

**Attendees**

Brian Saunders - CMA (Chair), Jeremy Atkinson - CMA (JA), Jessie McLeman - Scottish Water (SW), Edgar Speak - Satec, Tom May - Business Stream (BS), Richard Khaldi - the Commission (RK), Alan Jones CMA -TP Secretary and the CMA Technical Officer (TO)

**Apologies** Chris Prout - Aquavitae

The main meeting took place before lunch; after lunch a sub-meeting, comprising the TO, BS, Satec and SW, met to discuss some matters of detail.

**1. Minute of the Last Meeting held on 27/02/2008**

- 1.1 TP Members' views on the minute
  - None.
- 1.2 Approval of the minute
  - The minute was unanimously approved.

**2. Data Provision****2.1 Update on Data Extracts (TP010 April Update)****2.1.1 Introduction by the CMA**

- JA had discussed the matter at a meeting of the Commission:
  - JA had answered a question about settlement reports;
  - JA had explained that the data extracts would provide the transparency to enable people to understand the derivation of the charges; and
  - The Commission's response had been positive.
- The proposal has been specified by the TO in more detail in preparation for this meeting of the Technical Panel (TP) and the TO will be developing the specification with Gemserv next week.

**2.1.2 Review by the TP (including discussion between TO, SW, Satec and BS in the afternoon)**

- RK stated that the Commission needs to see:
  - That a proper process has been carried out;
  - That the proposals are consistent with the Principles; and
  - The high level rules (including the requirement that SW and LPs do not receive data that they are not entitled to see).
- JA considered that the process of bring the papers to the TP and that the Commission attended the TP provided the evidence that a robust process was being followed.
- The paper had posed the question of what LPs were entitled to see in the charging period during which a transfer had occurred.

- The TP:
  - Provided the general guidance that LPs may only see data about a SPID that relates to the period during which the SPID is registered to them;
  - Accepted that data changes notified to the CMA between the time that a transfer was notified and the transfer taking place would be sent to the outgoing LP (and not to the incoming LP);
  - Stipulated that mechanisms would be needed to take account of how an outgoing LP is notified of changes notified by SW after the transfer has taken place that affect the outgoing LP's final reconciliation (RF). [Subsequent to the meeting Gemserv advised that this was part of the Retrospective Amendment Process]; and
  - Stipulated that mechanisms would be needed to inform all LPs registered to a SPID during the year of the Average Unit Rate used in the RF.
- The Chair considered that the final proposal should be brought forward to the TP for approval.
- SW was concerned to ensure that fields for growth were included.

#### 2.1.3 Actions Arising

- SW was concerned to see the format of the extract as soon as practical to enable work to start on the design of the system to receive the data. The TO undertook to obtain the format as quickly as possible and to provide a timetable if not immediately available after the meeting with Gemserv.
- The TO to confirm that the "changes to standing data extract" would show changes action via either the LVI or HVI.
- The TO was to refine the paper. Its format should show the high level rules that were to be adopted.
- See AOB for discussion on EWA.

#### 2.2 Update on DR02 replacement

- Prior to cutover in February market data was sourced from Business Stream's HiAffinity System.
- The proposal was to source market data direct from the Central System. Following a request from the Commission the new version will provide all available data including full postcodes.
- The data will be issued to potential new LPs. The CMA and the Commission will liaise to define the release criteria; these would be set out in writing.
- The Chair noted that the test would be that the release of the data set was reasonable.

#### 2.3 Aggregated Reconciliation Reports (TP012)

##### 2.3.1 Introduction by the CMA

- There are practical difficulties in comparing and analysing reports for the same period (an example had been issued by the TO before the meeting).
- TP012 sets out possible changes to remedy the issues which would involve a change to the Central System. The change would amend the format but would not amend the list of data items in the report.
- The CMA request guidance from the TP as to the importance of this matter to Members.

