
Market Arrangements Code Change Proposal – Ref CPM011

Modification proposal	Market Arrangements Code Change Proposal – MOSL invoices and payment terms
Decision	Ofwat has decided to accept this change proposal
Publication date	17 May 2018
Implementation date	31 July 2018

Background

The Market Arrangements Code (MAC), amongst other things, sets out the arrangements for how the retail market will operate.

Market Performance Standard Charges (MPSC) invoices issued to date are for informative purposes only and are not currently payable. On 1 April 2018, MPSC invoices became fully payable by Trading Parties.

Under section 10.4 of the MAC, MOSL is required to issue MPSC invoices to Undertaker Wholesaler and Retailer businesses “no later than fourteen (14) Business Days following the end of the relevant month”.

This is inconsistent with MOSL’s Market Operator Charges which are to be issued “no later than fourteen (14) Business Days prior to the start of the relevant month.”

Section 10.5 of the MAC requires each chargeable business “to pay the amounts set out on the invoice (i.e. all MOSL invoices) no later than 10 business days prior to the start of the month.”

The issue

MOSL, as the proposer of this code modification, has reported that it has come to its attention that under the current MAC obligations there are some months whereby the MPSC invoice payment due date will fall before the issue date. This will lead to unavoidable instances of non-compliance for Trading Parties.

Furthermore, the lack of consistency in the issue date of MOSL invoices and payment terms makes it difficult for Trading Parties to forecast and administer their charges, further increasing the risk of non-compliance.

The modification proposal¹

In order to resolve this matter, MOSL proposes:

- to deliver to members all Market Operator related charges (issued in advance) “9 business days following the start of the preceding relevant month”;
- That all other MOSL Charges (issued in arrears) are delivered to members “9 business days following the end of the relevant month”;
- To standardise MOSL payment terms to 10 business days from the invoice issue date for Market Operator Charges; and
- To standardise MOSL payment terms to 20 business days from the invoice issue date for all other MOSL charges, including MPSC.

These changes will provide members with more clarity of when they can expect their MOSL invoices, whilst ensuring payment terms are realistic and achievable. The extended payment terms proposed for Market Operator Charges will have minimal impact on MOSL’s cash flow, and the further extending the payment terms for MPS Charges and other MOSL invoices will provide Trading Parties with the necessary cash flow protection.

Industry consultation and assessment

The Change Proposal was raised at a User Forum on 12 April 2018 to raise awareness of the potential change, and to gather any additional feedback that could potentially enhance the Change Proposal.

The concept of standardisation was welcomed from those who attended the User Forum. The feedback received highlighted the need for MOSL to ensure that any code change considered the potential cash flow impact MPSC may have on Trading Parties, particularly smaller Retailers. Wholesalers were supportive of the requirement to consider the impact on the retail market and it was suggested that payment terms of 30 days (approximately 20 Business Days) were preferred, considering MOSL cannot use the funds collected from MPSC. MOSL have taken these comments into consideration and revised the original solution.

Panel recommendation

At the Panel meeting on 24 April 2018, the Panel considered the Change Proposal and recommended, by unanimous decision that the Authority approve this code

¹ The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

modification on the basis that this change proposal improves the Code Principles of efficiency, proportionality and transparency.

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report, and we have paid particular attention to the support expressed at the User Forum. We have concluded that the implementation of CPM011 will better facilitate the principles and objectives of the Wholesale Retail Code, detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and is consistent with our statutory duties.

Reasons for our decision

We set out below our views on which the applicable Code Principles are better facilitated by the modification proposal.

Efficiency

The proposed change will create efficiencies for MOSL's members by aligning all invoicing dates and introducing standardised payment terms.

Proportionality

The amendment makes the simplest change to the Market Arrangements Code and delivers a solution proportionate to the issue.

Transparency

The proposal will make the invoicing and payment process more transparent for all parties.

Decision notice

In accordance with paragraph 7.2.8 of the Market Arrangements Code, Ofwat approves this change proposal.

Emma Kelso

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