

MARKET ARRANGEMENTS CODE CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPM027	Version No	1.0
Type of Change Proposal:	Authority Timetabled Change Proposal		
Submission Date	15 May 2020		
Title: of Market Arrangements Code Change Proposal	Extending the Suspension of Market and Operational Performance Standard Charges due to Covid 19		
Summary: of Market Arrangements Code Change Proposal <i>(40 to 50 Words Maximum)</i>	The 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.		
General Details of the Proposer			
Name of Proposer	Dan Mason		
Capacity (on behalf of a Trading Party, as a Panel Member, as the Customer Representative or the Market Operator).	Ofwat		
Contact Email	Daniel.Mason@ofwat.gov.uk		
Telephone Number	07458 125674		
The Proposer recommends that this 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 provide reason for urgency (if applicable)

Related Documents

Reference of any associated Code Panel Market Arrangements Code Change Proposal

Changes to the MAC to be implemented via CPM027. Changes to CSD0002 to be implemented via CPW098.

Suspension of Market Performance Charges due to Covid19 was introduced in CPM023/CPW090 and has already been implemented into the market codes.

Documents Accompanying Form

Market Arrangements Code Change Proposal Details

Description of the issue or defect which this Market Arrangements Code Change Proposal seeks to address, as required under the Market Arrangements Code Section 7.1.2(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 Market Arrangements Code Change Proposal, its nature and purpose and how it is consistent with the Market Arrangements Code Principles and required under the Market Arrangements Code Section 7.1.2(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

Description of the principles affected by the Change Proposal on the items below (if applicable) as detailed under Schedule 1 Market Arrangements Code 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	
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.
Seamless markets	Y	The CMA has explored a similar suspension in performance charges in Scotland.
No limit on upstream competition	N	
Description of any consultation carried out in advance of the Market Arrangements Code Change Proposal being made (if any), as required under the Market Arrangements Code Sections 7.1.2(f).		
<p>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.</p>		
Further Information		

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