

WHOLESALE-RETAIL CODE CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW078	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Change Proposal		
	Charging Change Proposal		
Submission Date	7 th October 2019		
Title: of Change Proposal/Charging Change Proposal	Priority Performance Regime Changes for April 2020		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	<p>Changes to key, high-volume Market Performance Standards to:</p> <ol style="list-style-type: none"> 1) Better deliver financial incentives designed to improve Trading Party performance 2) Refine some charging timelines to better reflect reasonable expectation of performance 3) Remove some perversities associated with the current standards definitions. 		
General Details of the Proposer			
Name of Proposer	Nigel Sisman		
Capacity (to submit Change Proposals and Charging Change Proposals – on behalf of a Party, as a Panel member, as the customer representative, or the Market Operator or on behalf of the Authority; or Charging Change Proposals – on behalf of a Wholesaler).	MPC Chairperson		
Contact Email	nigel@sismanenergyconsultancy.co.uk		
Telephone Number	07778 030716		
The Proposer recommends that this Change Proposal/Charging Change Proposal should initially: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)? If yes, please provide reason for urgency (if applicable)	No		

Related Documents

Reference of any associated Code Panel Change Proposal/ Charging Change Proposal

[MPS 15 Change Proposal](#)

Documents Accompanying Form

[MPOP link](#)

Change Proposal/ Charging Change Proposal Details

Description of (i) the issue or defect which this Change Proposal seeks to address, ~~or (ii) the modified or new charging method or charging structure required pursuant to this Charging Change Proposal~~, as required under the Market Arrangements Code Section 6.2.1(b).

The following reflects the currently anticipated changes; however, the MPC will continue to develop the package and envisages a consultation with Trading Parties to enable refinement where it is assessed as desirable.

The uncapped charges of many Trading Parties are significantly above their level of capped charges in most months, and consequently the financial standards regime does not provide a financial incentive to improve or maintain performance for those Trading Parties.

Therefore, specifically in respect of the Retailer MPS, two elements require priority attention:

- A. Cap: the level of capped charges currently provides no financial incentive to improve performance.
- B. MPS 18 (Missed Cyclical Meter Reads): main driver of charges for most of the market and yet long-term data for MPS 18 shows little-to-no improvement across most Trading Parties over the last 2 years. Missing meter reads impact settlement and can lead to inaccuracies.

This change proposal therefore advocates changes in respect of these two elements of the chargeable standards regime. For the avoidance of doubt any change in the cap would be made with respect to both Wholesalers and Retailers.

Additionally, the proposal advocates changes in a number of other areas which will impact some other Wholesaler and Retailer standards:

- C. MPS 12 (Late Non-Meter Read Submission) and MPS 15 (Late Market Meter Read Submission): timeliness of meter read submissions is calculated at the point of completion. This means that once the Time Parameter has been passed, the Trading Party can either submit the read late and incur a penalty, or not submit the read and incur no penalty. This means that non-submission is incentivised over late-submission.
- D. MPS 17 (Missed Transfer Meter Reads):
 - a. There are known difficulties with ad-hoc meter reading and issues with the quality of asset and consumption data. This, combined with the current tight 5 day submission window, leads to a large volume of estimates and revised estimates in

transfer reads rather than actual reads. Estimates are less accurate than actual meter reads, which can lead to higher variance in settlement.

- b. Trading Parties could also be incentivised to submit estimates when, for example, transfers involve a large customer that can present logistical difficulties where potentially thousands of meters need to be read within a 5 business day window.

E. MPS 3 (New Connection Notifications by Wholesaler) and MPS 4 (New Connection Notifications by an Accredited-Entity):

- a. different timeframes for submitting data into CMOS across MPS 3-MPS 4 versus MPS 5 (Gap Site Notification) potentially incentivising using the wrong data submission route due to the wider submission window for MPS 5. Specifically, this means that Trading Parties may be incentivised to use the Gap Site process when they should be using the New Connections process.
- b. Additionally, whilst the MPS 4 window is given an additional 3 business days over the MPS 3 window due to the additional steps included that will *always* involve accredited entities; however that New Connections submitted through MPS 3 also *often* involve additional steps through accredited entities and/or third parties. This means that the windows for MPS 3 and MPS 4 should be aligned.

