

## Market Codes Structural Outline

26 October 2021



## Document Change control

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V1.0	26/10/2021	Initial Version (v1.0)



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## 1 General

### 1.1 Purpose of this document

This Market Codes Structural Outline (MCSO) document has been created to help Trading Parties to understand the structure of the Market Codes and their associated documents, both of which make up the Market Codes framework documents.

The Market Codes are the Market Arrangements Code (MAC) and the Wholesale Contract along with the Wholesale-Retail Code (WRC), its Schedule 1 containing the Business Terms, Operational Terms, Market Terms as well as the Code Subsidiary Documents (CSDs), Forms and Operational Subsidiary Documents (OSDs) for the Bilaterals Hub. The other Market Codes framework documents cover documents referred to in the Market Codes as well as other Code-defined documents.

The MCSO document also outlines the current structure and content of the Market Codes along with more detailed guidance on the contents of each type of Market Codes framework document.

In addition, the MCSO sets out the high-level principles to be applied when drafting a change to the Codes to create new provisions or to modify existing ones.

The MCSO provides for a Baseline Statement to be published and maintained. The Baseline Statement assists with understanding of the Market Codes framework documents by providing a single list of all live Market Code framework documents with information on their current version, updates, change and ownership.

This document has been developed from the work undertaken for the Market Code Review, a Panel Workstream, and feeds into the Market Code Simplification Improvement Programme. This has taken account of the Panel Steering Group input, RFI feedback, CAG discussions and the potential solutions put forward.

All future changes to the Market Codes framework documents should be undertaken in a manner consistent with this MCSO document.

### 1.2 Changes to and Review of this document

This document is owned by the Panel. While individual Trading Parties may request a change to this document, changes may only be made with the Panel's Approval. Reviews to this document shall be undertaken by the Panel as required.

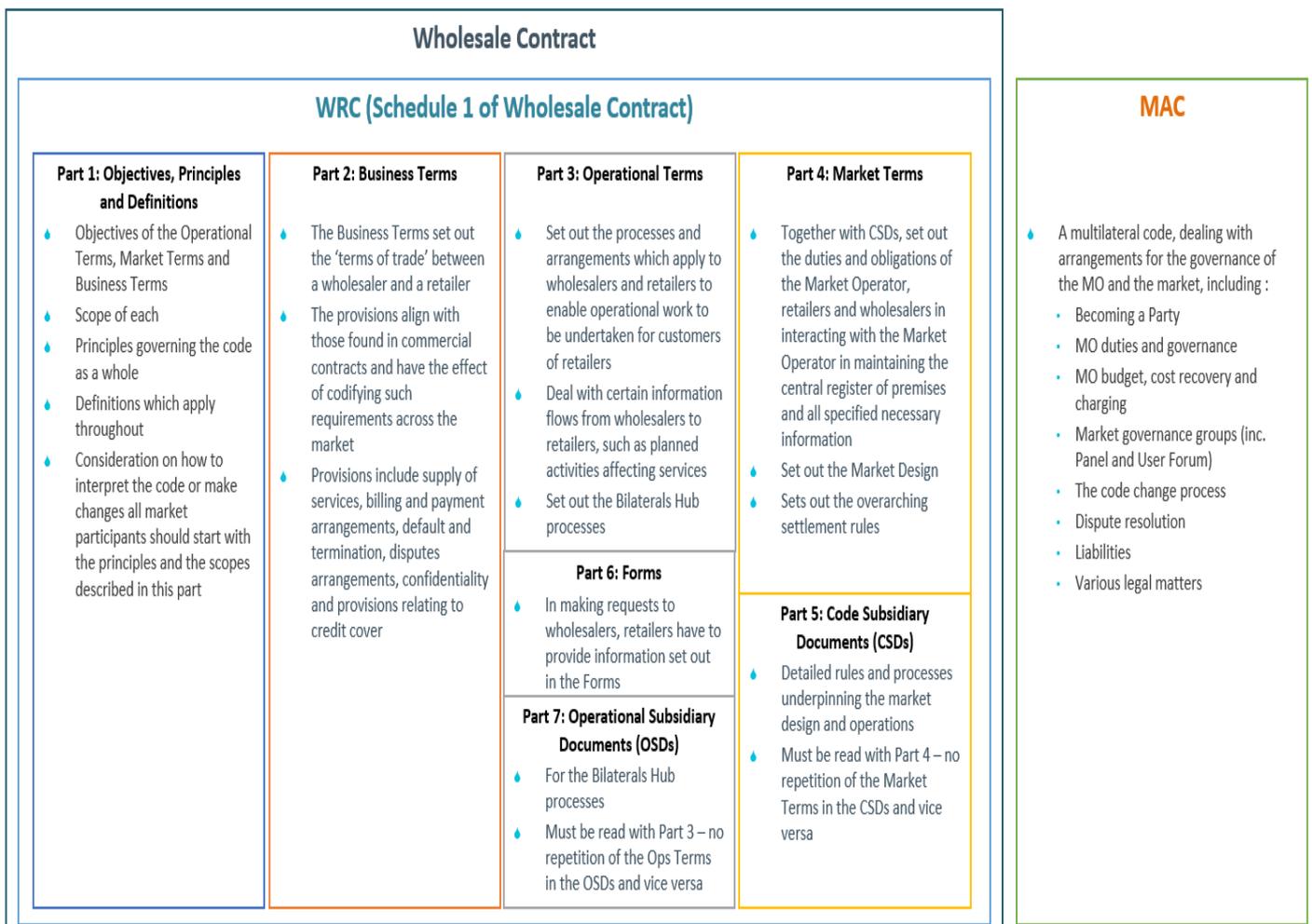
While referenced in this document, the Baseline Statement is owned and managed by MOSL. It will be updated from time to time by MOSL as documents on the Baseline Statement are amended by their respective owners.

