

# MARKET CODE / OPERATIONAL CODE CHANGE PROPOSAL

Form  
version 2.3

Change Proposal reference  
(To be completed by the TP Sec.)

**MCCP284**

Version No.

**D.2**

## PART A — SUBMISSION

### A.1. GENERAL DETAILS

A.1.a. TITLE Financial Resilience

A.1.b. COMPANY CMA

Change Proposals must be authorised by the person designated by the signatory to the Market Code Framework / Accession Agreement

A.1.c. AUTHORISED  
SIGNATURE

NAME

Neil Cohen

A.1.d. CONTACT NAME

CONTACT EMAIL;  
TEL/MOB.

Neil.cohen@cmascotland.co.uk

A.1.e. ASSOCIATED  
MCCP / OCCP

A.1.f. ASSOCIATED  
DOCS.

LP Licence Conditions, reflecting new financial resilience obligations.  
Wholesale Services Agreement, as updated to reflect Financial Resilience obligations.

A.1.g. PROPOSED  
URGENCY

NON-URGENT

A.1.h. REASONS FOR  
URGENCY

The CMA CEO will review this information and make a decision as to whether to take this MCCP / OCCP forward as urgent as defined under Market Code Part 8.9.1

A.2. MCCP / OCCP DETAILS

A.2.a. ISSUE OR DEFECT WHICH THIS MCCP / OCCP SEEKS TO ADDRESS  
Required under Market Code Parts 8.7.1 (ii) (b) and 8.8.1 (ii) (b)

The Water Industry Commission for Scotland (WICS) undertook a series of consultations during the Covid-19 outbreak in which the financial resilience of Licensed Providers (LPs) was considered. In particular, voluntary License Conditions were set out that allowed LPs to establish their degree of financial resilience, for the purposes of enabling different pre-payment arrangements with Scottish Water (SW) to apply. SW is seeking to establish different pre-payment timescales for LPs depending on their credit worthiness. These arrangements have now been incorporated into LP Licence Conditions with further changes to follow to SW's Wholesale Services Agreements (WSAs) with LPs.

However, in order to enable this mechanism to take effect, different provisional settlement runs at different lead-times prior to the relevant month in which liabilities may arise will need to be established to enable SW to invoice LPs at different times, depending on their credit worthiness, in accordance with their WSA.

A.2.b. DESCRIPTION OF THE NATURE AND PURPOSE OF THE MCCP / OCCP AND HOW IT MEETS THE MARKET CODE / OPERATIONAL CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS  
Required under Market Code Parts 8.7.1 (ii) (c) and 8.8.1 (ii) (c)

General Description

This proposal seeks to move the existing P1 provisional settlement run to the earliest lead time that SW currently envisages for pre-payment and for a new P2 provisional run to be established at a later lead time for the later pre-payment timescales that SW requires.

These provisional settlement runs will be run to cover all provisional settlement liabilities arising across the non-household market arrangements and it is anticipated that SW will determine which LPs need to be invoiced against the particular provisional settlement run, as appropriate.

Specifically, the proposal suggests that:

- The existing P1, which is currently identified for publication 16 Business Days prior to the first day of a month prior to a given month, will be moved to an earlier lead time of 16 Business Days prior to the first day of the month that is 2 months prior to the given month.
- Additionally, a new P2 will be established that will be due for publication 16 Business Days prior to the first day of the month that is 1 month prior to the given month.

Each such provisional settlement run will be executed in the same way as is currently done for the existing P1, using estimated and current values, as appropriate. It will then be at SW's discretion as to which LPs will be invoiced on what timescales ahead of the relevant month. IP reconciliation runs and the RF run will continue to be run and invoiced as now. It is currently anticipated that SW will invoice on 3 timescales: 3 months ahead of the given month end (using the new P1), 2 months ahead of the given month end (using the new P2) and 1.5 months ahead of the given month end (also using the new P2).

