

WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW098	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Authority Timetabled Change Proposal		
	15 May 2020		
Submission Date	Extending the Suspension of Market and Operational Performance Standard Charges due to Covid19		
Title: of Change Proposal/Charging Change Proposal	This change extends the suspension of the requirement for the Market Operator to issue invoices on, and Trading Parties to pay, Market Performance Standard Charges and Operational Performance Standard Charges for the months of June and July 2020 or such other date if MOSL is notified by the Authority.		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	Authority Timetabled Change Proposal		
General Details of the Proposer			
Name of Proposer	Dan Mason		
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).	Ofwat		
Contact Email	Daniel.Mason@ofwat.gov.uk		
Telephone Number	07458 125674		
The Proposer recommends that this Change Proposal/Charging Change Proposal should: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)?	No		

If yes, please indicate which urgency principle(s) apply along with a rationale. Any supporting evidence should be included as an attachment to the Change Proposal form.

Principle	Applies (Y/N)	Rationale
A significant impact on a party or parties, consumers or other stakeholder(s)		
A significant impact on the safety and security of the Central Market Operating System	N	
A material and immediate risk of causing a significant impact on the development and/or operation of the business retail market	N	
The code modification is required to comply with implement any Law	N	

If the change is Urgent please provide the proposed implementation date and the justification for this

Proposed Implementation Date

Justification

Related Documents

Reference of any associated Code Panel Change Proposal/ Charging Change Proposal	<p>Changes to the MAC to be implemented via CPM027. Changes to CSD0002 to be implemented via CPW098.</p> <p>Suspension of Market Performance Charges due to Covid19 was introduced in CPM023/CPW090 and has already been implemented into the market codes.</p>
Documents Accompanying Form	

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).

Impact of Covid-19 on the business retail market

From March 2020 we've seen significant disruption to the activities of many businesses, charities and other non-household customers across the country due to the Government's requirement to limit all non-essential contact and for employees to work from home where possible. The Government's latest update indicates that lockdown will continue for most businesses in the UK until at least July.

Impact on market performance standard and charges

Given the Government's latest extension of most of the lockdown measures, we expect that Trading Parties will continue to struggle to with meter access and read capability. Meter reading estimation is more likely, which will impact Market Performance Standards (MPS)

The water sector must also continue to focus on doing what is necessary to maintain essential services to customers and the environment and avoid any disruption to supplies. To that effort, Wholesalers should continue to focus on security of supply. This could impact Wholesalers' Operational Performance Standards (OPS) as other 'Business as Usual' market tasks get deprioritised.

Though in the shorter-term performance standards might show an improvement as late reads are not taken or entered into the central system, this only stores up a potential drop in performance when the situation recovers and late reads are entered. In the longer-term, performance against both MPS and OPS will deteriorate.

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).

Due to the continuing of the Government lockdown for most businesses in the UK, Trading Parties will continue to struggle to meet market performance standards due to factors outside of their control and as they focus on keeping water and sewerage supplies safe.

Therefore, the Authority is proposing to extend the current suspension on the levy and collection of charges for Market Performance Standards and Operational Performance Standards. The original suspension over March, April and May should be extended further to June and July, or such other date as the Authority determines.

This will be subject to continuous monitoring and review of market data by Ofwat and MOSL, to ensure that charges are reintroduced at the appropriate time.

Owing to the urgency of the situation there is merit in suspending all performance charges for a period, rather than looking at individual standards or charges.

Ofwat's timetable for progressing this change is:

Change Proposal Timetable	
Stage	Date
Change Proposal raised	15 May 2020
Panel initial consideration and recommendation	26 May 2020
Recommendation Report submitted to the Authority	26 May 2020
Authority Decision	28 May 2020
Implementation Date	1 June 2020

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	This change proposal allows for Trading Parties to focus on the most crucial parts of their business to maintain security of supply.
Proportionality	Y	Considering the unprecedented effect of the coronavirus pandemic, this change proposal is proportionate and in the best interest of the market and the security of supply.
Transparency	N	
Simplicity, cost-effectiveness and security	Y	Owing to the urgency of the situation there is merit in suspending all performance charges for a period, rather than looking at individual standards or charges.
Barriers to entry	Y	This change proposal mitigates the risk to any new entrant to the market which would, in these pandemic conditions, immediately face the pressure of failing performance standards due to circumstances beyond their control.
Non-discrimination	Y	This change proposal confers the same benefit to every Trading Party.
Customer participation	Y	The suspension of MPS and OPS charges could result in some customer facing activities being deprioritised (e.g. meter reading by Retailers, supply verification and meter exchanges by Wholesalers). However, any effect of suspension of performance charges is likely to pale in comparison to the impact of the coronavirus pandemic. By allowing the market to focus on security of supply, this is the best way to ensure there is no negative impact on customers who continue to trade, despite the pandemic.
Customer contact	N	
Seamless markets	Y	The CMA has implemented a similar suspension in performance charges in Scotland.
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	CSD0002
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)	Y	MAC (See CPM027)
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).

Owing to the unprecedented and pressing nature of this issue, no consultation has been undertaken ahead of this change proposal. However, both the Authority and Market Operator have been in regular contact with Trading Parties who have expressed concerns about the impact of coronavirus pandemic on 'business as usual' operations and the likely negative impact on market performance. Those Trading Parties were supportive of a change of this nature. Furthermore, the initial proposal put forward in CPM023/CPW090 was received positively by the industry. This proposal seeks only to extend the existing suspension due to the continuation of the lockdown due to Covid19.

Further Comments

Key

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