### 1.3 Code Structure

The current Code Structure of the Market Codes is set out in Figure 1 below.

With regards to the WRC the broad approach is that the principles and obligations are contained in the Market Terms, Operational Terms and Business Terms whilst the processes and technical details are in the CSDs and the OSDs.

Figure 1. Current Market Codes Structure and Content





An overview of the functions covered by the Market Codes is provided in Figure 2. below.

Figure 2 Overview of the Market Codes Functions





## 1.4 Coverage of the Market Codes framework documents

The Market Codes framework documents comprise the Market Codes and those documents defined or specified in them. They have been classed as the following documents or types of documents:

- a. Market Arrangements Code (MAC)
- b. Wholesale Contract and the Wholesale Retail Code (WRC)<sup>1</sup>
- c. Code-defined Ofwat-approved documents, e.g. Incentive Scheme Guidance (Market Terms, Section 4.19)
- d. Code-defined Panel-owned documents, e.g. Change Proposal Form and Data Subject Rights Request (DSRR) Record template (both MAC definitions)
- e. Code-defined Market Operator-owned documents, e.g. Working Procedures (under the Market Terms, Section 1.2.12)

These documents sit within the documents in Ofwat's [Legal framework for retail market opening](#), outlined in section 1.6 below. That Ofwat Legal framework document sets out that in the case of a conflict the MAC takes precedence over the WRC. Code-defined documents approved by Ofwat are assumed to come below the MAC and WRC, but no precedence is assumed for the other types of documents in the list.

## 1.5 Baseline Statement

The Baseline Statement presents the set of documents associated with the Market Codes and identifies the latest versions and change information. In addition to Market Codes framework documents, the Baseline Statement includes Supporting Documents, such as:

- a. Market Operator (MO) Guidance, e.g. MO Code Guidance and MO Subject Specific Guidance
- b. Other relevant documents and materials, e.g. MO FAQs and Training videos
- c. RWG Good Practice Guidance.

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<sup>1</sup> While the Wholesale Contract contains the WRC's Schedule 1 including the Business, Operational and Market Terms, as well as the CSDs, OSDs and the Forms, the WRC also covers the Wholesale Contract.



The Baseline Statement is available on the MO's website. It is updated regularly to show the documents current status and the latest changes to all of the relevant documents on the website.

