

Panel Plan - A Working Document

July 2018



Purpose

This Panel Plan sets out the Panel's strategic priorities for 2018/19 and beyond. The Panel has identified focus areas under these strategic priorities, to progress programmes of work over the next 24 months.

Panel Role

The Panel's responsibilities are set out in Market Arrangements Code (MAC) Section 5.2.

Section 5.7.1(a) of the MAC requires that Panel Members act impartially, in the best interests of the market as a whole and that they undertake work and make recommendations so as to better facilitate the delivery of the Objectives and Principles set out in the market codes (see Appendix A).

In establishing its Terms of Reference, in February and March 2017, Panel Members concluded that the Panel's mission, overall focus and main purpose is:

to ensure that the operation and evolution of the market codes facilitates efficient and effective market outcomes, promoting competition for the benefit of the end customer.

Panel Terms of Reference (March 2017)

Strategic Priorities

The Panel's strategic priority for 2018/19 is to understand the overall performance of the market and the contributions of Trading Parties and the Market Operator and the governance framework so the Panel can:

1. Promote effective competition;
2. Reduce friction in the market and enable the market to operate efficiently; and
3. Embed good working practice and efficiency in market code governance.

The Panel will make decisions in the context of these priority areas of focus. It will consider the direction of travel for the market codes, the performance of the market and take account of wider market views i.e. the policy and regulatory landscape. To inform its considerations and decisions the Panel anticipates being guided by expert advice from the Market Operator/Panel Committees and wider groups.

Progress against these strategic priorities will be reviewed every six months. The Panel will keep these priorities under review and will use risk assessments and planning process to identify new issues and challenges. Where new issues are identified, the Panel will secure expert inputs and commission work where needed, and will reprioritise if necessary.

In addition to the strategic priorities, Appendix B sets out the Panel's operational plan of key activities in 2018/19.



Approach

The Panel will focus at a strategic level rather than on technical matters (where it will request work be conducted, and sometimes delegated, to the Market Operator and/or Panel Committees and sub-groups). This will allow the Panel more time to focus on its wider responsibilities (other than change).

Panel Committees and sub-groups may be standing groups that meet on a monthly basis or specific groups that meet as required to workshop and scrutinise changes and issues as directed by the Panel. These committees and/or sub-groups will develop technical solutions and assess impacts, costs and benefits. They will recommend specific actions to the Panel (e.g. recommend a change for approval/rejection).

The Panel will focus on how the action fits the overall direction of travel, the Panel's mission, and whether it better facilitates the Objectives and Principles of the market codes. The Panel will work collaboratively with key stakeholders, such as Ofwat, the Market Operator and Trading Parties, to ensure the desired outcome benefits the market as a whole.

To support Panel decision making, the Panel will consider regular updates in the following areas:

- Change - an update of all in-flight and pipeline Changes Proposals and associated releases;
- Market Operator - an update on Market Operator activities and CMOS services;
- Ofwat - an update on the activities of the regulatory and any upcoming work;
- Market Activity - an update on market activity using key market indicators; and
- Market Performance - an update on the key performance indicators for priority areas of focus.

Focus Areas

The Panel has identified work to be progressed in the following areas. A high-level summary of the focus areas, proposed resolutions and timeframes are set out below:

1. Promoting effective competition:

a) Credit Arrangements:

Collation of issues associated with credit and consideration of improvements to facilitate lower cost for Retailers and to reduce barriers to entry.



- Resolution:
 - Credit arrangements for the Non-Household Retail market have been an area of Panel focus since market opening. To date, three code Change Proposals have been recommended by the Panel to the Authority, including most recently CPW019 (Trade Credit Insurance) in May 2018. In light of the outcomes of KPMG's report for Ofwat on the review of credit arrangements, the Panel will establish a Panel Committee to take forward any necessary code Change Proposals to amend the Business Terms. This committee will be tasked with assessing the issues and providing recommendations to the Panel on any required code Changes Proposals.
- Timeframe:
 - Subject to the scale of the issues in KPMG's report, the Panel expects to run a programme of work over the next 18 months (concluding in Q3 2019/20). This programme will prioritise the most important issues. The Panel Committee will focus on assessing these priority issues first, and will develop any necessary code Change Proposals to recommend to the Panel and Authority.

b) Developer Services:

Following its suspension in the market codes, Part A Processes A1-A5, of the Operational Terms (New Connections) will be reviewed to ensure they are fit for purpose before inclusion in the codes in April 2020.

