



2019 Panel Plan

December 2019 V1.0

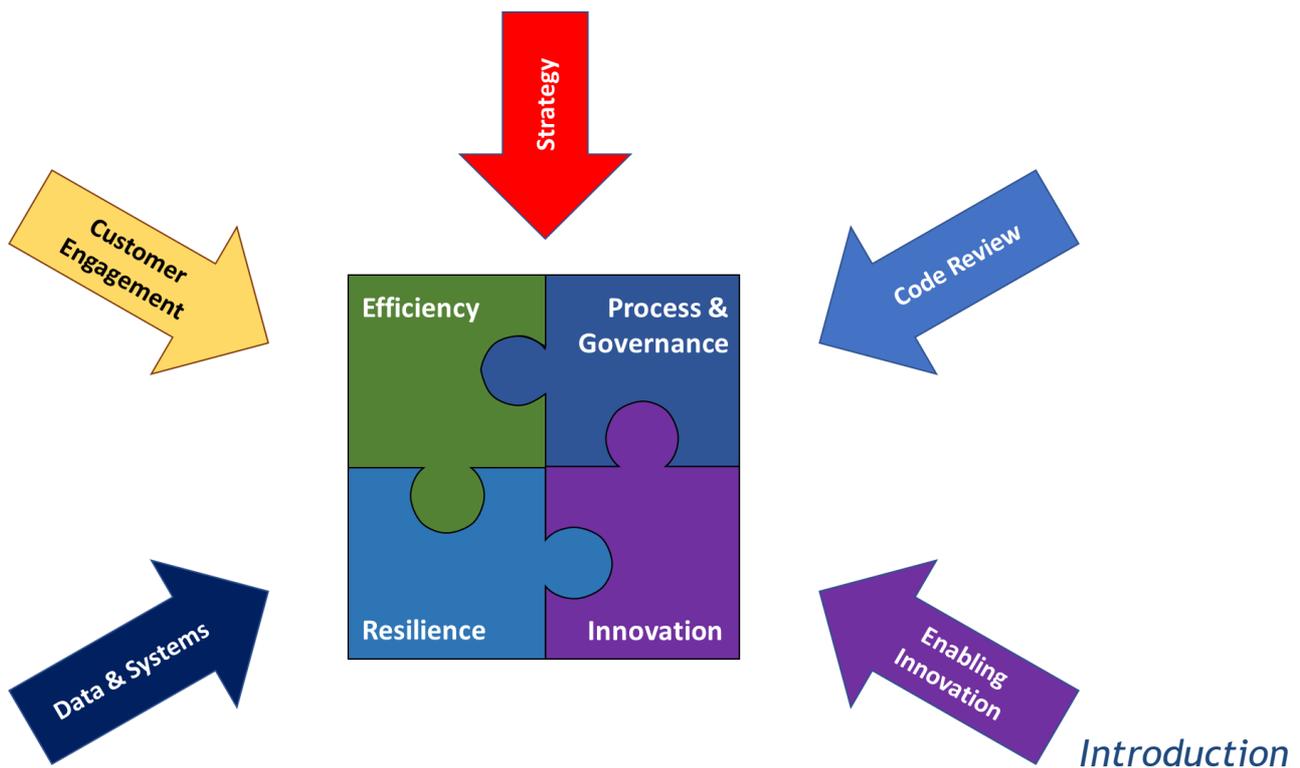
Executive Summary

The Panel promotes, challenges and leads the operation and evolution of the market for the benefit of business water customers. It aims to realise a market that is resilient to shocks, has good processes and governance, is efficient and facilitates customer led innovation.

The Panel believes its plan should be leveraged on:

- Being bolder in its planning
- Engaging with Ofwat
- Developing market capacity for change
- Engaging with customers, and
- Improving customer access to the market.

It will therefore deliver its aims through existing work identified in the Panel’s 2018 plan and five new strategic workstreams. The new workstreams are engaging with customers, improving market data and systems, reviewing the codes, developing strategies for the future and enabling innovation.



This plan arises from workshops carried out during 2019 in which the Panel has considered concerns raised in Ofwat’s report on the non-household market and the Consumer Council for Water’s report on customer experiences. The Panel believes the market should deliver benefit to customers and has developed this plan to deliver that benefit.