The Baseline Statement's structure shows at least:

- a. Document type
- b. Document name
- c. Update information (e.g. Version No., Implementation Date, Sections Changed)
- d. Responsible body granting approval (e.g. Ofwat, Panel, other body or MO)
- e. Change category or process (e.g. Change Proposal, Panel or other body approval process and MOSL managed processes)
- f. Relevant Provision.

An example of part of the Baseline Statement is presented below in Appendix 1: Example of Additions to Market Codes Baseline Statement. This shows updates from a Code Release as well as two illustrative examples: a change to the Data Subject Rights Request (DSRR) Record template and a new Working Procedure (WP).

## 1.6 Market Codes framework within the Overall Legal Framework

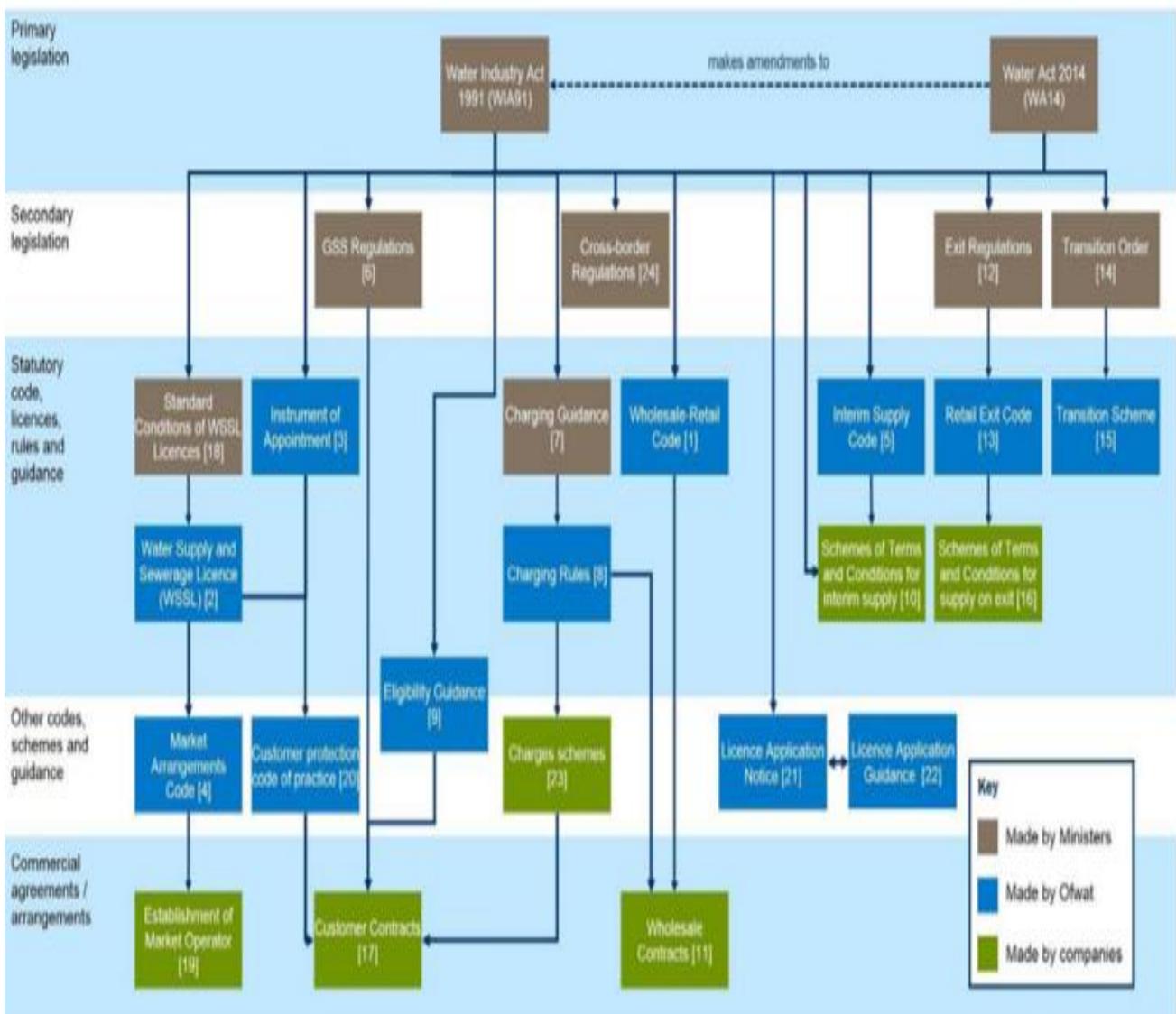
As set out by Ofwat in [Legal framework for retail market opening](#), the overall structure of the legal documents is presented in Figure 3 below.