- Resolution:
 - Subject to Ofwat's considerations regarding Developer Services, the Panel will consider establishing a Panel Committee or sub-group to review the processes in Part A and identify candidates for change.
- Timeframe:
 - Part A will need to be effective in the market codes by April 2020. To enable development of Trading Party systems and processes, the Panel acknowledges that Part A will need to be reviewed, any necessary changes developed and a recommendation made to the Authority by the end of Q3 2019/20.

2. Reducing friction in the market and enabling the market to operate efficiently

a) Market Performance:

The performance of the market and accuracy of settlement will be affected by Trading Party performance, policies and data quality. Market issues will arise which constrain effective competition or create friction within the market. To address this, the Panel expects the Market Performance Framework to grow and evolve over the next 24 months. This includes a review of the Operational Performance Standards (OPS), confirmation



of the redistribution of Market Performance Standards (MPS) Charges, identification of priority areas and performance standards, managing performance by exception and the progression of resolution plans.

- Resolution:
 - The Panel expects the Market Operator to, as part of its Market Performance Operating Plan (MPOP), monitor market performance and resolve market issues through engagement with Trading Parties and the Market Performance Committee (MPC). This may include areas such as data quality, gap sites and meter validation etc. The MPC should focus its attention on those areas which have the greatest impact on settlement. The Panel expects the MPC to review the performance of both Retailers and Wholesalers, noting the importance of Wholesaler and Retailer performance in providing an effective and equitable market.
 - Where areas of market improvement are identified the MPC (supported by the Market Operator) will put in place a planned approach to drive market improvement activities in this area. As detailed in the Market Operator's Market Improvement Strategy, this may include using tools such as raising market awareness at industry groups like the User Forum, prompting best practice, making recommendations to the Panel on code Change Proposals and/or initiating the Performance Resolution process.
 - The Panel will monitor performance via regular updates from the Market Operator and the MPC. These updates must include, insights about regular performance reporting, progress reports on both industry wide performance improvement initiatives as well as individual Trading Party Performance Rectification Plans. Where performance degrades or underperformance persists, resolution activities may be escalated for the Panel's consideration.
 - The appropriateness of the OPS and charging will be reviewed the MPC. It is anticipated that MPC's work will be supported by a sub-group which will provide expert input and may provide recommendations to the MPC about the changes to the regime.
 - Following Ofwat's decision on CPM008 'Redistribution of Market Performance Standards Charges', the MPC will be monitoring the performance of Trading Parties against the new MPS and will make a recommendation to the Panel on the most appropriate mechanism to redistribute these charges.
- Timeframe:
 - The MPOP sets out the Market Operator's planned approach to market improvement for the year and will prioritise resolving the market issues and data quality. The MPC will consider and provide input to the MPOP in July 2018. In the first six-month review of the Panel Plan (to be undertaken in December 2018), the Panel will consider the key issues and areas for market improvement

based on the MPC's recommendations. Where new issues are identified the Panel may need to reprioritise the areas of focus in the Panel Plan.

- The Panel expects OPS charging to be implemented so as to come into effect no later Q1 2019/20.
- The Panel anticipates the MPC to make recommendations on any potential code Change Proposals for the redistribution of MPS Charges in Q3 2018/19.

b) Trading Disputes:

Consideration of the disputes regime to ensure it is efficient and appropriate for resolving market errors.

- Resolution:
 - The Trading Disputes Committee (TDC) will be reviewing the efficiency and effectiveness of the market codes' Dispute Procedure and will be recommending any necessary Change Proposals to the Panel.
- Timeframe:
 - The TDC will provide its recommendations to the Panel on any potential code Change Proposals in Q2 2018/19, ready for implementation before the end of Q4 2018/19.

c) Trade Effluent:

Identified as one of the main themes of concern in the Market Audit, with issues highlighted such as Trading Parties' operational practices, knowledge in this area, CMOS functionality and data issues. To improve Trading Parties' experience in this area the current rules will be reviewed to identify barriers to efficient market operations and any knowledge gaps, as well as progressing improvements.

- Resolution:
 - The Trade Effluent Issues Committee (TEIC) was established in November 2017 to review the current rules and identify improvements to the code provisions in this area. This year the TEIC will continue its work to ensure the Trade Effluent provisions in the market codes are clear. It was noted that the volume of consents has decreased since market opening and to increase these numbers the TEIC have recommended a code Change Proposal to the Panel on the simplification of consent applications.