This plan supersedes the plan published in March 2019. It identifies strategic aims and the approach to delivering them. Progress will be tracked and reported by the Panel each quarter. It is envisaged that the plan will be fully reviewed again in 2020.

1 Panel Purpose Statement

Two years on from market opening and following election of new Panel members at the start of 2019, the Panel has reviewed its purpose statement and agreed its purpose is:

To promote, challenge and lead the operation and evolution of the market for the benefit of business water customers.

‘Promote, challenge and lead’ mean that the Panel will have a proactive role supporting market participants and seeking best practice. It will identify gaps and develop a shared vision of the future market.

‘Operation and evolution’ refer to monitoring of the current market and development of the market for the future.

‘Benefit of business water customers’ recognises the purpose of the market is to benefit the end customer. Furthermore, in delivering benefits to business customers there may also be benefits to household customers.

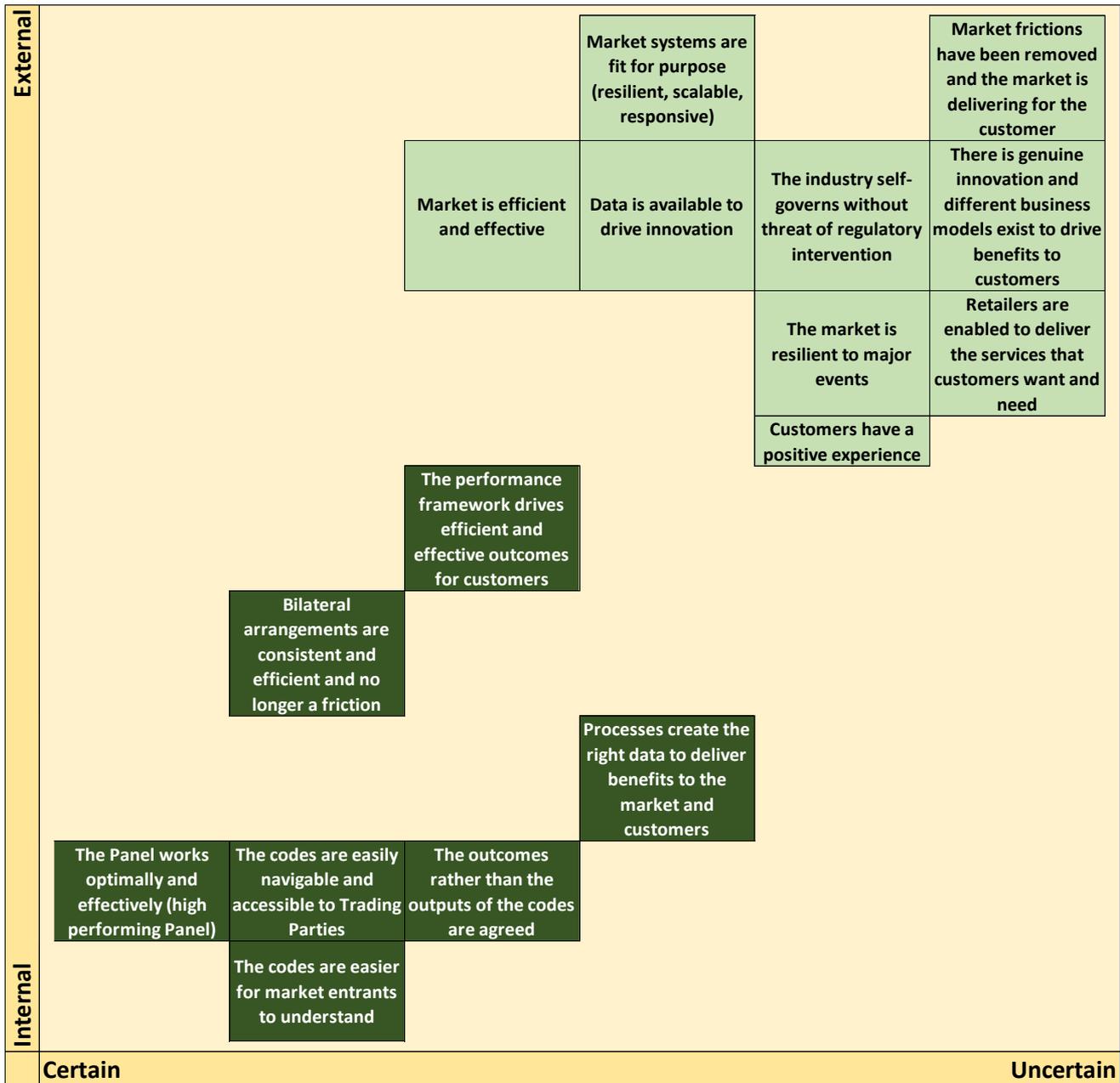
2 Context

Appendix A sets out the context for the Panel plan based upon issues identified by the Panel in its workshops.

3 Desirable Outcomes

The Panel has reviewed opportunities and threats to the non-household market and identified several desirable outcomes which are shown in Figure 1. The outcomes have been plotted against certainty (horizontal axis) and the degree of external support required to achieve them (vertical axis).

Figure 1 - Desirable outcomes



The desirable outcomes split into two areas:

- Operational - Those in the bottom left that are more certain and generally within the Panel’s control.
- Strategic - Those in the top right that are less certain and will require external support outside of the Panel’s control to realise.

3.2 Operational Outcomes

The seven operational outcomes bottom left are more certain and generally within the Panel's control:

Outcome	Delivery
Bilateral arrangements are consistent and efficient and no longer a cause of friction.	This is being addressed by a project to develop a common bilateral interface, the subject of Authority Timetabled change proposal CPM070.
The performance framework drives efficient and effective outcomes for customers.	The Market Performance Committee and the Market Performance Operational Plan are driving towards this aim.
Processes create the right data to deliver benefits to the market and customers.	<p>The Market Performance Committee will continue to work to fully understand the following market frictions¹:</p> <ul style="list-style-type: none"> • Lack of complete, accurate and timely market data • Poor wholesaler performance against industry standards • Poor interaction between wholesalers and retailers <p>Current limitations in the market that cause these frictions will be identified with a view to developing and implementing future requirements.</p>
