

**54th Technical Panel Meeting
Approved Minute**

Present

Brian Saunders (BS) – CMA (TP Chair)
Amanda Hancock (AH) – CMA (TP Secretary)
Duncan Innes (DI) – Business Stream
Charles Yates (CY) – Commission
Belinda Oldfield (BO) – Scottish Water
Neil Hemings (NH) – Scottish Water
Peter Strain (PS) – Castle
Scott MacLeod (SM) – Cobalt
Mike Brindle (MB) – United Utilities
Tom May (TMV) – Veolia
Tony March (TM) – AWBN
Ian Grundy (IG) – Pure Utilities
Katy Spackman (KS) – NWG Business
Lynda McKay (LM) – Kelda Retail
Alastair Ross (AR) – Commercial Water Solutions
Amanda Rooney (ARo) – Ofwat
Paul Connelly (PC) – Blue Business Water
Dave Siddall (DS) – Clear Business Water
Jon Rathjen (JR) – Scottish Government (Part)
Stuart McCaskell (SMcC) – Scottish Government (Part)

Apologies

Nigel Hammond, SESW
Rich Rankin, Brightwater
Nikta Keyhan, Regent Water
Stephanie Hurrell (SH) – Thames Water
Steve Pywell (SP) – Severn Trent

1. Introductions and Minute

Following introductions around the table, Amanda Rooney introduced herself and provided some background on her role at Ofwat in relation to the opening up of the Market in England and Wales. ARo advised her core responsibility centred around license applications and the Codes. BS then provided an overview of the Technical Panel and Market Participant Forum in Scotland, noting the key differences between the two.

AH noted that no comments had been received on the minute of 23rd June 2016. BS asked if the minute could be approved. The meeting agreed that the minute was approved.

2. Actions and Administrative Update

AH provided an update on the action log, noting that all actions from the previous meeting were now complete.

AH noted that no change proposals had been withdrawn by the CMA.

AH noted that MCCP194 Settlement Report Changes had been agreed since the last meeting. MCCP199 – CSD0301 Annex Update had been delivered on 13th July 2016 and MCCP200 POLR Opt In/Out Clarification had been delivered on 16th August 2016.

AH noted that MCCP202-CC Deemed Contract Amendments had been delivered on 16th August 2016, and new commission change MCCP204-CC Charging at Vacant Premises had been introduced since the last meeting.

There were no Bulletins or Guidance Notes issued since the last TP. No new meeting dates had been added to the calendar. BS advised the TP that following the June 2017 meeting, he would be stepping down as Chairman.

3. Change Proposals in Progress

There were no change proposals in progress at this time.

4. New Change Proposals

MCCP198 September 2016 CSD Drafting

AH introduced this proposal and advised that this is the standard pre-release proposal that captures any final refinements to the Market Code and CSDs as a result of the impending September Release. Any minor changes or typos not picked up in already approved changes are highlighted in the proposal.

TMV picked up a minor typo on the front page. Under A.1.f CSD0104 should be included. AH agreed to make this amendment before forwarding to the Commission for consultation.

BS asked if the group was happy to sign off the proposal, the TP confirmed it was. CMA to complete final report and forward to Commission for consultation.

AP404 CMA prepare Final Report for MCCP198 and forward to Commission for consultation.

Jon Rathjen and Stuart McCaskell from Scottish Government joined the meeting at this point

MCCP201 Live Rateable Value

BO introduced this paper and confirmed that it had gone through a number of iterations following discussions and workshops with LPs. BO highlighted that this proposal only dealt with the introduction of a new data item, and did not deal with the impact of any change on settlement. This would be forthcoming in a separate CP.

JR introduced himself and provided the group with an overview of his responsibilities within the Scottish Government. JR went on to add that he was interested in hearing feedback from Market Participants in relation to the ongoing consultation which was due to close on 23rd September 2016. JR further noted that there was currently an inconsistency in the charging methodology which is not in line with Ministers Principles of Charging for water services. He added that the Government recognised there would be winners and losers as a result of this change, but that it was the right thing to do.

JR confirmed that he is looking forward to the Market opening up technical discussions on the implementation, and is keen to seek views on how this could be implemented, and what if any transition arrangements should be in place.

BS asked if the group had any comments on the current proposal. DI raised concern on the levels of defaults proposed and asked why they had been increased. AH stated that this had been at the request of some of the members of the working group. TM further added that there had been discussions previously around ensuring the defaults catered for realistic values, some of which would be well above the existing 99,999.

BS then asked if the group was content to approve the proposal in its current form. The meeting approved this proposal. CMA agreed to prepare a Final Report and forward documentation to the Commission for consultation.

AP405 CMA to prepare Final Report for MCCP201 and forward to Commission for consultation.

OCCP050 Request to Change 3rd Party References and Live Rateable Value

BO introduced this proposal and confirmed that the intention of this proposal is to update the Operational Code Processes to introduce the ability for LPs to request amendments to SAA references and Live Rateable Value.

AR asked if the LP would relinquish responsibility for updating RV as a result of this change. AH advised that eventually this would be the case, however at present, they would still have a responsibility to update the existing RV.

BS asked if the group was content to approve the proposal. The meeting approved this proposal. CMA agreed to prepare a Final Report and forward all documentation to the Commission for consultation.

AP406 CMA to prepare Final Report for OCCP050 and forward to Commission for consultation.

MCCP204-CC Charging at Vacant Premises

BS confirmed that the meeting had two documents for review in this section, the MCCP204-CC which had been submitted by the Commission, and a paper from SWBS on area's it would like addressed as part of the discussion. At this point BS handed over to CY from the Commission to talk through the Commission Change.

