

WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW090	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Authority Timetabled Change Proposal		
	Charging Change Proposal		
Submission Date	20 March 2020		
Title: of Change Proposal/Charging Change Proposal	Suspension of Market and Operational Performance Standard Charges		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	The change suspends the requirement for the Market Operator to issue invoices on, and Trading Parties to pay, Market Performance Standard (MPS) Charges and Operational Performance Standard (OPS) Charges for the Months of March 2020, April 2020 and May 2020.		
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 initially: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)? If yes, please provide reason for urgency (if applicable)	Yes The market faces an unprecedented and pressing cashflow and resource issue as collateral impact from the 2020 coronavirus pandemic.		

	Suspension of market performance charges is a lever to relieve current market pressure, but market codes do not currently allow for such a suspension.
Related Documents	
Reference of any associated Code Panel Change Proposal/ Charging Change Proposal	Changes to the MAC to be implemented via CPM023. Changes to CSD0002 to be implemented via CPW090.
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).	
<p>Impact of the coronavirus on the business retail market</p> <p>In the UK, the outbreak and escalation of coronavirus is already having a profound impact on the lives of customers and communities, and this is likely to be the case for many months.</p> <p>From March 2020 in particular, there has been significant disruption to the activities of many businesses, charities and other non-household customers across the country due to the unprecedented challenge caused by the coronavirus pandemic. Given the Government's latest request to limit all non-essential contact and for employees to work from home where possible, many businesses across the UK have closed.</p> <p>Where it is feasible, safe to do so and within Government guidance and measures relating to social distancing, meter reading activities should continue to be undertaken. Alternatively, customers could be encouraged to provide meter readings, where possible. Nevertheless, 'business as Usual' activities, such as meter reading, are likely to be significantly affected.</p> <p>Impact on market performance standard and charges</p> <p>Given the Government's latest request to limit all non-essential contact, it is likely that meter reading rates will continue to decrease as meter access and read capability is likely to be reduced. Meter reading estimation is more likely over the coming months, which will impact Market Performance Standards (MPS)</p> <p>The water sector must also 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 will likely be focusing efforts on security of supply, which will impact their Operational Performance Standards (OPS) as other 'Business as Usual' market tasks get deprioritised.</p> <p>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.</p>	

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).

During the coronavirus pandemic, it is unreasonable to penalise trading parties for failing to meet market performance standards due to factors outside of their control and as they focus on keeping water and sewerage supplies safe.

Therefore, we are proposing an urgent Authority Timetabled Change Proposal to the market codes that suspends the levy and collection of charges for market performance standards for a time-limited period (three months is proposed) from March 2020. 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. This this will be effected by a change to the MAC and WRC which suspends for 3 months the obligation on Trading Parties to pay MPS and OPS charges.

Ofwat's timetable for progressing this change is:

Change Proposal Timetable	
Stage	Date
Change Proposal raised	20 March 2020
Panel initial consideration and recommendation	20 March 2020
Recommendation Report submitted to the Authority	20 March 2020
Implementation Date	23 March 2020.

Proposed code changes:

Amendments to [Market Arrangements Code](#)

Insert at 10.4.2(c) after Initial Suspension Period 'and the Months of March 2020, April 2020 and May 2020

Insert at 10.4.2(d) after Initial Suspension Period 'and the Months of March 2020, April 2020 and May 2020

Insert at 10.4.3(c) after Initial Suspension Period 'and the Months of March 2020, April 2020 and May 2020

New para 10.5.3

For the Months of March 2020, April 2020 and May 2020 the Market Operator shall report the level of Market Performance Standard Charges and Operational Performance Standard Charges that would be due by each Undertaker Wholesaler Business and Retailer Business at the time of

the invoice issued pursuant to Section 10.4.2 and Section 10.4.3 but such amounts shall not be due or payable.

Amendments to [CSD0002](#)

Insert new section 2.6

2.6 Emergency Suspension of Market Performance Standard Charges and Operational Performance Standard Charges

2.6.1 Market Performance Standard Charges for the Months of March 2020, April 2020 and May 2020 shall be calculated and notified by the Market Operator in accordance with the rules and values set out in Section 3.3 of this CSD 0002 (Market Performance Framework) but Trading Parties shall not be required to pay these charges.

2.6.2 Operational Performance Standard Charges for the Months of March 2020, April 2020 and May 2020 shall be calculated and notified by the Market Operator in accordance with the rules and values set out in Section 4.2 of this CSD 0002 (Market Performance Framework) but Trading Parties shall not be required to pay these charges.

Note:

Suspension of performance charges is something that the CMA can already do and is progressing in Scotland. Ofgem has also [announced](#) that it is taking a 'pragmatic approach to compliance' during this period.

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	Change proposed to allow Trading Parties to focus on supply security during coronavirus pandemic.
Barriers to entry	Y	
Non-discrimination	Y	This change 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	Y	As some business as usual services are deprioritised, it is likely that there will be contact from businesses to their Retailers.
Seamless markets	Y	The CMA is exploring a similar suspension in performance charges in Scotland. This change would bring the English and Scottish markets in line.
No limit on upstream competition	N	
Business Terms Objectives		
Operational Terms Objectives		
Market Terms Objectives		
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
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).

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.

Further Comments

Key

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