The Panel works optimally and effectively (high performing Panel).	Ongoing work by the Secretariat is seeking to improve the management of code changes and the effectiveness of Panel decision making, e.g. CPM016 on voting arrangements. The Panel will develop metrics to track performance and undertake effectiveness reviews from time to time.
The outcomes rather than the outputs of the codes are agreed.	This will be addressed by changes in ways of working to ensure the expected outcomes of changes, e.g. benefits, are discussed and recorded in change proposals.
The codes are easily navigable and accessible to Trading Parties.	A code review workstream will be established to review the codes with a view to increasing navigability and accessibility to market participants.
The codes are easier for market entrants to understand.	

¹ As identified in Ofwat's 2017-18 State of the Market Report

3.3 Strategic Outcomes

The outcomes in the top right are less certain and require external support outside of the Panel's control to deliver. They have been grouped into the following four strategic areas:

3.3.1 Efficiency

- The market is efficient and effective.
- Water is used efficiently.
- Market frictions are removed and the market is delivering for the customer.
- Market systems (CMOS and others) are fit for purpose, i.e. they are resilient, scalable and responsive to change.

3.3.2 Process and Governance

- The industry can self-govern and there is minimal threat of regulatory intervention.

3.3.3 Customer led innovation

- Data is available to drive innovation.
- There is genuine innovation and different business models exist to drive benefits to customers.
- Customers have a positive experience.
- Retailers are enabled to deliver the services that customers want and need.

3.3.4 Resilience

- The market is resilient to major events.

4 Levers

The Panel reviewed the strengths and weaknesses of the Panel and the market. From these it identified five levers that could be used or developed to deliver the strategic outcomes.

4.1 Being bolder at driving fundamental change

The Panel will take more responsibility for change, increase the pace of its working groups and decision-making processes to create the power and space to lead the business water market. It will move away from short-term responses and challenge regulators to deliver structural change. Chairs of the Panel, sub-committees and sub-groups will be encouraged to be bold in identifying opportunities and aims for the Panel's work.