### 2.3.2 Review by the TP

- The TP advised that the disaggregated data extract was top priority.
- The decision as to whether to take forward a change to the format of the aggregated reports may depend on the timetable for the delivery of the disaggregated data extracts.
- The Chair advised that it was up to TP Members to submit a M CCP change if they wished to take this forward.
- SW commented that it would review the requirement set out in the relevant CSD, what was being provided and the requirement again. It was not clear at this stage what was to be provided by the new extract reports and what may still be missing.

## 3. Change Proposals, Market Code and Operational Code

### 3.1 Change Proposals

- The Chair stated on the basis of the change proposals brought forward to date that proposers need do more to develop the generic business case to show how the change improves the performance against one or more of the objectives and principles; it is not good enough to state that it is consistent with the principles.
- RK noted that a well developed business case would assist the review by the Commission.
- Satec requested via the Chair that if changes are Blocked then the reasons for blocking should be provided by the Commission.
- RK considered that reasons had been provided as set out in the letter that formed part of the TP papers (letter set out in Section 11 Annex for completeness)
- RK noted that if a change is Blocked by the Commission then it was open to the proposer to initiate discussions with the Commission. RK advised that SW had written to the Commission concerning OCCP008 and the Commission was reviewing the submission.
- The tables at the end of the minutes show status immediately AFTER this Technical Panel.

#### 3.1.1 M CCP003- Alignment of Articles

- CMA Lawyers and Commission have agreed the text.
- CMA to issue for approval by email.
- If approved then they will be included in the next release of the Market Code.

#### 3.1.2 M CCP007 - Revised Process for an urgent change

- The TP Secretary noted that this change had been submitted as it was considered that the current process in the Market Code was ineffective because it required two reviews by Commission.
- The Change had been blocked by the Commission.
- JA considered that there is no effective procedure available to process an urgent change.

### 3.2 Market Code Update

- Next release is scheduled for late May 2008 – includes M CCP 2, 4, 9, 10.
- It may also include: Gap Site by the Commission; M CCP003; M CCP011; M CCP013 and the associated CSDs: CSD101.
- The signing of the Market Code adds a further step to the process so the CMA has prepared a timetable for the Market Code; the CMA will write the Commission advising them of the timetable.

- There may be additional releases should the need occur.

### 3.3 Operational Code Update

- SW and the TP Secretary to liaise re coordination with release of Market Code and the provision of supporting documents on the CMA web pages.

## 4. Performance Standard Charges

### 4.1 Introduction by JA

- The Market Code sets out a performance monitoring framework, which includes 'Performance Standards' and 'Performance Standard Charges'.
- Business Stream had expressed concern to the CMA about the potential impact of applying the 'Performance Standard Charges'. There is no performance history to provide an indication of the likely scale of penalties if the Performance Standard Charges are applied as specified save for each participant's liability is capped at £100,000 per annum.
- In addition, the CMA had noted that the impact of performance failures on the accuracy of wholesale charges calculation depends on when the failure occurs.
- Given these issues, the Board of the CMA resolved to dis-apply the Performance Standard Charges for a period of three months for all but one measure.
- The CMA Board was not challenging the performance standards themselves.
- JA noted that if no comments were received then the charges would be applied from July as per the CMA Board decision.

### 4.2 Review by the TP

- Business Stream noted that:
  - There are eight standards;
  - We are in the very early days of the market;
  - Transaction flows have not gone smoothly and operational factors are affecting the measures;
  - The standard for returning meter readings was very much higher than in any other market; and
  - Other standards were set higher than other markets.
- BS proposed that the CMA should monitor the market for longer than three months and then set levels based on experience.
- The Chair advised that governance requires that Board apply charges after a period of time; the question is how long the dis-application should be.
- SW considered there should be no extension as until charges were applied the real issues of achieving performance would not be identified.
- BS noted that when charges are applied then this would lead to discussions with the CMA where there is a lack of clarity about the failure; SW noted there were some issues of specification of what was a performance failure; the TO concurred.
- The Commission noted that standards had been set to ensure things ran as smoothly as possible. If there were issues with the standards then Trading Parties could raise the matter.
- Satec consider that the most important standards were those that affected wholesale charges.

