

MARKET CODE CHANGE PROPOSAL				Draft Form Version 1.2	
Market Code Change Proposal Ref (Assigned by CMA)		MCCP022	Version Number (Assigned by CMA)	Version Report	
Title of the change		Proposed Change to the Market Code to allow for additional settlement runs			
1. GENERAL DETAILS		Proposers are reminded that Change Proposals must be countersigned by the Proposer's Contract Manager or the person designated by the signatory to the Market Code Framework /Accession Agreement			
Company:	Scottish Water		Org ID if assigned:		
Signature:			Date:	09 February 2009	
			Name:	revised date 9 June 2009 Jessie McLeman	
Contact details for the Proposal - the contact should be able to deal with queries regarding this Market Code Change Proposal and need not be the same person who has countersigned the Change Proposal					
Name:			Jessie McLeman		
Email Address:			Jessie.mcleman@scottishwater.co.uk		
Telephone and or Mobile:			07875 872123		
Number of Associated Documents	03	Name or link to documents	The documents where proposed changes are shown as follows; (i) MCCP022 - Market Code (ii) MCCP022 - CSD 0201 (iii) MCCP022 - CSD0205 (iv) MCCP022 – Calendar Changes		
If the MCCP will also affect the Operational Code, an OCCP must also be raised					
Indicate if there is an associated OCCP	No		OCCP Ref:		
			CMA use only		
URGENT – IF PROPOSER HAS INDICATED THIS MCCP IS URGENT, STATE REASONS HERE The CMA Chief Executive will review this information and make a decision as to whether to take this MCCP forward as urgent as defined as under Market Code Part 8.7.1 (ii) (e)					
2. MARKET CODE CHANGE PROPOSAL DETAILS					
A	ISSUE or DEFECT WHICH THIS MARKET CODE CHANGE PROPOSAL SEEKS TO ADDRESS required under Market Code Part 8.7.1 (ii) (b)				

The requirement for additional settlement runs for the Tariff Year 2008-09, being the first year of market opening, was discussed at the MPF in December 2008. Papers MPF005 and MPF006 refer. In the discussion it was recognised that there would be a requirement for additional runs, at least in respect of some months of the year.

The main driver for an additional Reconciliation Run is the recognition that the final RF Settlement Run, which is due to be released in December 2009, is not a complete reconciliation of the financial year. The RF Settlement Run reconciles volumetric charges only. Other charges, including Trade Effluent Charges and certain fixed charges such as meter charges and property and roads drainage charges are carried across from the last R3 run to the RF Settlement Run.

At this stage, and mindful of the outstanding issues, Scottish Water proposes that it would be prudent to agree and plan for additional runs for the current tariff year, ie 2008-09 and for these to be timetabled now to assist with planning. The proposal therefore is that there should be a Fourth Settlement Run for the majority of the months of the year, and this be implemented according to the timetable proposed by the CMA and published in accordance with the Market Code.

Additionally Scottish Water proposes that Fourth settlement runs be timetabled for 2010-11. The CMA and market participants have no experience of dealing with the Tariff Year Settlement Run. It is clear from experience to date that there needs to be additional flexibility in the systems with regard to Trade Effluent but realistically and reviewing the release schedule issued by the CMA it will be challenging for any systems changes to be completed in time for the Tariff Year Settlement Run for 2009-10. (The current arrangements for TE are such that data starts to crystallise relatively early in the settlement year.) Following completion of the first full settlement year reconciliation in December 2009, there is merit in having a review of learning lessons to reflect on what may be appropriate for the future.

This paper proposes that the Technical Panel agrees to make the changes to relevant Definitions in the Market Code, to CSD0201, to CSD0205 and to the published Settlement Timetable in order to achieve Fourth Settlement Runs for the first two years of market opening, ie for Tariff Years 2008-09 and 2009-10.

After discussions with the CMA and at the Technical Panel, Scottish Water proposes that additional R4 runs for 2008-09 are initially timetabled to begin in August 2009 at the rate of one run per fortnight, starting with a rerun of April 2008 and finishing with a rerun of November 2008. After a programme of such runs lasting eight weeks, the last run would be the R4 for November 2008, which would take place in late August. The R3 for December 2008 would then take place as scheduled at the end of August, and would not need to be rerun.