4.2 Understanding Ofwat's position and thinking

The Panel believes that Ofwat is supportive of a more proactive Panel approach. The Panel will seek to understand Ofwat's position to align the business water market with broader regulatory developments.

4.3 Ensuring the Market has the capacity to implement change

The Panel will explore how to make the Central Market Operating System more responsive to change. It will speed up decision making and introduce an urgent change process.

4.4 Developing the market for all business customers

The Panel will make it easier for players to engage with the market and will engage Small and Medium Enterprises more fully.

4.5 Improving customer access to the market

Providing customers with better, easier to understand information, to support comparison of retailers and empower their ability to shop around and switch.

5 *Delivering the outcomes*

The operational outcomes and how they will be delivered are described in Section 3.1. The Panel has greater control over these and in many cases has already established processes and work to address them. The Strategic outcomes will be delivered in the medium to long term using the levers described in Section 4.

The Panel will therefore establish the following five workstreams (one operational and four strategic):

- Customer Engagement
- Code Review
- Data and Systems
- Strategy
- Innovation.

Each workstream is an outline programme of work and is described in more detail in Section 6.

5.1 Ofwat Engagement

The Panel will increase its engagement with Ofwat to promote its strategic aims and to understand and challenge Ofwat's priorities. Ofwat representatives already attend each Panel meeting and the Ofwat CEO attended a Panel meeting during 2019. It is envisaged that these engagements will continue and further opportunities sought.

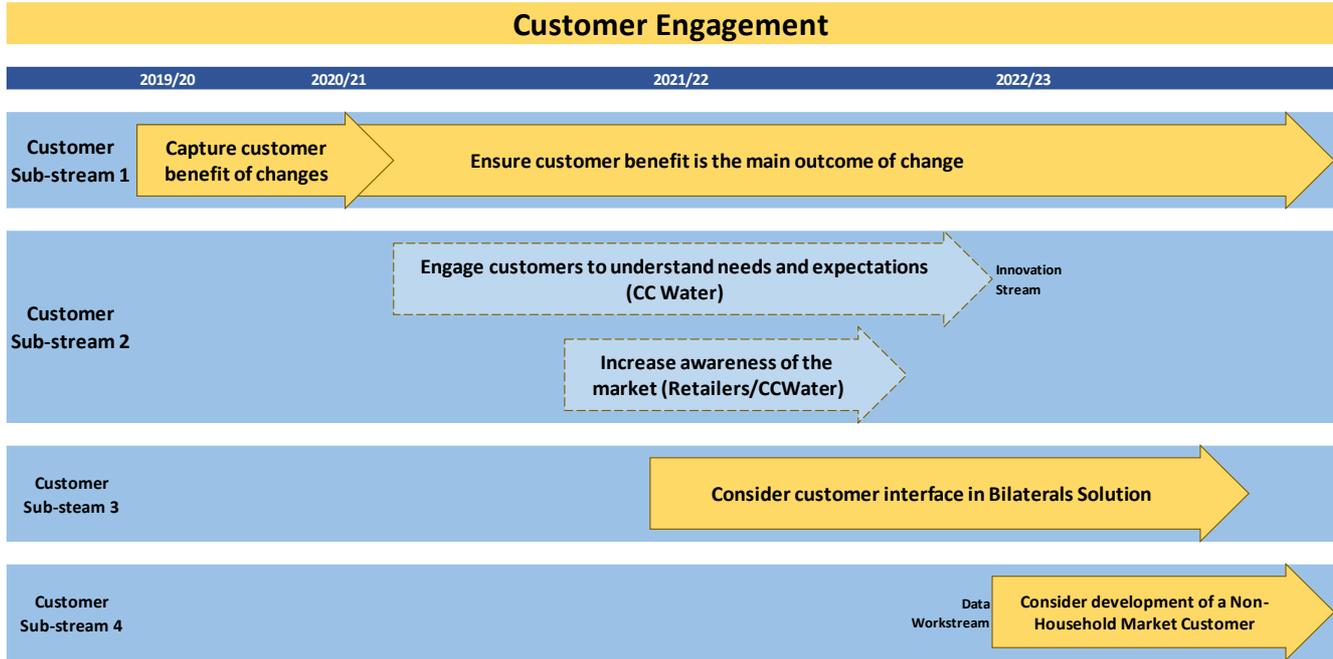
5.2 Delivery

The workstreams described in Section 6 are significant programmes of work and, in many cases, there is uncertainty and support will be required from stakeholders outside of the Panel's control. The indicated timescales are aspirational and unconstrained. In practice, timescales will be determined by the resources of the Panel, Secretariat and the industry.

