuring clarity around how retailers obtain reads and bill their customers if smart reads are not being provided for a period (e.g. if a SmartAMI meter is installed but not commissioned until the network to receive its reads is installed).

⁴ The Market Systems strategy is set out in the [MOSL Strategy 2024-2027](#).

- The extent to which periodic checks should be mandated to check for drift between physical and electronic registers.
- Consideration of any required process or checks and balances for wholesalers replacing retailer owned smart equipment?
- The need for provisions that protect against a wholesaler configuring a SmartAMI meter to provide less frequent reads that comply with the codes but do not provide granular consumption data to the retailer or customer.
- The extent to which data ownership enables a customer to require their consumption data to be shared with a retailer. It was noted that the Strategic Panel's National Metering Strategy will explore metering responsibilities around data in the market, including sharing of consumption data.

7.13 The Code Change Committee:

- **AGREED** (four in favour, one against, four abstained) that CPW142 better facilitated the principles of the WRC;
- **AGREED** (four in favour, one against, four abstained) to recommend CPW142 to Ofwat for implementation;
- **AGREED** (unanimous) to recommend that, if approved, CPW142 be implemented at 00:00 hours on:
 - 6 December 2024, if Ofwat approval is received by 13 June 2024, or
 - 12 May 2025, if Ofwat approval is received by 11 October 2024; and
- **ENDORSED** (unanimous) the recommended PIR scope.

7.14 Rationale for Member Decisions:

7.14.1 Four committee members abstained, citing a variety of reasons.

- One member noted the number of consultation respondents that were unsupportive of the proposed solution. Some of the feedback related to more effective use of the current W read process⁵, significant cost impacts and the proposal not supporting competition in the market. The member considered the recommendation report did not provide a strong enough rationale to address these points and in turn not enough evidence to support the proposal in full.
- A member noted a concern regarding the potential cost of reading a traditional 'dumb' meter once more SmartAMI meters were installed. As the number of

⁵ Ability for Wholesalers to add meter reads (CPW087)

SmartAMI meters increases, the need for reading non-smart meters will decrease. This could significantly increase the cost to retailers for obtaining a visual read from the remaining 'dumb' meters.

- A member noted that the change was being recommended before Ofwat had approved PR24 plans upon which smart meter roll out depended. The proposal risked implementing a solution for far fewer smart meters than expected. They were also concerned that wholesalers wouldn't be able to provide assurance that physical and digital reads were the same and would have to rely on periodic inspections of smart meter installations.
- The members who abstained were also concerned that there was not enough assurance that this proposal would not create a significant negative impact on customers.

7.14.2 One member voted against the change proposal. This was on the basis that currently, retailers were responsible for engaging with the customers, obtaining and using meter read data for customer billing. The proposal fundamentally changed this arrangement. The member felt that retailers should validate meter read data, however the change proposal would mean that meter read data would be submitted before the retailer was able to do so. Retailers may have to resolve issues with data they were not owners of. The member felt that the change assumed that the W reads process didn't work, whereas they felt more could be done to make it work effectively. They also noted that smart meter data could also be provided by retailers and customers.

8. Prioritisation of Changes:

8.1 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 two changes from earlier CCC meetings. The committee advised Ofwat that it had no preference for the priority of the following changes:

- CPW142 Wholesaler Smart Reads
- CPW148 Transfer Read Notifications for Outgoing Retailers

9. AOB

9.1 No additional business was highlighted.

CLOSED SESSION:

10. Overview of Change Landscape

- 10.1 The CCC received a presentation outlining an overview of the current change landscape which was followed by a workshop activity.

11. Code Change Committee Effectiveness Review

- 11.1 The CCC considered the findings of its recent effectiveness review and agreed the proposed actions to take forward for 2024-25.

12. Committee Reflections

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