The first month from which the new pre-payment arrangements will apply will be May 2023. Hence, there will be 3 provisional runs in May, 2023 and this will constitute the transition to the new arrangements:

- The current arrangements will apply for July, 2023, with a P1 for that month being published in May, 2023.
- The revised timescale P1 will also be published in May, 2023, to cover August, 2023.
- The first of the new P2 runs will be published in May, 2023, to cover July, 2023.

The new arrangements will then apply fully for August, 2023 onwards, since both a revised timescale P1 and a P2 will apply for that month and all subsequent months.

All such timescales will be identified in the routine publication of the CMA's Settlement Calendar.

Relevant data submissions from SW and publications for each new FY from the CMA will need to recognise these new arrangements:

- The annual submission of the Scottish Water Data (SW's revised tariff data) will continue to be on its current timescales, since this is the earliest point at which the data can be made available. This requires an update to the CSD, identifying that the Scottish Water Data will now be provided 20 BDs prior to the P2. This also leads to a new requirement in the CSD that the first P1 for a given FY will be based on the previous FY's tariff data. This will apply for FY 2024/25.
- The issue of the Settlement Timetable by the CMA will continue to be published 30 BDs prior to the first P1, noting that this will be 1 month earlier than currently for FY 2024/25 onwards.

Principles and Objectives affected  
CMA Guidance Note GN009 may be referred to for assistance with this section

PRINCIPLE	AFFECTED (Y/N)	DESCRIPTION
Proportionality	Y	Creates a relatively simple addition to scheduled runs to allow for the financial resilience measures to be effected.
Transparency	Y	Generates additional provisional settlement runs at the required timescales
Simplicity, Cost-effectiveness, and Security	Y	Provides a simple mechanism to allow SW to invoice participants at different pre-payment timescales.
Non-exclusivity	N	
Barriers to Entry	Y	Facilitates the possibility of LP's with varying degrees of financial resilience to be admitted to the market arrangements.
Customer Contact	N	
Non-discrimination	Y	Enables LPs with different degrees of financial resilience to make pre-payments that are tailored to their position.
Non-detrimental to SW Core Functions	N	
MC / OC OBJECTIVES	N	

A.2.c. IMPACT  
Required under Market Code Parts 8.7.1 (ii) (d), (f) and (g), and 8.8.1 (ii) (d) and (f)

CONFIGURED ITEM	IMPACTED (Y/N)	DESCRIPTION
MC / OC	Y	Section 5.12 and Definitions.

CSDs	Y	CSD0201.
Wholesale Services Agreements	Y	Financial Resilience measures and pre-payment obligations to be included.
Licences	Y	References to be made to the Financial Resilience measures and pre-payment obligations.
CMA Central Systems	Y	P1 timescales to be amended. P2 to be added.
CMA business processes	Y	Timescales and settlement run publication to be modified.
Trading Party systems	Y	P1 timescales to be amended. P2 to be added.
Trading party business processes	Y	Settlement and payment timescales to be modified.

A.2.d. DRAFT LEGAL TEXT  
Required under Market Code Parts 8.7.1 (ii) (d) and 8.8.1 (ii) (d)

**Market Code Schedule 1 (Definitions):** The definition of ‘Settlement Run’ should be modified, as follows (red text):

the first ~~and second~~ preliminary runs, the first, second, third and (where applicable) the fourth runs performed for each Settlement Day and the Tariff Year Settlement Run, as specified in CSD 0201 (Settlement Timetable & Reporting);

**CSD0201 (Settlement Timetable and Reporting) General:** All references to Settlement Reports and Settlement Runs should modify the timescales for P1 to ‘16BDs prior to the first day of the month that is 2 months prior to the applicable Invoice Period’ and should additionally include the P2, with a timescale of 16BDs prior to the first day of the month prior to the Invoice Period.

**CSD0201 (Settlement Timetable and Reporting) Section 2.2 (Provision of the Scottish Water Data):** This section should be modified, as follows (red text):

Scottish Water will provide the CMA with the Scottish Water Data at least 20 Business Days prior to the ~~first~~second Settlement Run (P~~1~~2) of any Year.