The Panel's plan is dependent upon the resources of the Market Operator. The plan is intentionally bold so the Market Operator may need to develop additional resources and capabilities to deliver it. MOSL will reflect the Panel's plan in its own 2020/21 business plan and delivery will be contingent upon member support for this.

6 Workstreams

6.1 Customer Engagement Workstream



The Panel engages with Retailers and Wholesalers but has no direct engagement with customers other than the Customer Representative Panel Member who attends Panel meetings and the Customer Representative who advises on Change Proposals. This workstream will develop dialogue and engagement with customer organisations in the market and the Panel’s work.

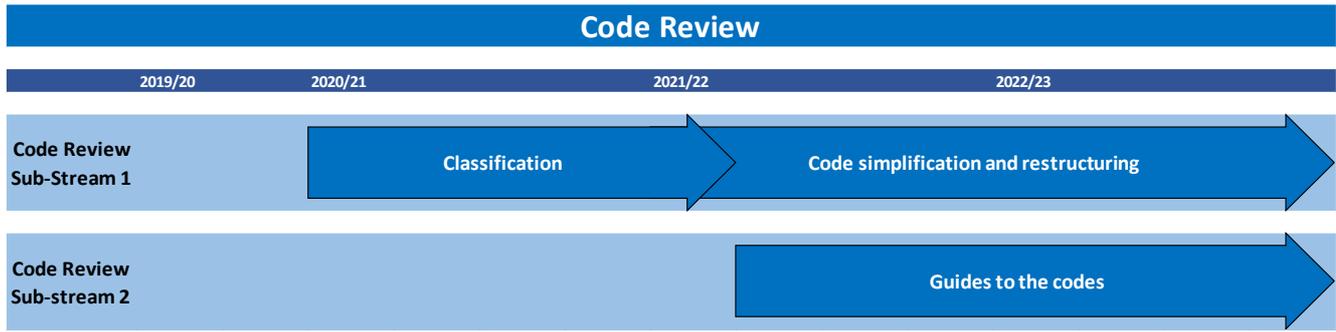
Sub-stream 1 - Working practices will be changed to ensure that customer benefit is captured as an outcome for each change. This builds upon the inclusion of the voting Customer Representative Panel Member at Panel meetings.

Sub-stream 2 - Develop dialogue with customers and consumer organisations. The workstream will work with CC Water to understand customer needs, expectations and priorities. This would be used to inform customer led innovation in the enabling innovation workstream. This workstream could also increase awareness of the market and its opportunities but not before the market has the capacity to deliver a good experience to newly informed customers.

Sub-stream 3 - Consider the inclusion of a customer interface in the Bilateral solution. If merited this would be implemented in a later release.

Sub-stream 4 - The business case for a national non-household market website to provide customers with relevant market information will be explored. Services that might be offered include retailer comparisons and who is my retailer? The timing of this work may be affected by data workstream work on an open data protocol and strategy workstream work on harmonizing tariffs.