- The TO noted that whilst it did not directly affect wholesale charges then standard A1 which related to registering new SPIDs was important as failure could disrupt the end-to-end process for a New Connection.
- JA stated he needed to know the TP views for the May CMA Board; JA noted there would only be limited history available.
- The Chair asked for a summary:
  - BS supported monitoring of the standard;
  - SW intended to clear the data backlog by June and supported the application of some or all charges from July to understand the impact; and
  - Sated restated that A1 and A6 were the two key measures (Satec please confirm whether A6 only or both A1 and A6).

## 5. CMA Charges

### 5.1 Introduction by the CMA

- MCCP011 had been previously blocked by the Commission because it took the details of the calculation of CMA charges out of the Market Code.
- That issue is addressed by the current proposals which:
  - Keep the approach to the calculation as agreed at the TP; and
  - Keep the details of the calculation within the Market Code by including them in a schedule.
- The papers include a revised MCCP011 and two attachments comprising a draft schedule and a note setting out the required changes to the body of the Market Code.
- The TP agreed to the following process.
  - The draft documents to be circulated to TP Members for feedback by Monday April 21 [papers circulated to TP Members on April 17];
  - The TP Secretary would review comments received and revert to TP Members if necessary;
  - The TP Secretary will then send the draft schedule and the necessary Market Code changes to the company lawyers for review;
  - Following agreement between the CMA and the company lawyers on the text, the proposed schedule and Market Code changes to be circulated to TP Members for Approval by email;
  - If TP Members approve the proposed text the text will be formally sent to the Commission; however
  - If TP Members cannot agree to the proposals without further discussion, the paper will be brought to the June TP meeting.

## 6. Proposed Market Code Changes

### **MCCP012 – Add treatment type indicator to the method of calculating the trade effluent charges from April 2009**

#### 6.1 Introduction by Scottish Water

- The CMA system does not accommodate the reduction in charges for partial treatment.
- There is currently a workaround using the field intended for the Schedule 3 discount. The same field is also being used for Trade Effluent phasing for capped customers. It therefore requires the discount factor to be checked and amended as appropriate in case the partial treatment factor changes separately from the other discount factors.
- As it was not intended for this purpose, it is not optimal as it is not an exact reflection of the charge calculation. The change would enable the exact charges for Trade Effluent to be calculated as per the Wholesale Charges Scheme.

#### 6.2 Commentary by the CMA

- This is a substantive change.
- The CMA welcomed the long notice period.
- The proposal will require detailed analysis to determine the effort involved.

#### 6.3 Review by the TP

- The Chair noted that the text of the business case could be improved.
- Satec questioned the complexity of the calculation.
- The TO stated that the business requirement needs to be defined before a technical impact assessment is carried out.

#### 6.4 Next Steps

- Satec and SW to review Satec's comments and define the business requirement for input to the assessment.
- Once agreed the CMA will arrange for a technical assessment.

## 7. Proposed Operational Code Changes

### **OCCP016 – Operational Code Process 8 – amendment of the value of a performance measure**

#### 7.1 Review of Paper OCCP016

- This change has no impact on the Central System.
- The Chair considered that more work needs to be done show how the change supports the principles.
- Commission was concerned that the document compared the Operational Code performance measure with the default template where the standard may be varied.
- TP Members considered it preferable to have the SW response time unambiguously stated as it could be misinterpreted in its current form.
- SW supported the proposal.
- TP Members considered that the wording of the process did not preclude it being used for an add meter process that was not part of a new connection.

#### 7.2 Decision Taken

- Unanimous approval to amend standard to 8 days.

### 7.3 Next Steps

- BS to improve the business case.
- TP Secretary will circulate to TP Members then submit to the Commission for Approval.

## 8. Gap Sites found by Scottish Water

### 8.1 Update on the Consultation carried out by the Commission

- The TP noted that the Commission will be developing the code change following assessment of the responses to the consultation.

### 8.2 MCCP013 CSD0101 errata changes

- There are errata in the CSD101 which could cause confusion.
- The CMA wished to take the opportunity of the CSD update by the Commission to correct the errata.
- Governance required all errata to be approved by the TP.