The basis for this is the Water Act 2014 which extended the pre-existing arrangements to allow eligible customers to choose their retail supplier.

The MAC, Wholesale Contract and WRC are part of a wider legal and regulatory framework which also includes measures put in place by Defra and Ofwat e.g. to restructure the market and enable customer protection.

If the wider legal framework is amended, the MAC, Wholesale Contract and WRC have to be reviewed to identify whether any changes are required to maintain alignment.

Figure 3 Diagram of the Legal Framework





The legal hierarchy, presented in Ofwat’s Legal framework document and in the Market Codes, is that If there is any conflict between any of the following, the order of precedence shall be:

- (i) any Law<sup>2</sup>(as defined in the MAC and WRC) (other than those listed in (ii) - (vi)),
- (ii) any Instrument of Appointment or Water Supply and Sewerage Licence,
- (iii) the MAC,
- (iv) the WRC,
- (v) the Interim Supply Code and Retail Exit Code,
- (vi) the Customer Protection Code of Practice.

#### 1.6.1 Position in the hierarchy of Market Codes framework documents

Given that Ofwat’s document does not cover all Market Codes framework documents, the following approach is taken. For documents below the WRC, Code-defined documents approved by Ofwat will sit above the Interim Supply Code (ISC) and the Retail Exit Code (REC) as well as the Customer Protection Code of Practice (CPCoP). The rest of the Code-defined documents (including Working Procedures) will sit below the CPCoP.

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<sup>2</sup> “Law” is defined in the MAC and WRC and in covering laws made under statute and regulations made by regulatory authorities both in their broadest senses means that items (ii) to (vi) have to be excluded.



## 2 General Principles

The following principles should be adopted when modifying an existing document or drafting a new document in the Market Codes framework:

- (a) Whilst recognising the need to be precise and unambiguous, where possible documents should be written in plain English.
- (b) Unnecessary duplication should be avoided; requirements should only appear once in the documents.
- (c) Guidance should be clearly marked as such where it is for explanatory purposes and compliance with it is not a Code requirement.
- (d) When a change to a document is proposed, the overall structure of the document and any associated documents should be reviewed to confirm that the contents comply with this set of principles and that the documents contain all the necessary, but not excessive, detail.



## 3 Structure of Market Codes framework document types

### 3.1 Introduction

This section sets out the definitions, descriptions and contents or requirements of the following document types in order of their position in the hierarchy (set out in section 1.3)

### 3.2 Market Arrangements Code (MAC)

This is defined in the WRC Schedule 1, Part 1 as: “the code of that name designated by the Authority from time to time pursuant to Condition R3 of the Instrument of Appointment and/or the Standard Conditions of Water Supply and Sewerage Licenses;”

The MAC is a multilateral code applying to all market participants and the Market Operator. It contains the provisions, which set out how the parties work together to govern and develop the market. These include the governance of the Market Operator (MO) company, including the constitution of the Board and the financing of the company. Other provisions address the governance of the market, including the constitution of the Strategic Panel. Its Change Committee is responsible for reviewing change proposals affecting both the WRC and the MAC and making recommendations to Ofwat on those change proposals. The Strategic Panel also establishes committees to review certain detailed matters. The MAC also creates the User Forum, which is a forum for all trading parties to discuss market issues and potential changes.

The MAC, as a multilateral code, dealing with arrangements for the governance of the MO and the market, includes the provisions for:

- Becoming a Party
- MO duties and governance
- MO budget, cost recovery and charging
- Market governance groups (e.g. the Panel and User Forum)
- The code change process for the MAC and the WRC
- Dispute resolution
- Liabilities
- Data Protection
- Various legal matters.