6.2 Codes Review Workstream



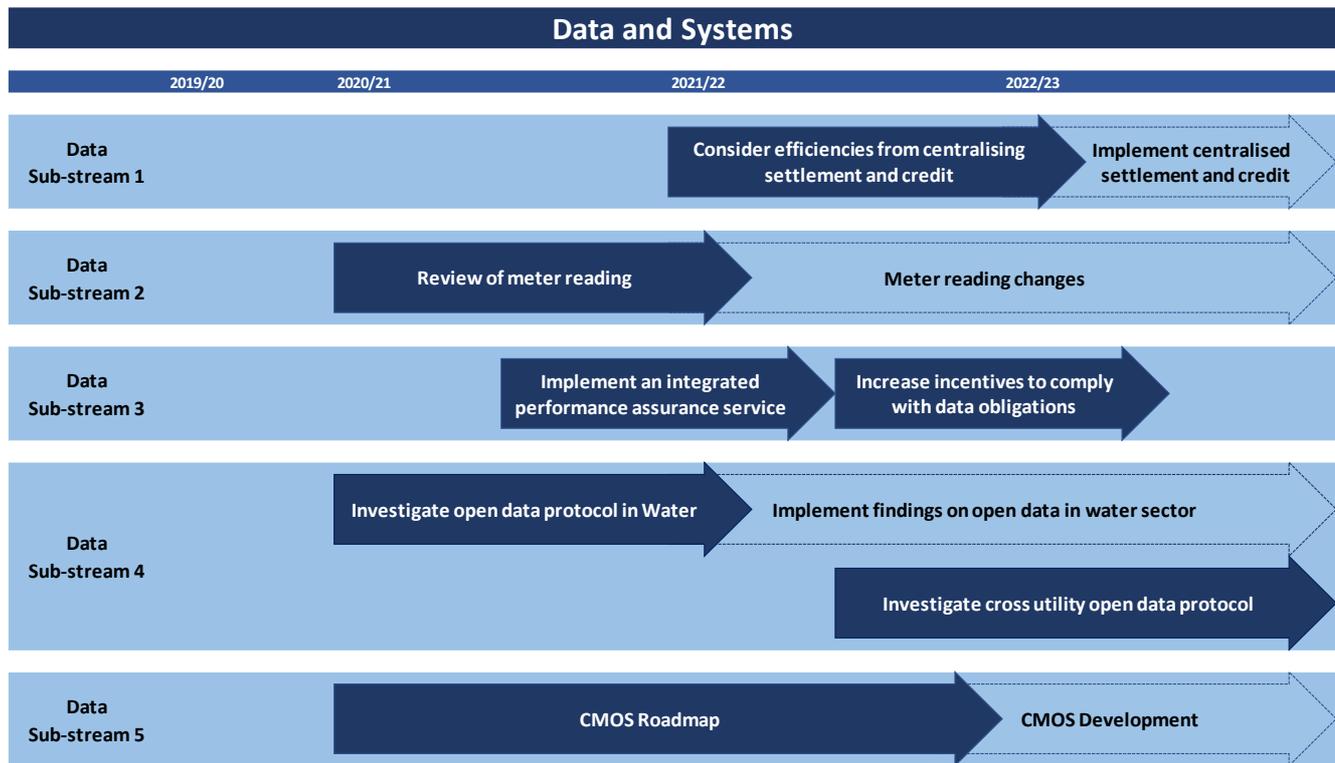
This workstream will seek to restructure the market codes² so that they are easier for Trading Parties to navigate and identify which parts are relevant to them. This also creates an opportunity to restructure the codes according to governance process, e.g. separating obligations from operational guidance.

Sub-stream 1 - The sections of the Market Arrangements Code and the Wholesale Retail Code will be reviewed and classified according to their purpose, e.g. which classes of trading party they are relevant to or whether they are obligations or operational. Following this a simplifying and restructuring exercise would begin.

Sub-stream 2 - In parallel with the simplifying and restructuring exercise, guides to the codes would be produced to signpost relevant sections of the code for each trading party and the business areas they relate to.

² The Wholesale Retail Code and the Market Arrangements Code
[Panel Plan](#)
 Version 1.0 | December 2019

6.3 Data and Systems Workstream



Sub-stream 1 - The efficiency and coordination benefits of centralising credit arrangements and settlement functionality that is currently distributed across trading parties would be considered.

Sub-stream 2 - Consideration will be given to industry processes, standards and responsibilities for meter reading. This may lead to further work.

Sub-stream 3 - An integrated performance assurance service will be developed as part of the Market Performance Framework. It is expected that this will include increasing the incentive to comply with data obligations.

Sub-stream 4 - Work will be undertaken to investigate the potential efficiencies and customer benefits that may arise from promoting and implementing open data protocols within the business water market. If merited an implementation approach would be identified and progressed in the water sector. Future work may investigate development of a cross utility open data protocol.

Sub-stream 5 - MOSL is developing a roadmap for the Central Market Operating System (CMOS). Changing use of data from the Data workstream and requirements from the Customer workstream will impact on this roadmap.

