

WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW031	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Change Proposal		
	Charging Change Proposal		
Submission Date	5 th December 2017		
Title: of Change Proposal/Charging Change Proposal	Extending the new connection suspension period		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	This proposal seeks to extend the current suspension of provisions relating to new connection services in the Operational Terms.		
General Details of the Proposer			
Name of Proposer	The Authority		
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).	On behalf of the Authority		
Contact Email	Daniel.mason@ofwat.gsi.gov.uk		
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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)	Yes – the current suspensions are due to be lifted in October 2018 and as such Trading Parties are likely to begin preparations imminently. This Change Proposal will help to provide an element of clarity on this issue and avoid abortive spend on the part of Trading Parties.		

Related Documents

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

Documents Accompanying Form

- CPW031 – Initial Written Assessment v1.0
- Attachment 2 – WRC Part 3 Operational Terms Draft Legal Text v1.0
- Attachment 3 – CSD0002 Draft Legal Text v1.0

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).

Part A of the Operational Terms sets out the processes for new connections. Prior to market opening, the Interim Codes Panel suspended five provisions to be reinstated in October 2018. The suspended provisions relate to:

- Process A1 – Pre-application enquiries in relation to new connection or connections;
- Process A2 – New connection to the Wholesaler’s water supply system for domestic purposes;
- Process A3 – New connection to the Wholesaler’s water supply system for non-domestic purposes;
- Process A4 – New connection to the Wholesaler’s sewerage system; and
- Process A5 – Pre-application technical assistance provided by the Wholesaler at the Retailer’s request

In the Authority letter of approval issued for the change WRC030 - Developer Services, Ofwat’s decision document explained that suspending these provisions allows “the Code Panel to investigate and draft a solution for Developer Services from 1 October 2017 to 1 October 2018. If a new proposal is not adopted by 1 October 2018 the existing text will be implemented”.

Since then, the market and regulatory landscape has continued to evolve. For example, there have been developments in charging rules for new connections, Ofwat has published its Code for Adoption Agreements and Ofwat has progressed work through its PR19 methodology on satisfaction measures for Developer Services (D-Mex). In addition, the sector has continued to develop its approach to new connection services across the piece.

Alongside these developments, there are also other factors which need to be taken into account here. For example, the interaction between new connection services and market performance standards and discrepancies within the current Codes with regards to registering new SPIDs. Moreover, there is a more fundamental question around the benefits to end customers (in this context, Developers) from implementing these provisions within the current timescales in the light of other work that is going on within the sector on this issue.

Given the extent to which there are pending (and ongoing) changes in the regulatory landscape, this Change Proposal seeks to extend the current suspension of these provisions while MOSL

carries out a more detailed holistic review of the merit and timing of introducing these provisions and addressing some of the discrepancies that have been identified.

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).

This Change Proposal seeks to extend the current suspension of these provisions until 1 April 2020. This time period will allow for sufficient engagement to establish whether to lift these suspensions, and also aligns with the new charging rules having had a year to embed as well as the outcome of the D-Mex being known. Changes to the current Code is set out below – it is recommended that these changes come into effect in January 2018.

Operational Terms

Introduction and summary

A. General introduction

This Part 3 of Schedule 1 of the Wholesale Contract sets out the Operational Terms which describe how the Wholesaler and the Retailer co-ordinate operational activities that are necessary for the Wholesaler's provision of Water Services and/or Sewerage Services to the Retailer. These Operational Terms are designed to ensure that necessary operational interactions between the Wholesaler and the Retailer work effectively.

In addition to following the processes and performing the other obligations set out in this document, the Wholesaler and the Retailer shall co-operate and communicate with each other clearly and effectively in order to facilitate the orderly functioning of the Competitive Market, for example by providing each other with appropriate contact arrangements for each of the processes set out in these Operational Terms.

The Wholesaler and Retailer recognise that establishing clear and, so far as possible, consistent operational processes is an important part of ensuring that all Retailers can help drive improved services to Non-Household Customers. Compliance with these processes is also a key part of ensuring that there is a level playing field between incumbent businesses and new and existing competitors.

In applying these Operational Terms, the Wholesaler shall act transparently and not discriminate between Retailers.

