

# WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

<b>Change Proposal Reference</b> <i>(To be completed by the Panel Secretary)</i>	<b>CPW030</b>	Version No	<b>1.0</b>
<b>Type of Change Proposal:</b> <i>(delete as appropriate)</i>	Change Proposal		
	<del>Charging Change Proposal</del>		
<b>Submission Date</b>	5 <sup>th</sup> December 2017		
<b>Title:</b> of Change Proposal/Charging Change Proposal	Market Performance Framework for 2018/19 change proposal		
<b>Summary:</b> of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	This Change Proposal sets out the recommended changes to the Market Performance Standards and Operational Performance Standards for 2018/19 as per the outcome of the Market Performance Committee review which incorporated trading party consultation.		
<b>General Details of the Proposer</b>			
<b>Name of Proposer</b>	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).	Panel Member and Chair of the Market Performance Committee		
<b>Contact Email</b>	panel.secretariat@mosl.co.uk		
<b>Telephone Number</b>	Not applicable		
<b>The Proposer recommends that this Change Proposal/Charging Change Proposal should initially:</b> <i>(delete as appropriate)</i>	<del>Proceed to Assessment</del>		
	Proceed to Consultation		
	<del>Proceed to Recommendation</del>		
<b>Is the change Urgent (Yes/No)?</b> If yes, please provide reason for urgency (if applicable)	Yes, this affects MPS charging from April 2018.		

## Related Documents

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

CPM008 Redistribution of Market Performance Standards Charges change proposal.

Documents Accompanying Form

2. Recommendation on the MPS and OPS  
4. CSD0002 – CPW030  
5. CSD0101 – CPW030  
6. CSD0302 – CPW030

## 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 MPC has conducted a review of the package of standards and following consultation with trading parties has concluded that the Market Performance Standards are ineffective in driving market behaviours and providing confidence to trading parties that their peers are complying with their obligations. The scope of the review is established in CSD0002, 3.2.4 and 4.2.2.

The current standards have been identified to have the following issues:

- Four MPS do not measure single discrete activities;
- The success criteria for the MPS do not align to the market codes;
- One MPS does not have an associated SLA within the codes;
- Failure of a single MPS task may be reported as multiple failures;
- Wholesalers are not incentivised by the MPS to submit missing meter reads;
- Retailers incur a charge for any missing meter reads, where this level of performance is unattainable;
- The OPS do not include standards on trade effluent and a key element of deregistration which have a high market impact;
- The level of the cap and charges for retailers do not provide effective financial incentives due to the significant volume of retail tasks and that 100% performance may not be either practically or economically efficient creating a small active range of the financial incentive;
- OPS data is only submitted on a quarterly basis which limits the ability to compare performance; and
- OPS is not included within the performance resolution process which provides recourse for long-term underperformance.

The MPC have conducted a trading party consultation on these areas, and careful consideration of the responses have driven the proposals outlined in the next section.

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).

The MPC recommends that the below changes are made to CSD0002: Market Performance Framework; CSD0101: Registration: New Supply Points; and CSD0302: Standing Reports and

Data Extracts as identified. The recommendations are numbered to link to the attached Recommendation paper (Attachment 2).

**Recommendation 1: Each performance standard should only measure a single discrete activity**

The following standards should be separated within CSD0002 to allow more transparent reporting of performance:

- MPS2A and MPS2B relating to new connections - these should be separated based on whether it is a wholesaler or accredited entity carrying out the new connection.
- MPS 5A and MPS 5B relating to wholesaler late meter read submissions - these two standards each include two SLAs based upon whether it is a wholesaler or accredited entity activity and each include an additional SLA for if it is a private meter being read. These should be separated into five standards.
- OPSI1a relating to temporary disconnections - this standard includes two separate SLAs for standard and non-standard disconnections. These should be separated into two standards

**Recommendation 2: Each performance standard should align to the market code**

All MPS success criteria stated in CSD0002 should be aligned to the SLAs set out within the market codes. The SLA stated in CSD0002 for MPS1D relating to partial registration should be added into CSD0101 to ensure alignment as there is no current SLA included within the market codes.

**Recommendation 3: Failure of a single activity should be reported as a single failure**

The MPS within CSD0002 should be restructured such that multiple timescales are applied against a single standard rather than as individual standards in their own right. This will ensure that a single late task will be reported as a single failure, although multiple charge levels may still apply. Reporting will continue to provide information on the extent and level of MPS failures.

These changes should be reflected in the reporting defined in CSD0302.

**Recommendation 4: Performance standards and charges should incentivise desired market behaviours**

MPS6A and 6B relating to wholesaler meter read submission should be replaced with standards which measure how late a missing wholesaler meter read is calculated on when the meter read is expected rather than when it is submitted. This would ensure that the wholesaler missing meter read standard is calculated as per the retailer equivalent (MPS8A and MPS8B).