6.4 Strategy Workstream

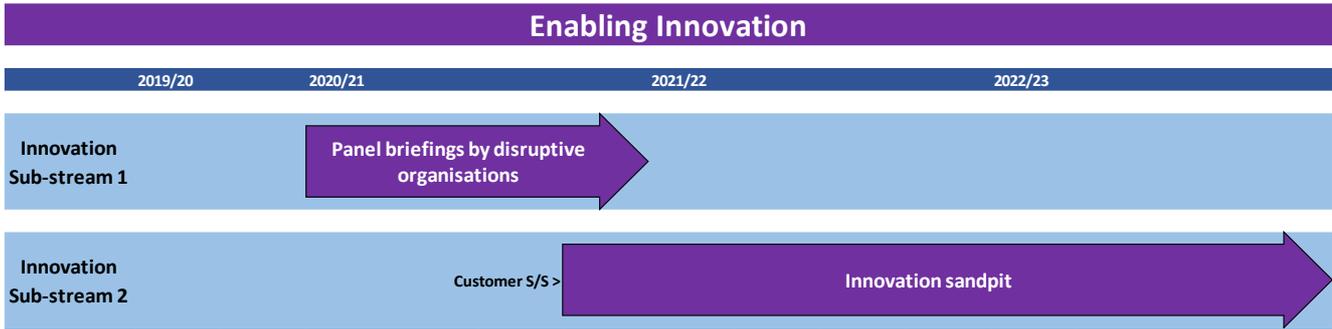


Sub-stream 1 - The Panel will establish a strategic risk and opportunities register to be reviewed from time to time. The impact of these risks and opportunities upon customers will be assessed and used to prioritise issues.

Sub-stream 2 - Mitigation or realisation strategies will be developed for the key issues identified on the strategic risk and opportunities register. Issues being considered by the other workstreams could be included in the strategic issues and opportunities register. These are represented by Issue 1 in the diagram above. Other issues that might be considered include:

- Harmonising and simplifying tariff structures.
- Competition in wholesaler services, e.g. water resources and bio-resources.
- Developing the environment for a household water market.
- Addressing water scarcity.
- Harmonising and simplifying wholesaler policies e.g. leakage and Trade Effluent

6.5 Enabling Innovation Workstream



Sub-stream 1 - To understand how innovative business models could be accommodated in the market, retailers with novel or disruptive business models will be invited to brief the Panel.

Sub-stream 2 - A sandpit environment could be developed in which innovative models can be proto-typed. This would include clarifying the economic thresholds that innovation models must meet to be taken forwards.

7 Ongoing Work

The Panel identified the following areas for work during 2018/19 which will continue:

7.1 Credit Arrangements

The Credit Committee was established by the Panel in April 2018 to address proposals identified by PwC following their review of credit arrangements. The Credit Committee has raised the following change proposals:

- **CPW052** Improving the Transparency of Alternative Credit Arrangements - Implemented on 29 March 2019.
- **CPW057** Improving the Transparency of Guarantee Credit Arrangements - Currently awaiting Authority decision.
- **CPW060** Amendments to the provision of credit assessed score evaluation for the purposes of unsecured credit allowance - Currently awaiting Authority decision.
- **CPW061** Unsecured Credit Allowance reflecting payment history - Currently awaiting Authority decision

The credit committee will continue to review credit timelines for termination and default and options for centralising credit under Data Sub-stream 1.

7.2 Market Performance Framework

The Market Performance Committee is reviewing the redistribution of Market Performance Standards (MPS) Charges and expects to propose changes to the authority in October 2019.

MOSL published its Market Performance Operating Plan (MPOP) in May 2019 which sets out four programmes of work:

- **Data quality** - Addressing the issues with the completeness and accuracy of the market dataset which are restricting customer access to the market, constraining their experience within it and causing friction for trading parties
- **Meter reading** - Continue the market's focus on improving meter reading performance and eradicating the issue of long unread meters to provide increased confidence in settlement and customer billing
- **Standards and incentives** - Improving the Market Performance Framework (MPF) to ensure that the right financial and reputational incentives are in place to drive service and performance
- **Data access and insight** - Investigate ways in which MOSL can provide better access to market data and insight to stakeholders to drive improved performance, efficiency and innovation in the market

These programmes are compatible with Data Sub-stream 3 to develop an integrated performance assurance service and Efficiency Sub-stream 1 to understand frictions fully. The Panel expects the Market Operator through the MPOP to monitor market performance and resolve market issues through engagement with Trading Parties and the Market Performance Committee.