### 8.3 Decision Taken.

- MCCP013 was approved.

### 8.4 Next Steps

- The Commission will include changes in their draft.

## 9. Standing Agenda Items

### 9.1 Working Procedures (WP) issued since the last meeting of the Technical Panel

- None

### 9.2 Guidance Notes

- WPs are issued where Market participants need clarification of low level detail in a process or a procedure.
- WPs do not support questions that fall into the categories of “how do things work?” and “why did this happen?”
- The CMA has received a number of enquiries that fall into these categories.
- Where the CMA identifies a need to issue guidance information it will do so formally using Guidance Notes.

### 9.3 Guidance Notes issued since the last meeting of the Technical Panel

- GN001 was issued in response to many questions received about the derivation of the Estimated Weighted Average Cost (EWA) and the notification of EWA changes to LPs via the T031 record.
- This will be updated in the light of further questions and new information arising from the testing of Trade Effluent processes.
- TP Members suggested that the information issued at the start of market opening about meter networks is a candidate for inclusion in a Guidance Note.

## 10. Other Matters Arising and AOB

### 10.1 EWA

- The TO undertook to explain whether EWAs that were amended during the year took into account the current consumption.
- Gemserv advised after the meeting that any EWAs revised during the year use the average consumption for the meter size and the average consumptions were part of the Market Domain Data.

### 10.2 Operational Running Hours

- CSD0301 states that the hours the system is available is 08:00 to 18:00 on Business Days.
- The CMA extended the window on Business Days from 08:00 to 21:00 to allow SW and BS the opportunity to enter data changes resulting from cutover. Weekends have been reserved to enable the Service Provider carry out system maintenance work.
- The extension is in effect until the end of April; the CMA expects to provide an extended window in May and subject to a further review also into June.
- Out of Hours Considerations:
  - Data records are rejected if received out of hours; and
  - Out of hours the LVI is not available for use either in read-only or update mode.

### 10.3 Notifications to TP Members

- The CMA has issued a range of notifications to TP Members during late March and April using email.
- TP Members considered that use of email was currently working effectively but requested that each communication be given its own reference number.

### 10.4 Providing information to new members

- This would include past notifications and advising new members about future changes to the Operational and Market Codes.
- The TO will take this forward.

### 10.5 LVI

- Business Stream considered that current practice was not consistent with best practice;
- JA advised that:
  - The logons used by the CMA/Gemserv provide different access to the access provided by logons for SW and to LPs;
  - That a few days after cutover, in consultation and agreement with BS<sup>1</sup>, Gemserv had used a spare BS logon to enable a BS process to be moved forward; and
  - The need for this type of action had passed.
- SW was concerned that the access method for all logons was read/write; SW had a need for a large number of read only accesses for information purposes. SW was also concerned about arrangements for setting passwords.
- There needs to be a review of access arrangement and the setting names and passwords.
- BS suggested the use of a working group; this was supported by SW.

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<sup>1</sup> Tom May later stated that he had followed this matter up informed the TP Secretary that Business Stream were only advised about the use of the BS password after the event when they queried the matter with Gemserv



- The CMA agreed to set up discussions about access arrangements.

10.6 MCCP014 – Remove Example Calendar from CSD205

- The CMA had identified that the formal Settlement Calendar published on the CMA website differs from the example calendar published in CSD205 in August 2007.
- To avoid possible confusion it is proposed to remove the example from the CSD.
- The chair noted that the TP Members had had not been given sufficient notice and the paper should be presented at the next TP.