### 3.3 Wholesale Contract & Wholesale-Retail Code (WRC)

Whilst the Wholesale Contract contains the WRC’s Schedule 1 including the Business, Operational and Market Terms, as well as the CSDs, OSDs and the Forms, the WRC also covers the Wholesale Contract. Therefore, the two documents are considered together.

#### Wholesale Contract

The Wholesale Contract is defined in the WRC as: “the contract between the Contracting Wholesaler and the Contracting Retailer that constitutes: (i) a Section 66D Agreement; or (ii) a Section 117E Agreement; or (iii) both a Section 66D Agreement and a Section 117E Agreement; and which, in each case, is in the form prescribed by the Wholesale-Retail Code;” It sets out the Wholesale Services and commercial terms under which the Wholesaler provides them to the Retailer.

#### Wholesale-Retail Code (WRC)

The WRC is defined in the MAC and the WRC as: “the code of that name issued by the Authority under Sections 66DA and 117F of the Water Industry Act 1991 including, without limitation, the Wholesale Contract, the Business Terms, the Operational Terms and the Market Terms and any Approved Change from time to time;”

The WRC is a statutory code issued by Ofwat that sets out the relationship between Wholesalers and Retailers, and how the business retail market operates. The WRC prescribes the standard form “Wholesale Contract” to be entered into by Wholesalers providing water and/or sewerage services and Retailers who use those services to supply water to customers along with its Schedule 1 Terms and Conditions, including the Business Terms, Operational Terms and Market terms.

The structure and contents of WRC Schedule 1 Terms and Conditions, Parts 1-7 are summarised in the Current Market Codes’ Structure and Contents diagram in Figure 1. above.

Part 1: Objectives, Principles and Definitions sets these out for the WRC.

Part 2: Business Terms set out the ‘terms of trade’ between a Wholesaler and a Retailer, aligning with commercial contractual terms and in effect codifying them across the market for a range of services and contractual issues.

Part 3: Operational Terms set out the processes and arrangements which apply to Wholesalers and Retailers to enable operational work to be undertaken for customers of Retailers. Processes automated in the Bilaterals Hub are recorded in OSDs.



Part 4: Market Terms, together with CSDs, set out the duties and obligations of the Market Operator, Retailers and Wholesalers in interacting with the Market Operator in maintaining the central register of premises and all specified necessary information. It also contains sections relating to the provision and operation of the Bilaterals Hub.

Part 5: Code Subsidiary Documents (CSDs) set out detailed rules and processes underpinning the market design and operations which need to be read in conjunction with the Market Terms.

Part 6: Forms associated with the Operational Terms are required for Retailers to make service requests to Wholesalers.

Part 7: Operational Subsidiary Documents (OSDs) setting out the processes automated in the Bilaterals Hub.

### 3.4 Code-defined Ofwat-approved documents

Code-defined Ofwat-approved documents are those defined in the Codes where the approval for changes to them is determined by Ofwat. An example is the Guidance for Incentive Schemes where, as set out in Section 4.19 Maintenance of Incentive Scheme Guidance of WRC Schedule 1, Part 4: Market Terms. The Panel has produced the guidance and annually reviews it but changes are approved by Ofwat.

### 3.5 Code-defined Panel-owned documents

Code-defined Panel owned documents are defined in the Codes where the governance and approval for changes to them is determined by the Panel.

Existing examples are the Change Proposal Form and the DSRR Record which are reviewed and agreed by the Panel directly or via one of its committees.

### 3.6 Code-defined MO-owned documents including Working Procedures

Code-defined Market Operator (MO)-defined documents are those defined in the Market Codes and are produced and approved by MOSL. They include Working Procedures (WPs) as defined in the WRC Schedule 1, Part 1 as: “the best practice guidance for various working practices and processes in relation to the Market Terms developed and issued by the Market Operator from time to time following consultation with the Contracting Wholesaler, the Contracting Retailer and other Trading Parties;”

Under the Market Terms, Wholesalers and Retailers are to “use all reasonable endeavors to act in accordance with any Working Procedure.”