CY thanked the CMA and SW for their support in preparing the technical detail of this proposal and confirmed that the requirements were in line with the proposed Government Legislation on Charging at Vacant Premises.

JR stated that there was currently a cross subsidy in the Market and that this should be removed, further noting unequivocally that this would be from 1st April 2017. This was seen as an opportunity for additional customers to be brought into the Market. JR further noted that the Government accepts this is a large change, and that there would be issues and risks to businesses. He went on to note that it was imperative that the Market work together to identify the best ways to communicate these changes to customers.

KS asked whether the removal of this cross subsidy would be catered for in the 17/18 Wholesale Charges, JR confirmed it would. CY further added that ~£15M of potential revenue would be coming into the Market, and implementation should be as smooth as possible. IG asked whether there were any proposed exemptions. CY confirmed there were not at present.

Initially DI highlighted the magnitude of the change, and the costs and risks associated with it. He further added that the challenge of identifying owner / landlords and subsequently collecting revenue was not insignificant. Given these challenges, DI suggested a working group may be beneficial to pick up some key areas in the SWBS paper to try and manage / mitigate risks. DI then talked through his paper, highlighting data quality, the option of de minimis charging periods, increased bad debt, the trace process and customer communication.

DI noted that of the ~10k SPIDs which become vacant, less than 20% of these are vacant for longer than 3 months. If there was a de minimis period of 3 months, this would minimise costs to LPs with very little impact on SW revenue.

When discussing bad debt, DI stated that the temporary disconnections process wouldn't be as effective when dealing with landlords / owners as it would for tenants. DS added that the disconnection could only take place if the volume was

>300m3. BO commented that SW was currently looking into the process of discussions with customers on facilitation of disconnections.

AR asked whether drainage charges would be misapplied. NH commented that it would not, unless customers were removing their own rain water. DI commented that although £15M had been priced in, the likelihood was that the revenue would be much higher.

CY stated that the idea of a working group was a good one, but that the group would need to be mindful of what could and could not be addressed. CY stated that the Commission would be minded to allow for some data gathering before any decisions could be made on changes to the existing proposal. DI asked for a better understanding of timescales to feed into existing work, as there was concern that to include any potential changes to be delivered in September, there would be little or no time to gather any evidence following the introduction of the proposal in April. AH advised that there was a real risk to the release if any changes were introduced at this late stage, and that it would be more efficient to work towards introducing any changes in September, which could then be applied retrospectively.

TMV then suggested that looking at the data cleanse of vacant premises through the SAA project may be a useful first step to reduce risk. BO commented that SW would be happy to look at prioritising this category if that was agreeable to all.

BS asked how any discussions in a working group would align with Government policy given the consultation period was over. JR clarified that while the Government would set the policy, the implementation of this would be managed via the Commission and there may be tweaks required to smooth said implementation. The Government would be open to taking advice from the Commission on any such matters.

PS noted that the changes proposed were part of a standard retail function and that Castle did not envisage any major obstacles post April. JR re-iterated that there was no requirement to make changes to the current legislation, and that there was nothing to stop LPs communicating with their customers now. TMV asked whether SWBS was mainly concerned with the sheer volume of work, having the lion's share of vacant SPIDs. DI confirmed it was.

In summary, CY agreed that the Commission would host a working group, which could be opened up to Landlords if the Market felt there was benefit in it. Any changes as a result of this group would be driven through existing change processes.

AP407

WIC to send out a working group invite to the Market to discuss Charging at Vacant Premises.

Jon Rathjen and Stuart McCaskell from Scottish Government left the meeting at this point.

5. Forward Planning Report

AH presented the report and confirmed that CMAPx163 and 165 had been approved and were due for delivery with the September Release. CMAPx166, 167 and 168 were all new. CMAPx166 was the introduction of an automated Licence Transfer process and looked to lift the current script based process and bring it on system. A number of LPs asked for a copy of this CP for information. AH took action to circulate this to all.

AP408 CMA to forward CMAPx166 to all Trading Parties.

CMAPx167 was an additional request for a Trading Party, and CMAPx168 provided for additional validation on the Central Systems to prevent the submission of duplicate MID's following an issue.

AH noted that the Release Calendar had been updated but that there was nothing of significance to note. BS took the opportunity of expanding on the structure of Releases within the Market for the benefit of new members and observers at the meeting.

6. Any Other Business

BS asked if there were any AOB items other than those noted on the agenda, none were raised. There being none, BS closed the meeting.

Action Summary

Action	Subject	Update
<i>From the minute of the 53rd Meeting (23rd June 2016)</i>		
AP401 CMA	CMA prepare Final Report for M CCP194 and forward to Commission for consultation.	Complete
AP402 CMA	CMA to circulate updated M CCP200 for any final comments.	Complete
AP403 CMA	CMA to update Market Code and then publish the new version of the code.	Complete
<i>From the minute of the 54th Meeting (18th August 2016)</i>		
AP404 CMA	CMA prepare Final Report for M CCP198 and forward to Commission for consultation.	
AP405 CMA	CMA to prepare Final Report for M CCP201 and forward to Commission for consultation.	
AP406 CMA	CMA to prepare Final Report for OCCP050 and forward to Commission for consultation.	
AP407	WIC to send out a working group invite to the Market to discuss Charging at Vacant Premises.	
AP408	CMA to forward CMAPx166 to all Trading Parties.	