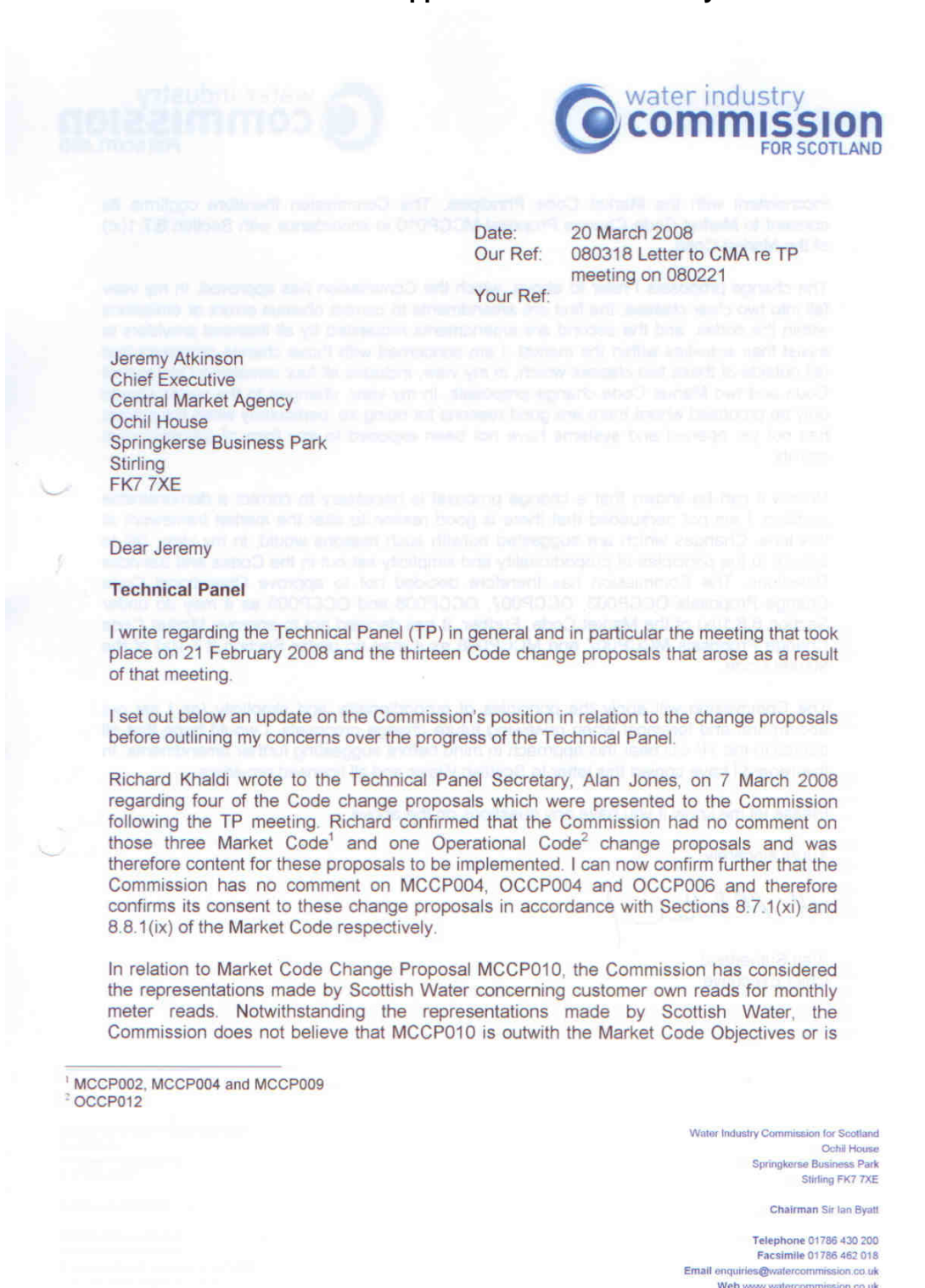
10.7 Alternative to RV based charging (discussion at sub-meeting)

- SW advised that there would be a need to replace RV based charges for properties that could not be metered.
- The TO was concerned about timing if changes were needed for April 2009; it would be preferable to consider this type of change in the same timescale as the move to area based charging.