These Operational Terms make provision for:

- **New connections** (part A) - namely connection of new supplies to newly constructed Eligible Premises or to existing Eligible Premises – which includes processes for pre-application enquiries and applications for both new connections to the Network in respect of water (including Building Water) and sewerage connections, for requesting technical assistance from the Wholesaler in relation to the completion of Forms as well as the process by which the Retailer applies to be Registered to a New Supply Point if it is not arranging the connection. Note however that the application of certain aspects of part A of these Operational Terms comes into effect only on and from 1 April 2020~~October 2018~~ and is suspended and dis-applied prior to that date. See heading AA (Application of this part A (New connections)) of part A (New connections) below;

Part A: New connections

AA. Application of this part A (New connections)

The sections of this part A under headings A and C, and Processes A1 to A5 inclusive, together with the associated Forms (Forms A/01, A/02, A/03 and A/04) and the associated process diagrams set out in Annex A to these Operational Terms, shall come into effect only on and from 1 ~~April 2020-October 2018~~. Prior to 1 ~~April 2020-October 2018~~, the sections of this part A under headings A and C, and Processes A1 to A5, together with the associated Forms and process diagrams, (together referred to as the "Suspended Provisions") shall be disregarded and shall be treated as suspended with no application or effect, and the provisions under this heading AA shall apply in their place.

Accordingly, prior to 1 ~~April 2020-October 2018~~:

- a) a) neither the Wholesaler nor the Retailer shall be required to comply with any process set out in the Suspended Provisions;
- b) b) any cross-reference to this part A (New connections) (and any associated Form(s) or process diagram(s)) elsewhere in any other Part of Schedule 1 of the Wholesale Contract shall be treated as adjusted to disregard (except as indicated in Process A6) any reference to the Suspended Provisions; and
- c) c) any Operational Performance Standard (and associated KPI) which measures compliance by the Wholesaler or the Retailer with any Suspended Provision shall be dis-applied,

and the provisions of this section AA (below) shall apply in their place.

For the avoidance of doubt heading B of this part A and Process A6 below shall continue to apply both before and after 1 ~~April 2020-October 2018~~.

A Non-Household Customer may make arrangements with another provider, or with the Wholesaler directly, for its new connection, appointing the Retailer to provide the Water Services and/or Sewerage Services only upon the connection being made. In this case the Retailer will need to be appointed upon the connection being made, so that the Market Operator can Register the Supply Point to that Retailer. The Wholesaler and Retailer shall follow Process A6 to ensure that the Retailer is Registered to the newly connected Supply Point in accordance with the Market Terms.

Prior to 1 ~~April 2020-October 2018~~ (when the Suspended Provisions are reinstated), Process A6 (and the associated Form A/05) shall also be deemed to apply, and shall be followed by the Wholesaler and the Retailer, in cases where the Retailer has approached the Wholesaler to arrange a connection on behalf of the Retailer's customer. (Prior to 1 ~~April 2020-October 2018~~, while the Suspended Provisions are dis-applied, such connection arrangements fall outside the scope of these Operational Terms). In this case the Supply Point will still need to be Registered to that Retailer by the Market Operator upon the connection being made. The Wholesaler and Retailer shall follow the steps of Process A6 to ensure that the Retailer is Registered to the newly connected Supply Point in accordance with the Market Terms.

The Wholesaler and Retailer shall follow Process A6 for any new connection to the Eligible Premises of the Retailer's Non-Household Customer. This will include new connections to both new and existing Eligible Premises, at either greenfield sites or brownfield sites. At the end of the process the Wholesaler will either request new Water Services and/or Sewerage Services

SPID(s) from the Market Operator or update the information held about an existing Supply Point to show, for example, any new meter which has been installed.

The Wholesaler and Retailer shall also apply Process A6 in respect of a new connection for Building Water in the same way as for any other connection. This will include Building Water for the construction of premises which will ultimately become either Eligible Premises or other premises, including Household Premises, or a combination of both. In any event, any New Supply Point having Building Water will be Registered in accordance with the Market Terms. This section AA shall cease to have effect, and the Suspended Provisions shall be reinstated and shall come into full force and effect, on and from 1 ~~April 2020~~ ~~October 2018~~.

CSD0002

4.1.3 Note that the application of certain aspects of part A (New connections) of the Operational Terms comes into effect only on and from 1 ~~April 2020~~ ~~October 2018~~ and is suspended and dis-applied prior to that date. See heading AA (Application of this part A (New connections) of part A (New connections) of the Operational Terms. Accordingly, the Operational Performance Standards which measure compliance with any Suspended Provision (being those with references OPS A1a to A4a in table 2 below) shall come into effect only on and from 1 ~~April 2020~~ ~~October 2018~~ and shall be dis-applied and are to be disregarded prior to that date.

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	N	
Proportionality	N	
Transparency	Y	The Change Proposal will provide clarity to Trading Parties and help to avoid abortive spend.
Simplicity, cost-effectiveness and security	N	
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	Y	The Change Proposal will help to clarify and establish the operational processes which facilitate the performance by the Contracting Wholesaler and the Contracting Retailer of their respective functions
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)	Y	Minor amendments to Part A (AA Application of this Part A (New Connections)) to reflect the extension to the current suspension.
Wholesale-Retail Code, Schedule 1 Part 4 (Market Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	Y	Minor Amendments to CSD002 Section 4.1.6 to reflect the extension to the current suspension.
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.	N	
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).		
Further Comments		

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