The TP is asked to agree the principles set out here and the drafting changes; namely;

- The principle that there be Fourth Settlement Runs for 2008-09 and for 2009-10;
- That Fourth Settlement runs are agreed for the months through to November.
- The changes to the texts to achieve such an outcome is proposed at Section D below, comprising:
 - Changes to Market Code Definitions;
 - Changes to CSD0201
 - Changes to CSD 0205
 - Additions to the Calendar for 2009-10

In preparing the Calendar for 2010-11 only, the CMA is requested to insert additional R4 runs corresponding to the changes to the Calendar for 2009-10.

- The proposed change below additionally clarifies current settlement arrangements pertaining to Trade Effluent.

B	DESCRIPTION OF NATURE AND PURPOSE OF THE CHANGE AND HOW IT MEETS THE MARKET CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS required under Market Code Part 8.7.1 (ii) (c)								
<p>The Proposer should indicate which principles the change supports and whether there is any adverse effect on any principle(s).</p> <table border="0"> <tr> <td>a) Proportionality</td> <td>e) Barriers to entry</td> </tr> <tr> <td>b) Transparency</td> <td>f) Customer contact</td> </tr> <tr> <td>c) Simplicity, cost-effectiveness and security</td> <td>g) Non-discrimination</td> </tr> <tr> <td>d) Non-exclusivity</td> <td>h) Not detrimental to Scottish Water's core functions</td> </tr> </table>		a) Proportionality	e) Barriers to entry	b) Transparency	f) Customer contact	c) Simplicity, cost-effectiveness and security	g) Non-discrimination	d) Non-exclusivity	h) Not detrimental to Scottish Water's core functions
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<p>This proposal allows for Fourth Settlement Runs after Settlement Run R3 and before the Final Tariff Year Settlement Run for the first two tariff years after of market opening.</p> <p>The proposal is consistent with the core objectives and principles of the Market Code to ensure the charges are calculated in accordance with the Wholesale Charges Scheme.</p> <p>The proposed text additionally clarifies the arrangements applying to Trade Effluent as the current text has led to some misunderstandings.</p>									
	IMPACT – required under Market Code Part 8.7.1 (ii) (d), (f) and (g)								
<p>The Proposer should indicate the sections of the Market Code affected, whether the Operational Code or CSDs, Wholesale Services Agreement or License is impacted and whether there are likely to be implications on:</p> <table border="0"> <tr> <td>a) Central Systems</td> <td>c) CMA Interfaces/ Processes</td> </tr> <tr> <td>b) Trading Party's systems</td> <td>d) Trading Party's business processes</td> </tr> </table>		a) Central Systems	c) CMA Interfaces/ Processes	b) Trading Party's systems	d) Trading Party's business processes				
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<p>The proposed changes affect the Definition of Settlement Run as set out in the Market Code; CSD 0201; CSD0205 and the timetable. .</p> <p>There is no impact on the Operational Code.</p> <p>There should be minimal impact on the Central Systems, apart from scheduling. A Fourth Settlement Run may have a small impact on the business processes of Trading Parties.</p>									
D	DRAFT LEGAL TEXT – required under Market Code Part 8.7.1 (ii) (d)								
<p>The changes to the Market Code, CSD0201, CSD0205 and the additions to the Calendar are attached</p>									
<p>3. IMPLEMENTATION DETAILS - PROPOSED IMPLEMENTATION DATE OR LEAD TIME</p>									
<p>Timescale must not overlap with the period of consultation with the Commission and should take account of the impacts identified in Section C. Any quoted lead time should commence from date of approval.</p>									
<p>The Implementation Date will be the date of the next release of the Market Code following Approval by the Commission</p>									
<p>4. ANY OTHER COMMENTS</p>									

The full text of the objectives and principles for the Market Code are set out in The Water Services (Codes and Services) Directions 2007 which can be downloaded from the Commission's website (http://www.watercommissioner.co.uk/view_Directions.aspx)