- The TEIC will also focus on CMOS arrangements and look to resolve issues via raising any the necessary Change Proposals, issuing guidance notes and running appropriate education sessions with Trading Parties.
- Timeframe:
 - The TEIC's tenure is currently set to run until October 2018. The TEIC will liaise with Panel and is expected to make recommendations to the Panel where any code Change Proposal are considered necessary. Depending upon assessment against other priorities, these proposals could be implemented over the course of the next 18 months (Q3 2019/20).

d) Effectiveness of Bilateral Arrangements:

The complexity of Wholesaler Retailer interfaces was another key area of concern in the Market Audit. The Panel agrees that work should be progressed to clarify and simplify these interfaces and therefore endorses the work that the Retailer Wholesaler Group (RWG) and the Market Operator are doing.

- Resolution:
 - The Panel acknowledges the work being undertaken by industry, such as the RWG which is looking to clarify and simplify the operational processes. Current focus includes reviewing transactional activities relating to form rejections and activities without forms and also an overall review of the forms. Where candidates for improvement are identified, the RWG will assess and develop code Change Proposals to recommend to the Panel.
 - The Panel will be kept up to date with the work being done by the Market Operator, supported by the Market Operator's DSC, to explore and develop technical and process solutions to better facilitate bilateral processes, as well as areas for potential standardisation.
- Timeframe:
 - The Panel anticipates considering code Change Proposals on the operational processes arising from the RWG's deliberations by Q2 2019/20.
 - The Panel expects any changes to code, systems and processes from the work of the Market Operator and the DSC, will be identified by Q4 2018/19. The Panel will consider these changes prior to their implementation anticipated for 2019/20.

3. Embedding good working practice and efficiency in market code governance:

a) Best Practice Change Provisions:

The core provisions relating to Change Proposals under the market codes and those that set out the document architecture will be reviewed to ensure best practice and efficient and effective progression of change. This includes reviewing the market codes Objectives and Principle, change templates, the process for impact assessments and urgent Change Proposals.

- Resolution:
 - A number of improvement areas were discussed at the April Panel Strategy workshop. This included areas such as whether the market codes Objectives and Principles promote good governance. The Panel Secretariat will work with the Panel to raise any necessary code Change Proposals, develop new process guidance for proposers when raising changes and update existing change documentation, as required.
- Timeframe:
 - The Panel anticipates some improvement areas to be implemented in 2018/19, the first phase being to update existing change templates and develop new process guidance with the support of a Panel sub-group by the end of Q3 2018/19. However, a wider review of the effectiveness of the change process will begin in Q1 2019/20, and where any Change Proposals are identified, these will be implemented as soon as reasonably practical but no later than the end of Q4 2019/20.

b) Panel and Committee Governance:

The composition of the Panel Committees will be reviewed by the Panel to ensure they are proportionate and that all parties' views (large and small, new entrant and incumbents) can be fed into decision-making and are taken into account.

- Resolution:
 - The Panel Secretariat will work with the Panel to review the Terms of References and working practices of the Panel Committees to ensure appropriate representation and improve participation. Where any code Change Proposal are identified, these will be recommended to the Panel.
 - The Panel will then look at its own Terms of Reference, working practices and composition to determine their effectiveness and any areas for improvements.



- Timeframe:
 - The Panel expects that the review of Panel Committees Terms of Reference will commence in Q3 2018/19 and will be implemented ahead of Panel Committee member nomination and appointment processes commencing in 2019/20.
 - The Panel will review the effectiveness of its Terms of Reference and working practices in Q1 2019/20, and where any Change Proposals are identified, these will be taken forward separately.

c) Data Protection:

Post-implementation review of the code provisions that support the forthcoming GDPR.

- Resolution:
 - The GDPR Issues Committee will reconvene to review the effectiveness of the GDPR code provisions introduced on 30 March 2018. The Committee will be tasked with providing a findings' report to the Panel.
- Timeframe:
 - In November 2018, the Market Operator will work with the GDPR Issues Committee and Chair to undertake a post-implementation review of the GDPR provisions. Subject to industry feedback and any findings identified by the Market Auditor and the findings' report will be brought to the Panel in Q1 2019/20.

Please see Appendix C for a resolution timeline of the above strategic focus areas.



Appendix A - Objectives and Principles

Extracted from WRC Part 1

Objectives

1.2 Business Terms Objectives

- i. to establish the rights and obligations of the parties to a Wholesale Contract in respect of the provision of Wholesale Services by the Contracting Wholesaler to the Contracting Retailer and for the payment of Wholesale Charges for such services by the Contracting Retailer;
- ii. to make provision for payments by the Contracting Wholesaler to the Contracting Retailer, where applicable; and
- iii. to make provision for any related transitional, supplemental and ancillary matters.

1.3 Operational Terms Objectives

- i. to establish operational processes which facilitate the performance by the Contracting Wholesaler and the Contracting Retailer of their respective functions in relation to the provision of Water Services and Sewerage Services in relation to the Competitive Market; and
- ii. to make provision for any related transitional, supplemental and ancillary matters.

