



Minutes of Panel Meeting 20a

16 July 2018 | 11:30 – 14:00

MOSL, 4th floor, 16-18 Monument Street, London EC3R 8AJ;

Status of the Minutes: Final

MEMBERS PRESENT

Jim Keohane	JK	Chair	Peter Strain	PS	Alternate Panel Member (Unassociated Retailer)
Mike Brindle (via teleconference)	MB	Panel Member (Associated Retailer)	Mark Holloway (via teleconference)	MH	Panel Member (Wholesaler)
Kirstie King (via teleconference)	KK	Alternate Panel Member (Associated Retailer)	Howard Smith (via teleconference)	HS	Panel Member (Wholesaler)
Wendy Monk (via teleconference)	WM	Panel Member (Associated Retailer)	Dylan Freeman (via teleconference)	DF	Panel Member (Wholesaler)
Helyn Mensah (via teleconference)	HM	Panel Member (Independent)	Christina Blackwell (via teleconference)	CB	Affiliated Panel Member (CCWater)
Nigel Sisman	NS	Panel Member (Independent)	Dan Mason (via teleconference)	DM	Affiliated Panel Member (Ofwat)
John Vinson	JV	Alternate Panel Member (Independent)	Chris Scoggins	CS	Affiliated Panel Member (MOSL)
Trevor Nelson (via teleconference)	TN	Panel Member (Unassociated Retailer)	Adam Richardson	AR	Panel Secretary
Nicola Smith (via teleconference)	NS	Panel Member (Unassociated Retailer)			

OTHER ATTENDEES

Elliot Bird	Meeting Secretary	Mihai Ciurba	Presenter (MOSL)
Abu Rashid	Presenter (MOSL)	Hayley Robinson	Observer (Ofwat)
Steve Arthur	Presenter (MOSL)	Giles Stevens	Observer (Ofwat)
Rebecca Mottram	Presenter (MOSL)	Antoine Schmidt	Observer (Thames Water)

APOLOGIES

Richard Moore	Panel Member (Unassociated Retailer)
Simon Wilshire	Panel Member (Associated Retailer)
Elsa Wye	Panel Member (Independent Member)



1. Welcome and Introductions

Purpose: For Information

- 1.1. The Chair welcomed Panel Members to the meeting.
- 1.2. The Chair passed on the apologies of Elsa Wye, Richard Moore and Simon Wilshire who were unable to attend the meeting.
- 1.3. The Chair also welcomed Peter Strain, John Vinson & Kirstie King to the meeting who were acting as alternates for Richard Moore, Elsa Wye and Simon Wilshire respectively.

2. Draft Change Proposal: DCP002 – Deferral of Final Settlement Runs

Purpose: For Decision

- 2.1. The Panel considered a Draft Change Proposal (DCP002) that sought to defer the processing of Final Settlement (RF) Runs, including the process of calculating System Generated Reads (G reads), for April 2017 and subsequent invoice periods.
- 2.2. MOSL outlined its review of the impacts associated with processing RF Runs following the Panel's request to undertake an urgent investigation into this matter at the previous Panel meeting. The Panel noted that some of its members¹ had discussed the Draft Change Proposal via a teleconference call on 9 July.
- 2.3. MOSL detailed the solution that sought to defer RF Runs and the generation of G-reads² after and including the April 2017 invoice periods. The Panel noted that the deferral period was open ended (i.e. not time bound).
- 2.4. It was noted that the proposed solution in DCP002 prevented the Panel from further deferring RF following a decision to reinstate the Final Settlement Runs. The Panel would need to raise another Change Proposal to delay RF Runs in future.
- 2.5. A Panel Member requested clarity on the rationale behind inclusion of wording in the draft legal text to not allow the Panel to delay RF runs again, after they have made the decision to reinstate them. MOSL confirmed that this element was intended to provide certainty to the industry around the possibility of further deferrals. MOSL confirmed that the text did not prevent a further Change Proposal from being raised to amend the code to provide for another deferral to RF Runs if other issues were identified in the future. The Panel concluded to remove the text on the basis that it was preferable not to have text in the Code that would appear to prohibit any future intervention should it be necessary for any other reason; the Panel would always have the right to raise a Change Proposal should it so desire.

