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12 December 2016

*Email to:*  
*Retailmarketopening@Ofwat. gsi.gov.uk*

Dear Sir,

### **CONSULTATION ON MARKETS ARRANGEMENTS CODE**

This letter forms our response on the above consultation .

We have been involved with the codes process since its inception and overall have no major issues with the code. We do, however, raise a number of points in the accompanying appendix which we think are pertinent to ensuring the market operates effectively .

If you have any queries on the letter or the attachments, please do not hesitate to contact me or Rob Scarrott ([rscarrot@southwestwater.co.uk](mailto:rscarrot@southwestwater.co.uk)).

Yours faithfully,



**Iain Vosper**  
**Regulatory Director**

## APPENDIX 1 CONSULTATION RESPONSE

### Setting of the Market Operator Budget (Section 4.6.2 and 10.2.3)

It is important that the budget for the market operator reflects a) the requirements of the trading parties and b) gives incentives to be efficient.

The MAC in Section 4.6.2(d) states "*the Market Operator will approve the Market Operator Budget and Market Operator Charges, list of Additional SeNices and Additional SeNices Charges after considering all comments received from the Panel*"

#### Action needed

We consider that this statement (and 10.2.3) should be redrafted to state that

*"Trading Parties should vote on the budget and the majority decision accepted."*

As currently drafted, the Market Operator can essentially set its own budget and in turn does not give transparency on delivering the requirements of the trading parties and ensuring efficiency is always maintained.

### Appeal Process (Section 7.2)

At the moment, whatever change is proposed by the Regulator, it cannot be appealed. As would be expected in other areas of markets there should be the option to appeal to the CMA any change.

#### Action needed

A new paragraph should be included that states:

*"If a trading party disputes a code change, except minor or urgent changes, then it may submit it an appeal against the code change to the CMA. This must be submitted within 20 working days from the day the proposed change was consented"*

### Market Operator Conduct (Section 10.9)

There is no vetting in the current code for what the audit of the market operator should look like.

#### Action needed

As such this section should be updated to include that

*"An audit of the market and Market Operator should be conducted on a regular basis. The scope of the audit should be agreed by the Trading Parties".*