**CSD0201 (Settlement Timetable and Reporting) Section 2.4.1 Settlement Day Based Settlement Runs (P1, P2, R1, R2, R3 and (where applicable) R4):** A new second para should be added as follows:

‘In Settlement Run P1, the CMA will base the calculation of the forecast of the Wholesale Charges that will be payable by each Licensed Provider in respect of each Supply Point registered to it and notionally payable by Scottish Water on the Scottish Water Data for the Year prior to that in which the Invoice Period exists. In each Settlement Run, except for P1 (P2, R1, R2, R3 and where applicable R4), the CMA will base the calculation of the forecast of the Wholesale Charges that will be payable by each Licensed Provider in respect of each Supply Point registered to it and notionally payable by Scottish Water on the Scottish Water Data for the Year in which the Invoice Period exists.’

A.3. IMPLEMENTATION DETAILS

A.3.a. PROPOSED IMPLEMENTATION DATE OR LEAD TIME  
Timescale must not overlap with the period of consultation with the Commission and should take account of the impacts identified in Section A.2.c. Any quoted lead time should commence from date of Approval.

March 2023

A.3.b. ANY LIMITATIONS OR DEPENDENCIES FOR IMPLEMENTATION

A.4. ANY OTHER COMMENTS

Indicative User Requirements are as follows:

**UR 1 Settlement Reports.** A new P2 settlement run should be established, to be run and published in accordance with the Settlement Event Calendar.

**UR 2 LVI.** The following changes should be made:

**UR 2.1 Reports/Settlement Reports page.** Under the 'Aggregation Run Type' column, PRE\_RUN should be changed to PRE\_ONE (to identify P1 runs) and a new category of PRE\_TWO (for the new P2s) should be added.

**UR 2.2 Settlement Scheduled Events page.** As above.

## PART B — TP ASSESSMENT

B.1. ASSESSMENT PROCESS			
B.1.a. ASSESSMENT START DATE	2022-07-26	ASSESSMENT END DATE	yyyy-mm-dd
B.1.b. IMPACT ASSESSMENT REQUIREMENT	IA REQUIRED		
B.1.c. CONSULTATION REQUIREMENT	TP CONSULTATION NOT REQUIRED		
B.1.d. ASSOCIATED DOCUMENTS (to this Part B)			
B.2. ASSESSMENT DETAILS			
B.2.a. CHANGE SPEC AND IMPACT (IF DIFFERENT FROM THAT ORIGINALLY SUBMITTED)			
B.2.b. CMA INTERNAL SYSTEMS IMPACT			
B.2.c. DRAFT LEGAL TEXT (if different from that originally submitted)			
B.2.d. TP ASSESSMENT Taking into account complexity, importance and urgency, and having regard to whether or not such proposal is within the relevant Objectives and Principles as required under Market Code Parts 8.7.1 (v) and 8.8.1 (iv)			
Impact on Principles and Objectives (if different from that originally submitted)			
Cost Estimate		CMA Costs: £5.7k (IA + 33%) Trading Party Costs:	
Benefit Estimate (L: < 10k, M: £10k to £100k, H: > £100k)			
B.3. TP DECISION		TP APPROVED	
B.4. FINAL TP VIEWS		Unanimously approved 2022-10-27	
B.5. PLANNED IMPLEMENTATION DATE		2023-03	

WITHDRAWN BY PROPOSER?	NO
COMMENTS	
DATE OF WITHDRAWAL	

### PART C — COMMISSION APPROVAL

C.1. DATE FINAL REPORT ISSUED TO COMMISSION	2022-11-16
C.2. APPROVAL STATUS	APPROVED CHANGE
C.3. DATE OF APPROVAL STATUS	2023-01-31
C.4. COMMISSION RESPONSE REFERENCE	

### PART D — IMPLEMENTATION

D.1. IMPLEMENTATION DATE	2023-03
D.2. IMPLEMENTATION DETAILS (MC version, CSD versions, CMA Central Systems release number, etc.)	
Market Code v50 CSD0201 v14	