10.8 Next Meeting Dates

Meeting	Papers to the CMA by	Time of Meeting
4 <sup>th</sup> TP Meeting	Wednesday 04/06/2008 23:59	Thursday 19 <sup>th</sup> June 2008 @ 10.00
5 <sup>th</sup> TP Meeting	Wednesday 13/08/2008 23:59	Thursday 28 <sup>th</sup> August 2008 @ 10.00
6 <sup>th</sup> TP Meeting	Wednesday 24/09/2008 23:59	Thursday 9 <sup>th</sup> October 2008 @ 10.00
7 <sup>th</sup> TP Meeting	Wednesday 27/11/2008 23.59	Thursday 11 <sup>th</sup> December 2008 @ 10.00

**11. Annex Correspondence from the Commission concerning the MCCPs and OCCPs submitted to the Commission for approval after the February Technical Panel**





inconsistent with the Market Code Principles. The Commission therefore confirms its consent to Market Code Change Proposal MCCP010 in accordance with Section 8.7.1(xi) of the Market Code.

The change proposals I refer to above, which the Commission has approved, in my view fall into two clear classes; the first are amendments to correct obvious errors or omissions within the codes, and the second are amendments requested by all licensed providers to assist their activities within the market. I am concerned with those change proposals that fall outside of these two classes which, in my view, includes all four remaining Operational Code and two Market Code change proposals. In my view, changes to the codes should only be proposed where there are good reasons for doing so, particularly when the market has not yet opened and systems have not been exposed to any form of robust market activity.

Unless it can be shown that a change proposal is necessary to correct a demonstrable problem, I am not persuaded that there is good reason to alter the market framework at this time. Changes which are suggested outwith such reasons would, in my view, fail to adhere to the principles of proportionality and simplicity set out in the Codes and Services Directions. The Commission has therefore decided not to approve Operational Code Change Proposals OCCP003, OCCP007, OCCP008 and OCCP009 as it may do under Section 8.8.1(ix) of the Market Code. Further, it has decided not to approve Market Code Change Proposals MCCP007 and MCCP008 as it may do under Section 8.7.1(x) of the Market Code.

The Commission will apply the principles of proportionality and simplicity (as I set out above) first and foremost when reviewing future change proposals. I would hope that all parties to the TP will bear this approach in mind before suggesting further amendments. In this regard I have copied this letter to Scottish Water and all licensed providers.

Please let me know if you have any questions on the above.

Yours sincerely

Alan Sutherland  
Chief Executive

Water Industry Commission for Scotland  
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Springkerse Business Park  
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Chairman Sir Ian Byatt

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Date: 3 April 2008  
Our Ref: 0800403 Letter to CMA re TP meeting on 080221  
Your Ref:

Jeremy Atkinson  
Chief Executive  
Central Market Agency  
Ochil House  
Springkerse Business Park  
Stirling  
FK7 7XE

Dear Jeremy

**Technical Panel**

I refer to Alan Sutherland's letter to you of 20 March 2008 regarding the Technical Panel meeting that took place on 21 February 2008.

Alan's letter referred to the Commission's decision not to approve Operational Code Change Proposals OCCP003, OCCP007, OCCP008 and OCCP009 on the basis that, in the Commission's view, the changes proposed failed to adhere to the principles of proportionality and simplicity set out in the Codes and Services Directions.

It has been drawn to my attention that the Commission has not responded to the CMA on Operational Code Change Proposal OCCP010. Having reviewed the matter, it is clear that this proposal should have been included in Alan's letter of 20 March 2008. I therefore confirm that the Commission has decided not to approve Operational Code Change Proposal OCCP010 on the basis that, as with the other change proposals set out above, the proposed change fails to adhere to the principles of proportionality and simplicity set out in the Codes and Services Directions.

Please let me know if you have any questions on the above.

Yours sincerely

A handwritten signature in black ink that reads 'R. Khaldi'.