1.4 Market Terms Objectives

- i. to enable the Registration of data concerning Non-Household Customers or Eligible Premises which is or may be relevant to the provision of Water Services or Sewerage Services in relation to the Competitive Market in the Areas of the Contracting Wholesaler and of other Wholesalers;
- ii. to enable the transfer of Non-Household Customers from the Contracting Retailer to another Retailer;
- iii. to enable the calculation of Primary Charges to be recovered by the Contracting Wholesaler from the Contracting Retailer; and
- iv. to make provision for any related transitional, supplemental and ancillary matters.

Principles

1.5.1 Efficiency

- i. To ensure the efficient discharge by the Contracting Retailer of its Licence obligations and by the Contracting Wholesaler of its obligations under its Appointment and their respective statutory duties to the extent impacted by the Wholesale Retail Code;
- ii. to promote the efficient, economic and coordinated operation of the water and wastewater sector to the extent impacted by the Wholesale-Retail Code; and
- iii. to promote the efficient administration of the Market Terms by the Market Operator.



1.5.2 Proportionality

The Wholesale-Retail Code and arrangements established by or under the Wholesale Contract should be proportionate within the context of the Objectives and should be proportionate to the size of the Competitive Market.

1.5.3 Transparency

The Wholesale-Retail Code and arrangements established by or under the Wholesale Contract should be concise, clearly expressed, well structured and readily accessible to both existing and prospective Retailers.

1.5.4 Simplicity, cost effectiveness and security

The Central Systems and processes established by or under the Market Terms should be as straight forward and as economical as possible (whilst being capable of development over time) and should contain appropriate data integrity and security controls.

1.5.5 Barriers to entry

The Wholesale-Retail Code and arrangements established by or under the Wholesale Contract should not create barriers to entry in respect of the Competitive Market and should promote effective competition in the Competitive Market.

1.5.6 Non-Discrimination

The Wholesale-Retail Code and arrangements established by or under the Wholesale Contract should not unduly discriminate, or create undue discrimination, between the Contracting Retailer and other Retailers or Applicants.

1.5.7 Customer participation

The Wholesale-Retail Code and arrangements established by or under the Wholesale Contract should promote customer participation.

1.5.8 Customer contact

The rules and arrangements established by or under the Operational Terms should ensure that, save in permitted circumstances as set out or referred to in the Wholesale-Retail Code, the primary contact with each Non-Household Customer should be interfaced through the Contracting Retailer.

1.5.9 Seamless markets

The Wholesale-Retail Code or arrangements established by or under the Wholesale Contract should be developed in a manner that delivers a seamless customer experience in relation to the Areas of Wholesalers and as between Areas in England and Wales, and Scotland.



1.5.10 No limit on upstream competition

The Wholesale-Retail Code or arrangements established by or under the Wholesale Contract should not place any constraint or limit on the introduction and development of competition in the upstream water and sewerage market.



Appendix B - Panel's Operational Plan

Table 1 below sets out the Panel's key operational activities for 2018/19.

Activity	Date
Panel to review the Volume Estimating Caps (annual basis)	Q1 2018/19
Development of the Panel Plan setting out the strategic priorities for 2018/19	Q1 2018/19
Panel to review and comment on the Market Performance Operating Plan (MPOP) for 2018/19	Q2 2018/19
Panel to review and comment on the Market Audit Report for 2017/18	Q2 2018/19
Panel to work with the Market Operator to develop the scope and audit plan for 2018/19	Q2 2018/19
Panel consulted on the Market Operator Budget and proposed Market Operator Charges	Q3 2018/19
Panel to review Panel Committee Terms of References (MPC, TDC, MIMP)	Q3 2018/19
Panel to review the rollover detection algorithm (annual basis)	Q3 2018/19
Panel Member Nomination and Election Process	Q3 - Q4 2018/19
Panel Committees Nomination and appointment Process (MPC, TDC, MIMP)	Q4 2018/19
Panel consulted on the list of Market Operator Additional Services and Additional Services Charges	Q4 2018/19
Panel to review the Nominal Maximum Design Capacity Validation (annual basis)	Q4 2018/19
Panel to review and comment on the Market Audit Report for 2018/19	Q4 2018/19

Please note, in addition to the activities highlighted above, the Panel will also provide advice, recommendations and support (on request from the Market Operator) in relation to Market Entry Assurance processes or the Market Re-assurance processes, and in relation to any Market Entry Assurance Plan or Market Re-assurance Plan.



Appendix C: Panel Strategic Priorities Resolution Timescales