¹ Attendees at the teleconference call on 9 July: Mike Brindle, Wendy Monk, Helyn Mensah, Nigel Sisman, John Vinson, Trevor Nelson, Nicola Smith, Mark Holloway, Dylan Freeman, Dan Mason, Adam Richardson, Mihai Ciurba, Abu Rashid.

² A G-read is generated in CMOS prior to the Final Settlement run for any meter that has not had a meter read submitted in the last 16 months. The G read cannot be deleted or amended with current CMOS functionality.



- 2.6. The Panel agreed that the text “No further instruction can be issued by the Panel to the Market Operator to further defer or suspend Final Settlement Runs” should be removed as, without this text, the drafting remained clear that only one decision to start RF Runs could be made.
- 2.7. A Panel Member wanted to clarify that the legal drafting would ensure that RF runs would commence in chronological order following the catch-up period described, as they were unclear whether the legal drafting currently delivered this. MOSL undertook to make a final review of the drafting to ensure it was clear in this regard before it was submitted to the Authority.
- 2.8. MOSL identified a number of impacts from the Change Proposal:
 - The deferral of RF may change the effect of Ofwat’s Customer Protection Code of Practice (CPCOP). The CPCOP currently states that customer’s may not be back billed for a period for which the Market Operator has issued the Final Settlement Report, which, under existing market code provisions, represents 16 months. Ofwat may need to consider whether to clarify new conditions if the timescales of the final settlement run are changed (extended to more than 16 months).
 - CMOS will need to be updated in order to allow a G-reads to be generated for a longer period than 16 months from the given period. The cost of this is anticipated to be around £20,000. An operational impact on MOSL has also been identified which is predicated on the deferral length and scheduling of the catch-up RF runs.
 - MOSL will also be required to publish the updated code documents and amend Operational Practices and Processes around the RF run, as well as the settlement timetable.
- 2.9. A Panel Member expressed their view that potential impacts to Ofwat’s CPCOP should not be driving decisions made by the Panel, and this should be kept up to date by Ofwat in relation to the current market rules. A Panel Member observed that the Panel made decisions on the basis of what is in the overall interests of the market. How individual Retailers provide their services (e.g. billing to business customers) is a matter for them, subject to obligations placed on them by Ofwat.
- 2.10. Some Panel Members felt that the 16-month limit on back billing for customers should remain in order to protect customers, despite it no longer being consistent with the final settlement timeline. Others felt that revenues would be missed. They feared these would either be absorbed by Trading Parties leading to potential financial instability or failure or may end up being distributed across bills raised for customers. The Panel acknowledged that any decision to amend the CPCOP would ultimately be Ofwat’s.
- 2.11. Following Panel Member requests for clarification, MOSL confirmed that currently it was thought that this change could be implemented without any impact on future CMOS releases, but could not fully rule this out at this time since the implementation of the required CMOS changes was interlinked with the length of any deferral of RF Runs.
- 2.12. The Panel noted the Request for Information that had been circulated on Wednesday 11 July 2018. The Panel noted that Trading Parties had been asked to provide responses in a short time period consistent with its request that the draft change be considered on an urgent basis. In total there were 21 responses including a response from the Market Operator.