**Recommendation 6: An additional standard on deregistration should be added to the OPS**

A standard for C6 Step 4 of the Operational Terms with regards to deregistration should be added into CSD0002 as a failure to meet this obligation has a high market impact. The obligation is that:

- The Wholesaler shall notify the Retailer of its findings of the investigation and confirm if the Deregistration of the Supply Point or removal of a Service Component is to proceed within twenty (20) Business Days of its receipt of a materially complete Form C/03 from the Retailer.

**Recommendation 9: The level of charges should be reduced for all retailer MPS and a threshold should be applied for retailer missing meter reads**

The level of charges for retailers should be reduced in CSD0002 to level 1 is £5; level 2 is an additional £5 (£10 total); and level 3 is an additional £10 (£20 total). This will ensure that they are financially incentivised to meet the success criteria, and reduce the probability of breaching the cap, and drive better market behaviours.

A threshold should be applied such that only performance under 95% for MPS8A and MPS8B (retailer missing meter reads) incurs a MPS charge. Evidence received by the MPC suggests that this rate is stretching yet achievable.

**Recommendation 10: A zero charge should replace no charge**

All the MPS except one have no charges applying at the first point of failure (i.e. level 1). Where it is currently stated that there is ‘no charge’ that this should be restated as a ‘zero charge’ to ensure flexibility for further reviews in the future.

**Recommendation 14: Wholesalers should submit OPS data on a monthly basis**

Wholesalers currently monitor and collect OPS performance information monthly. This information is then provided to MOSL on a quarterly basis. A peer comparison report is then produced for all wholesalers. Wholesalers should submit OPS data each month to allow more frequent comparison of performance under the operational terms.

**Recommendation 15: OPS should be included within the performance resolution process**

Currently the OPS are not included within the performance resolution process set out in CSD0002. This process is administered by MOSL whereby if a Trading Party has three consecutive months of underperformance, MOSL will review if a performance rectification plan would help improve performance. OPS should be included within the performance resolution process to provide a structured process for addressing underperformance.

**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	Ensures the efficient discharge by the Retailer and Wholesaler of its duties under the Wholesale-Retail Code
Proportionality	N	n/a
Transparency	Y	Changes to existing standards improve the transparency of the Market Performance Framework.
Simplicity, cost-effectiveness and security	N	n/a
Barriers to entry	Y	The changes to the retailer MPS charges promote effective competition in the Competitive Market
Non-discrimination	N	n/a
Customer participation	N	n/a
Customer contact	N	n/a

Seamless markets	N	n/a
No limit on upstream competition	N	n/a
Business Terms Objectives	N	n/a
Operational Terms Objectives	N	n/a
Market Terms Objectives	N	n/a
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	n/a
Wholesale-Retail Code, Schedule 1 Part 1 (Objectives, Definitions and Principles)	N	n/a
Wholesale-Retail Code, Schedule 1 Part 2 (Business Terms)	N	n/a
Wholesale-Retail Code, Schedule 1 Part 3 (Operational Terms)	N	n/a
Wholesale-Retail Code, Schedule 1 Part 4 (Market Terms)	N	n/a
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	Y	CSD0002 CSD0101 CSD0302
Wholesale-Retail Code, Schedule 1 Part 6 (Operational Forms)	N	n/a
Appointment	N	n/a
Licence	N	n/a
Any other industry code, agreement or document (e.g. the Wholesale Contract or the MOSL Articles) (please specify)	N	n/a

Central Market Operating System	N	n/a
Trading Party systems which interface with Central Systems and other relevant Trading Party systems/ business processes.	N	n/a
Scottish Core Industry Documents	N	n/a

## 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).

The MPC's review of the MPS and OPS was presented and discussed at the following User Forums:

### 14 September 2017

MOSL's Market Performance Lead provided a briefing on the upcoming MPS and OPS consultation on behalf of the MPC. This outlined the scope of the review and the approach adopted by the MPC.

### 12 October 2017

The Chair of the MPC, a wholesaler committee member and a retailer committee member presented the recommendation in its consultation paper, addressed questions at the User Forum and encouraged consultation responses. It was made clear that MPC wished to receive evidence and rationale from trading parties as part of their consultation responses.

### 09 November 2017

The Chair of the MPC provided an update to the user forum, summarising key feedback and noting assurances that the MPC would seek from MOSL around its reporting.

## Further Comments

MOSL is developing its own reporting solution for MPS reporting and as such there is no CMOS impact.

The MPC has amended its recommendation set out within its October consultation document based on feedback from trading parties and thanks parties for their feedback and subsequent engagement during the development of the proposal contained within this Change Proposal. The most significant amendment to recommendation is to the level of retailer MPS charges. The MPC believes that due to its affect on charges for trading parties that this Change Proposal together with the associated MAC proposal (MAC CPM008) should be considered as a package and the subject of a further consultation.

Panel is requested to mandate MPC to prepare material to enable the consultations about this Change Proposal and CPM008 to be conducted and for MPC to return its recommendation about both proposals for consideration by Panel at its February meeting.

**Key**

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