Richard Khaldi  
Analyst

Water Industry Commission for Scotland  
Ochil House  
Springkerse Business Park  
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## MCCP Changes

Reference No	From	Title of Change Proposal	Date of Meeting	TP Approval	Commission Response	Comment
MCCP001 then MCCP001 V3	Jessie McLeman-SW	CSD0201	N/A	NA		Revised before the meeting
	Jessie McLeman-SW	CSD0201 and Reconciliation	17/01/2008			Work in progress see TP010
MCCP002	CMA	Monthly Read Meters	17/01/2008	No		
			21/02/2008	Yes	07/03/2008	Accepted
MCCP003	Jeremy Atkinson CMA	Alignment of Article and Market Code	17/01/2008	Yes	12/02/2008	Blocked pending more work
						Commission and the CMA have agreed text
MCCP004	CMA TO	Submission of papers to the TP Secretary	21/02/2008	Yes	07/03/2008	Accepted
MCCP005	CMA TO	Amend scope of implementation details approved by the TP	21/02/2008	N/A		withdrawn at the meeting; will not be re-presented
MCCP006	CMA TO	Revised the method of reporting the TP decision	21/02/2008	N/A		withdrawn at the meeting; will not be re-presented



Reference No	From	Title of Change Proposal	Date of Meeting	TP Approval	Commission Response	Comment
MCCP007	CMA TO	Simplify the procedure for an Urgent Change.	21/02/2008	Yes	20/03/2008	Blocked
MCCP008	CMA TO	Discretion to determine the frequency of Performance Standards reporting.	21/02/2008	Yes	20/03/2008	Blocked
MCCP009	CMA TO	Correction of Errata	21/02/2008	Yes	20/03/2008	Accepted
MCCP010	Tom May - Business Stream	Customer own reads	21/02/2008	Yes	07/03/2008	Accepted Final report was subject to revision post meeting
MCCP011	CMA TO	Changes to CMA charges	21/02/2008	NA		withdrawn at the meeting pending further work
MCCP011	CMA TO	Changes to CMA charges	17/04/2008	Awaiting Feedback		Papers issued post meeting for approval
MCCP012	Jessie McLeman-SW	Use of TE Treatment Type Indicators in charging	17/04/2008	NA		
MCCP013	Kevin Milne - CMA	CSD0101 Errata	17/04/2008	Yes	Not Yet submitted	

## OCCP Changes

Reference No	From	Title of Change Proposal	Date of Meeting	TP Approval	Commission Response	Comment
OCCP-001	SW	Processes 1 & 2 Quotation for Connection				Withdrawn December 2007
OCCP-002	SW	Processes 1 -4 New Connection				Withdrawn December 2007
OCCP-003	Tom May- SWBS	Process 8 Existing unmetered supply point	17/01/2008	No		
OCCP-003			21/02/2008	Yes	20/03/2008	Blocked
OCCP-004	Tom May- SWBS	Process 27 Application for a non-return to sewer allowance	17/01/2008	Yes	12/02/2008	Blocked CMA modification was rejected by the Commission so original was resubmitted at following TP
OCCP-004			21/02/2008	Yes	20/03/2008	
OCCP-005	Jessie McLeman- SW	Form H- Processes 22 & 25 Trade Effluent Form H	17/01/2007	Yes	12/02/2008	Accepted
OCCP-006	Jessie McLeman- SW	Supply Point Process New Verification of Supply Point Request Process	21/02/2008	Yes	20/03/2008	Accepted

Reference No	From	Title of Change Proposal	Date of Meeting	TP Approval	Commission Response	Comment
OCCP-007	Jessie McLeman-SW	Form A and B Process 1 and 2 Connection Quotation Request Form`	21/02/2008	Yes	20/03/2008	Blocked
OCCP-008	Jessie McLeman-SW	New Form A2 Process 1 and 2 New Connection Request	21/02/2008	Yes	20/03/2008	Blocked
OCCP-009	Jessie McLeman-SW	Modification of Forms C & D Process 3 and 4	21/02/2008	Yes	20/03/2008	Blocked
OCCP-010	Jessie McLeman-SW	New Forms C1 & D1 Process 3 and 4	21/02/2008	Yes	03/04/2008	Blocked
OCCP-011	Jessie McLeman-SW	Form E Process 15 Development Appraisal Process	21/02/2008	NA		Withdrawn pending further work by SW
OCCP-012	Jessie McLeman-SW	Form J Process 5 Building Water	21/02/2008	Yes	07/03/2008	Accepted
OCCP-016	Tom May Business Stream	Amend Process 8 Performance Standard	17/04/2008	Yes	Not yet submitted	