- 2.13. A Panel Member asked whether MOSL had attempted to contact any smaller Trading Parties, noting their absence from the responses to the RFI. MOSL confirmed that, in recognition of the short window to provide response, it had attempted to contact parties and elicit further responses, but the list of responses put forward to the Panel represented the list of responses received by MOSL.
- 2.14. The Panel noted some feedback and concerns raised in responses that had been marked as confidential. It was confirmed that, in addition to their consideration by the Panel, these confidential responses would be provided to Ofwat as part of the Panel's recommendation report. The Panel noted that a non-confidential version of its recommendation report (with confidential responses removed) would be published by the Panel Secretariat in the usual way.
- 2.15. The Panel noted that 16 out of the 21 respondents agreed with the proposed solution and 5 disagreed, including the Market Operator. A number of respondents, including those supporting deferral, suggested that a backstop date for deferral should be set. Panel Members observed that there was not disagreement in some cases, more that respondents were neutral to the change and did not object.
- 2.16. The Panel noted that 14 respondents agreed that the change would better facilitate the objectives and principles of the Wholesale Retail Contract (WRC), and 13 agreed with the proposed implementation date. A number of disagreeing Parties felt that the change needed to be implemented sooner than 31 August 2018.
- 2.17. Respondents identified a number of processes that would be impacted by the introduction of this change including settlement calendars and billing systems.
- 2.18. Some Trading Parties quoted costs of not implementing the change and the operational costs for Trading Parties for the RF run, as well as an indication that a number of unplanned settlement runs would also be required by Trading Parties. MOSL confirmed that, as noted in its consultation response, it would undertake post-final settlement runs for a period at no additional charge where these were needed to resolve erroneous G-reads. A Panel Member highlighted that, costs associated with these runs would be covered in MOSL's budget which is funded by Trading Parties regardless.
- 2.19. A Panel Member noted a figure from an industry response quoting £445,000 for that respondent alone. This figure reflected settlement charges that the Party felt would need to be corrected through subsequent (post-final) Settlement Runs following the normal processing of RF Runs. Another member pointed out that it was not clear whether this cost was an internal accounting cost pre-market opening or a cost post market opening. MOSL also highlighted that no respondent provided details of the cost of monitoring post-final Settlement Runs.
- 2.20. Panel Members expressed concern that currently 13% of the market's meters have not been read.
- 2.21. A Panel Member expressed concerns that, given the current lack of understanding of data issues, September would likely be too soon to commence RF Runs and that respondents had suggested various dates including January, March or later in 2019.
- 2.22. A Panel Member stated that, while they felt RF should not be deferred as a point of principle, there were clearly many data issues to be resolved. In their view RF Runs should be deferred for a short period of time to enable further assessment of the issues and associated impacts. It was suggested



that 3 months would encourage a rapid response. They noted that a further code change could be raised if further deferral is required.

- 2.23. Other Panel Members expressed concerns that this timeframe may not be realistic particularly given feedback which indicated that some TPs already have plans in place, but these will take several months to deliver substantial progress.
- 2.24. Another Panel Member asked what authority MOSL has to postpone any RF runs, assuming that an Authority decision is not provided before the first RF run is scheduled. MOSL confirmed that in this event the Market Operator will be obliged under the market code rules to carry out Final Settlement Runs as per the existing provisions. However, Ofwat provided an indication that, given the importance of the change, it was likely it would be able to provide an Authority decision within the required time to avoid this issue.
- 2.25. Panel Members observed that efforts in the past to address data issues appear to have been ineffectual and there currently has been limited evidence of data improvement plans. They suggested that in support of this there should be engagement with Trading Parties to identify plans to improve data collaboratively in a planned and coordinated way. The Panel felt that Trading Parties should be able to provide an indication of how much data can be improved and in what timescales. The Panel highlighted that its aspiration would be to set an expected date for reinstatement of RF, having due regard to expectation of underlying data improvement, rigorous programme management over data improvement plans and to ensure delivery and confidence in post RF processes.
- 2.26. In recognition of the points made by the Panel Member above, another Panel Member raised concerns that data improvement may still not happen, depending on the behaviour of Wholesalers and Retailers in the industry. Instead they felt that the issues of poor data and RF Runs deferral should be separated, and that RF Runs should proceed, and issues identified can be corrected afterwards. Another Panel Member agreed with this view, and highlighted that from a different perspective, only 35,000 of existing G reads were calculated based on the Industry Level Estimate or the Yearly Volume Estimate which represents only around 2.5% of the meters registered in the market.³ Therefore, the RF run should proceed under the existing timelines, and any data issues can be resolved following the run with minor impact.
- 2.27. Other Panel Members felt that the risk of not deferring the RF run would likely be significantly higher than the risk of deferring it, and that the normal rectification methods would, in their view, be time consuming and expensive. They also highlighted that the majority of responses from the RFI had overwhelming supported the deferral.
- 2.28. One Panel Member felt that improvement may be too slow to justify an extended delay in RF and that the cost to wholesalers could be very high.
- 2.29. The Panel agreed that, to provide clarity, it would be important to develop criteria on which the Panel's decision to commence RF Runs will be based.