### 3.7 Supporting Documents

The following types of documents are outside the Market Codes framework documents, but are described in this document as they support them:

#### ◆ MO Guidance

MO Guidance is guidance produced by the MO. Two main types of guidance are envisaged:

- Codes Document Guidance; and
- Subject Guidance.

Codes Document Guidance provide a simple, plain English explanation of how the Codes work through a summary description of document content and explanation of their role and relation to other Code documents.

Subject Guidance provides in one location, a simple, plain English explanation of the Codes' obligations and processes by subject, e.g. Settlement.

#### ◆ Other relevant documents and materials

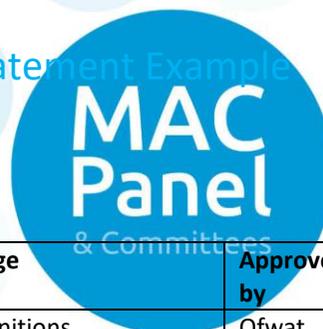
Other relevant documents and materials are likely to include FAQs provided on the MO website and training materials including training videos which MOSL may produce from time to time.

#### ◆ RWG Good Practice Guidance

RWG Good Practice Guidance, which will be clearly identified as on behalf of RWG when published by MOSL, provides good or best practice guidance or guidelines that have been agreed outside the Market Codes and so are not binding on Trading Parties.

With regards to RWG Good Practice Guidance, Ofwat has made clear in the [RISE](#) report that it would expect all Trading Parties to have published a table on their websites setting out where they are (or are not) adopting this guidance and to clarify if there are any elements of specific guidance that they have yet to adopt and the reasons why.

#### 4 Appendix 1: Additions to Market Codes Baseline Statement Example



Document Type	Document Title	Version	Implementation Date	Latest Change	Approved by	Change Process	Relevant Provision
WRC	Objectives, Principles & Definitions	V17.0	6.11.2020	Part B, "Definitions Table"	Ofwat	CP (CPW087)	Water Industry Act 1991, sections 66DA & 117F
WRC	Market Terms	V10.0	6.11.2020	Section 4.9.6 (c)	Ofwat	CP (CPW087)	Water Industry Act 1991, sections 66DA & 117F
CSD	CSD 0202: Meter Read Submission Process	V4.0	6.11.2020	Sections 2.2.2, 2.4.1, 2.4.2, 3.10, 4.1.6, 4.1.7, 4.2	Ofwat	CP (CPW087)	Market Terms, Introduction and WRC Definition of CSDs
CSD	CSD 0206: Trade Effluent Processes	V4.0	6.11.2020	Sections 2.2.16, 2.2.17, 2.6.18, 2.6.19, 2.6.20	Ofwat	CP (CPW077)	Market Terms, Intro. & WRC Definition of CSDs
CSD	CSD 0301: Data Catalogue	V13.0	6.11.2020	Sections 2.4 (D6036), 2.5, 3.2, 4.4 (T121.W, T121.M, T122.W, T122.M), Appendix B(e)	Ofwat	CP (CPW077)	Market Terms, Intro. & WRC Definition of CSDs
CSD	CSD 0301: Data Catalogue	V13.0	6.11.2020	Section 3.2 (D3010)	Ofwat	CP (CPW087)	Market Terms, Intro. & WRC Definition of CSDs
CSD	CSD 0302: Standing Reports & Data Extracts	V7.0	6.11.2020	Section 2.6.5	Ofwat	CP (CPW077)	Market Terms, Intro. & WRC Definition of CSDs
Code-defined Panel-owned	Data Subject Rights Request (DSRR) Record template	V2.0	1.10.2022	All	Panel	CP (CPP001)	MAC, Schedule 13D, 2.6 and MAC Definition
WP	[Improving Settlement Accuracy Working Procedure	V1.0	1.10.2022	All	MO	MOWP (WP00x)]	Market Terms, Section 1.2.12

Note: The WP does not exist and the DSRR Record template is not planned to be updated with both for illustrative purposes only.

The logo consists of a solid blue circle containing the text 'MAC Panel' in a large, white, sans-serif font, with '& Committees' in a smaller, white, sans-serif font below it.

**MAC  
Panel**  
& Committees