Description of the Change Proposal / ~~Charging Change Proposal~~, its nature and purpose and (for Change Proposals only) how it is consistent with the Principles and falls within the Objectives noted below, as required under the Market Arrangements Code Section 6.2.1(c).

- A. Cap: increase the cap from 0.15% to 0.25% in April 2020 initially, with a view to increasing it from 0.25% to 0.30% no later than October 2020.

- B. MPS 18: Extend Time Parameter 1 from 140 business days to 200 business days and remove Time Parameter 2 (currently at 160 business days); and reduce the charge from £20 to £15. This is for April 2020 implementation.

We expect the combination of A and B to lead to greater incentivisation of Trading Party performance and an increase in the volume of meter reads being submitted over the year.

- C. MPS 12 and MPS 15: Extend the Time Parameter window for actual reads to 10 business days. This is for April 2020 implementation.

- D. MPS 17: Extend the Time Parameter window for actual reads to 10 business days. This is for April 2020 implementation.

We expect C and D to lead to more actual meter reads being submitted into the system and more actual meter reads being submitted as opposed to estimates.

- E. MPS 3 and MPS 4: Align the Time Parameter window with MPS 5 by extending the Time Parameter windows of MPS 3 and 4 from 5 business days to 10 business days. This is for April 2020 implementation.

We expect D to lead to improvements in data quality and the processes being followed by Trading Parties when they submit data.

Principles and Objectives

Description of the principles and objectives affected by the Change Proposal on the items below (if applicable) as detailed in Part A of Schedule 1 Part 1: Objectives Principles and Definitions.		
Principles	Affected (Y/N)	Description
Efficiency	Y	Improve the performance incentives for the charging system
Proportionality	Y	The issue of inadequate financial incentives affects approximately 70% of SPIDs in the market.
Transparency	N	
Simplicity, cost-effectiveness and security	Y	Simplified charging window for MPS 18 and aligned window for similar standards.
Barriers to entry	N	
Non-discrimination	N	
Customer participation	N	
Customer contact	N	
Seamless markets	N	
No limit on upstream competition	N	
Business Terms Objectives	N	
Operational Terms Objectives	N	
Market Terms Objectives	N	
Description of the impact of the Change Proposal / Charging Change Proposal on the following items, as required under the Market Arrangements Code Sections 6.2.1 (f), (g) and (h).		
Configured Item	Impacted (Y/N)	Description
Schedule 1: Terms and Conditions of a Wholesale Contract	N	
Wholesale-Retail Code, Schedule 1 Part 1 (Objectives, Definitions and Principles)	N	

Wholesale-Retail Code, Schedule 1 Part 2 (Business Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 3 (Operational Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 4 (Market Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	Y	CSD 0002
Wholesale-Retail Code, Schedule 1 Part 6 (Operational Forms)	N	
Appointment	N	
Licence	N	
Any other industry code, agreement or document (e.g. the Wholesale Contract or the MOSL Articles) (please specify)	N	
Central Market Operating System	N	
Trading Party systems which interface with Central Systems and other relevant Trading Party systems/ business processes.	Y	MOSL internal calculations from MPS charges
Scottish Core Industry Documents	N	

Further Information

Description of any discussions on the topic of the Change Proposal / ~~Charging Change Proposal~~ at the User Forum (as relevant) or otherwise relevant discussions with parties, as required under the Market Arrangements Code Section 6.2.1(i).

This has been discussed extensively in MPC meetings; and during User Forum as part of MPOP publications and consultation. The MPC proposes to consult Trading Parties to further elicit feedback and opinion before Panel decides on the Change Proposal.

Further Comments

MPC is proposing that these changes are implemented in time to take effect from April 2020.

Key	
	To be completed by the Market Operator
	To be completed by the Proposer