7.3 Trade Effluent

The Trade Effluent Issues Committee (TEIC) was established in November 2017 to review the current rules and identify improvements to the code provisions for trade effluent. The TEIC has progressed the following Change Proposals:

- **CPW036** G/02 Form Amendments and G/03 Temporary Consent Form - Implemented 28 September 2018
- **CPW047** Enabling Sewerage Wholesalers to create meter networks - Implemented 26 July 2019

The TEIC plans to enquire with Ofwat into its competition concerns regarding pass/fail correspondence between wholesalers and customers. It will Investigate:

- validation rules on DPID management
- finding historical data when a meter network is disassociated
- the visibility of sub-meter and main meter labelling in CMOS, and
- ad-hoc reporting on TE reads

The TEIC will consider change proposals covering

- Meter networks and SUBTRACT
- Retailer Trade Effluent Service Levels
- Indicator of Trade Effluent strengths, and
- Vacant sites with active DPIDs.

7.4 Bilateral Arrangements

Authority timetabled Change Proposal CPW070 Bilateral Interfaces Solution was raised in July 2019 to address the complexity of wholesaler-Retailer interfaces. A Panel sub-group is being established to advise on the code amendments required to implement this change. Code changes aligned to any new bilateral arrangements and infrastructure are expected to be presented to the Panel November 2020 for implementation May 2021.

7.5 Governance

The Panel altered its change processes in April 2019 to allow proportionate development and assessment of change proposals according to the impact and complexity of each change. Changes

are now developed either by MOSL, Panel Committees or Panel Sub-groups established for specific changes.

MOSL has raised the following Change Proposals to improve governance:

- **CPM006** Introducing a process for urgent Change Proposals
- **CPM013** Adding the Customer Rep as a voting Panel Member
- **CPM015** Panel Self-governance
- **CPM016** Panel Voting Majorities

The following Change Proposals are also under consideration:

- Handling Alternative Solutions
- Changing the Panel composition and quorum
- Panel Nomination Process

7.6 Data Protection

The GDPR Issues Committee has been reconvened and the Market Operator will work with the committee to review GDPR provisions introduced in 30 March 2018. Subject to industry feedback and any findings it will raise Change Proposals and report back to the Panel by January 2020.



8 Appendix A - Context

8.1 Environmental

Climate change is challenging the water industry with hotter drier summers causing increased demand coupled with water scarcity. By contrast, climate change also drives more frequent severe weather events leading to flooding.

The water industry must comply with environmental standards which both limit abstraction and regulate the quality of waste discharged back into the environment. These standards are harder and more expensive to meet as natural water resources decline.

The availability of clean and plentiful water cannot be taken for granted and the focus is increasingly on efficient use of water.

8.2 Economic

As an essential service, water should be affordable and there is a drive to lower bills for customers.

8.3 Regulatory

Much of the water industry value chain is owned by monopoly wholesalers. Wholesalers are subject to price controls set by Ofwat which set out service expectations and funding to address legacy issues such as data quality.

Retailers are separate companies and where owned by the same group as a wholesaler there are license restrictions to prevent cross subsidy. Due to competitive pressures retailer margins are narrow. This disincentives retailers from expenditure on new initiatives and innovations unless it provides them with a competitive advantage.

8.4 National Legal

GDPR, Competition Act and Brexit legislation all have a bearing on the water industry. The Labour party manifesto promises to re-nationalise the water industry threatening the continued existence of the business retail market. The Government aims to half leakage rates by 2050. Meanwhile CC Water report a decline in customer experience since separation of the water industry into wholesale and retail.

8.5 Internal Governance

The Panel's internal governance arrangements have not changed from those established at market opening. Some aspects have caused issues such as a high threshold for decision making and inability to appoint enough Associated Retailers.

The Panel sets market rules and therefore incentives upon trading parties to deliver services. These incentives need to align with long term aims and protect the customer.

9 Annex B - Integrated Plan