³ The 35,000 G reads quoted relates to meters that only have an initial read. However, there are concerns that many YVE's are inaccurately stated and the capping rules would mean those YVE's could influence G read estimation for those meters that only have read history prior to April 1, 2017.



- 2.30. Panel Members recognised that not all unread meter issues would be resolved by RF Runs, instead the emphasis should be on ensuring that the post RF processes are robust enough to maintain the integrity of the market. Panel Members highlighted that without this Change Proposal, the RF Run would take place without proper time to review and agree post-RF processes which could potentially have negative impacts on the market. For example there were diametrically opposing interests for Retailers and Wholesalers in removing G reads in a post RF world where Wholesalers are prevented from invoicing Retailers. This needed to be worked through as a matter of urgency, so RF Runs could be reinstated.
- 2.31. Another Panel Member highlighted that, if this change was not to go ahead, there could be an impact on end customer bills which cannot currently be quantified. In particular, there is a risk that customers might be over or under charged based on estimates which would never be properly corrected. They felt that this could have knock-on effects impacting all customers. Another Panel Member highlighted that there would not necessarily be an impact on customer bills, as Retailers can bill customers directly without the use of the Settlement Reports produced by CMOS, and Retailers should be able to identify any significant discrepancies in settlement and investigate them further before imposing unreasonable bills on customers.
- 2.32. A Panel Member recognised the points raised previously on Trading Party behaviours and expressed a view that incentives for Trading Parties to correct data needed to be reviewed going forward. They also expressed a view that these incentives had not been addressed adequately. They were concerned that considerable effort may be required to collect, monitor and ensure adequate progress on data improvement and rectification plans. They expressed concern at the level of MOSL resource available to the Market Performance Committee (MPC) to date and stated that MOSL would need to provide more resource to support the MPC going forward.
- 2.33. A Panel Member expressed concerns with providing a code mandated backstop date for the deferral of the RF, given that currently there is no indication of how long data rectification plans might take, or when post RF run processes would be reviewed and confirmed. They highlighted that any date provided at this point would be arbitrary and not informed by analysis or investigation into the resolution activities set out by Trading Parties.
- 2.34. It was also suggested that assessment of the risks up to this point indicated that progressing with the change was the better decision and it should also draw attention to long unread meter reads and YVE's, and therefore improve customer billing.
- 2.35. One Panel Member noted concerns that there is currently only one national meter reading organisation in the country and it may struggle with capacity. In their view this pointed to the need for a centrally coordinated and planned approach.
- 2.36. Ofwat expressed its agreement with the concept of providing data improvement plans and noted it would be important to clarify how these might be enforced. Ofwat also highlighted that the deferral of RF Runs might be sending out the wrong signals and that it would be important to ensure there are appropriate timings and incentives to ensure data is improved.
- 2.37. CCWater asked that the risk and benefits on NHH customers of the deferral be assessed. This was supported by Ofwat.



