
Wholesale-Retail Code Change Proposal – Ref CPW031

Modification proposal	Extending the suspension of Operational Terms A1-A5, new connection suspension period.
Decision	Ofwat has decided to approve this change proposal
Publication date	26 January 2018
Implementation date	3 March 2018

Background

Schedule 1 of the [Wholesale Retail Code](#) (WRC) contains the Wholesale Contract which incorporates the Operational Terms (in part 3 schedule 1). The Operational Terms provide standard processes concerning how a Wholesaler and Retailer coordinate operational activities. This change proposal relates to processes A1-A5 of the Operational Terms which detail the process for new connections.

In March 2016, a change proposal was raised by Thames Water Commercial Services ([CPW030](#)) to remove processes A1-A5 from the Operational Terms. The Interim Code Panel preferred suspension rather than removal of processes A1-A5 of the Operational Terms. The change proposal was published in March 2016 and processes A1 to A5 of the Operational Terms were suspended in May 2016, to be reinstated in October 2018, if a new proposal has not been adopted by that date.

The suspension was implemented to provide time to investigate and draft a solution for a new connections process. If a new proposal is not adopted by 1 October 2018, the intention was for the existing processes to be implemented.

Since the market codes were published, there have been regulatory and Trading Party behavioural changes relating to how new connections are processed. It is considered that additional time is required to conduct a holistic review of the suspended processes in view of the recent and expected changes in the market.

The issue

Since the decision in May 2016 to suspend processes A1-A5 of the Operational Terms, the market and regulatory landscape has continued to evolve. The Code Panel's [recommendation report](#) highlights that such changes have included charging rules on new connections, licence changes for new appointment and variations, the Code for Adoption Agreements, the PR19 Methodology and the development of the Developer Services Measure of Experience (D-Mex).

In addition to these changes, there are other factors which require consideration, such as:

- interaction with performance standards
- discrepancies in timings for registering new Supply Point Identification Numbers (SPIDs)
- the implementation activities that parties will need to undertake to deliver the suspended process and the benefits to end customers arising from the provisions

It is considered that there is risk associated with implementing processes A1-A5 of the Operational Terms in line with the original timescales whilst there is a significant amount of regulatory change that could impact the Operational Terms. It is considered that policy changes require time to imbed before a decision can be made regarding processes A1- A5 of the Operational Terms.

The modification proposal¹

This proposal seeks to extend the suspension of provisions relating to new connection services provided within the Operational Terms (processes A1 to A5). The suspension period is currently due to end on 1 October 2018 with the proposal to extend this to 1 April 2020.

¹ The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

Panel recommendation

The Panel discussed this change proposal in its meeting on 12 December 2017 and recommended its implementation. The Panel published its recommendation report on 18 December 2017. The suggested implementation date is 3 March 2018.

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report. . We have concluded that the implementation of CPW031 will better facilitate the principles and objectives of the WRC detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and is consistent with our statutory duties. It is agreed that the changes will have a positive impact on the Objectives and Principles of Transparency and Operational Terms and Objectives.

Reasons for our decision

We set out below our views on which of the applicable Code principles are better facilitated by the modification proposal.

Proportionality

We think that the proposal is proportionate as suspending the Part A processes A1-A5 for a further period will allow full consideration of the changes which have occurred and will occur within the market and broader regulatory landscape to form part of the review. This will ensure that the processes, when implemented in April 2020, are fit for purpose as a holistic and considered approach will have been taken to the review.

Transparency

We agree with the Panel that this change proposal is consistent with the principle of improving Transparency. In our view the proposal will help to provide clarity to Trading Parties in the interim and avoid abortive spend in preparation for the end of the suspension of Part A of the Operational Terms.

Decision notice

In accordance with paragraph 7.2.8 of the Market Arrangements Code, Ofwat approves this change proposal.

Emma Kelso
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