- 2.38. Ofwat clarified that it would require evidence to support any Panel decision to defer RF Runs, particularly on how customers would be impacted.
- 2.39. One Panel Member reiterated the point that the Post RF processes needed to be reviewed and shown to be fit for purpose. For example, a Retailer could submit a late meter reading, following the RF run by removing G reads, where currently Wholesalers would be prevented from invoicing them because of the market rules. This would create a perverse incentive on Retailers to not read meters or submit meter reads prior to the RF run.
- 2.40. Panel Members also agreed that they needed to provide a backstop date, of probably 12 months, recognising the trade-off between what was practical and providing sufficient incentives and certainty.
- 2.41. Some Panel Members were reluctant to agree this timescale, given the potential that it may signal a reduced urgency to address the underlying issues so as to lower the volume of estimation in a timely fashion. Panel Members agreed the importance of creating a sense of urgency in undertaking this work and aiming to have an answer as soon as possible to not create any further delays. The Panel suggested that it might aim to provide an estimate of the length of time to achieve a given percentage improvement in the meter data for their meters as soon as possible, once some further investigation and planning had taken place involving the MPC and supported by MOSL.
- 2.42. The Panel agreed that 12 months should be the maximum length of the deferral. However, the Panel recognised that it would still be required to consult with the industry to recommence RF Runs before the 12 months ends.
- 2.43. The majority of the Panel provided its rationale, highlighting that the change would further the principles of Efficiency, transparency, simplicity, cost-effectiveness and security, as outlined in the Wholesale Retail Contract.
- 2.44. The majority of Panel Members felt that the Change Proposal would improve the Market Terms Objectives by promoting more accurate settlement.
- 2.45. Panel Members also felt that that the Change Proposal would improve efficiency by providing further time to Trading Parties to submit meter reads and carry out data correction projects in relation to Data Items which contribute to more accurate estimation of System Generated Reads.
- 2.46. In respect of data improvement plans Panel Members noted this would enable Trading Parties to focus on reducing the number of estimated volumes in the market, rather than rectifying charges crystallised by G reads. In their view, this would also reduce the number of Unplanned Settlement Runs which would be processed if the charges expressed in the Final Settlement Run are deemed materially inaccurate. This would result in fewer costs incurred by Trading Parties (by avoiding the need to request Unplanned Settlement Runs) and fewer resources allocated to requesting, validating and reconciling these Unplanned Settlement Runs. Further, these Panel Members considered the deferral of the Final Settlement Run and subsequent submission of actual meter reads, as an opportunity to reduce volume validation rejections which would otherwise occur if inaccurate G reads exist in CMOS.
- 2.47. Some Panel Members felt that the market codes already provide for the correction of material errors that may be identified following RF Runs.



- 2.48. One Panel Member, who voted against the deferral of the RF run, felt the existing codes were sufficient to serve their purpose in this regard. The Panel Member expressed concern that failure to address poor data quality in the 16-month period ahead of processing Final Settlement Runs may be perceived as a failure of the market and that the codes contained mechanisms to address errors arising in the Final Settlement Runs. Given these mechanisms they felt there was no need to defer final settlement runs.
- 2.49. The majority of Panel Members agreed that the deferral of Final Settlement Runs will have a positive impact on the Non-Household Customer, resulting in more accurate bills based on actual consumption.
- 2.50. Panel Members agreed that the development of market wide data correction plans to rectify the existing G read position will drive data improvements which will ultimately positively impact the end customer (with more efficient switching experiences and more accurate bills).
- 2.51. Additionally, some Panel Members agreed a review of the post RF processes in the code for adequacy, particularly in relation to Wholesalers not being able to invoice and the incentives of wholesalers and retailers to remove or retain G reads depending on the meter read.
- 2.52. The Panel:
- **AGREED** to formally raise DCP002 as a Change Proposal (now adopted as CPW039);
 - **AGREED** to recommend implementation of the Change Proposal to the Authority for approval, subject to drafting amendments agreed in the meeting to introduce a time bound deferral period of a maximum 12 months; and
 - **AGREED** the proposed implementation approach of:
 - 5 Business Days following Authority approval; and
 - In any case, no later than 31 August 2018.

3. Any Other Business (AOB)

Purpose: For Information

- 3.1. Panel Members requested a resourcing plan be provided at the upcoming Panel meeting which would enable the MPC to deliver the required work in the urgent timeframes highlighted. MOSL commented that the intention was to cover this in discussions on the Market Performance Operating Plan, which the Panel would be reviewing at the upcoming meeting.
- 3.2. There was no further business and the Chair closed the meeting.

The next Panel meeting is scheduled for: **24 July 2018, 10:30 – 15:30, at:**
ETC Venues
8 Fenchurch Place
London
EC3M 4PB

The nearest tube stations are Monument, Bank and Liverpool Street.