

Wholesale Retail Code Change Proposal – Ref CW059

Modification proposal	CPW059: Changes to Review Obligations
Decision	The Authority has determined that it cannot properly form an opinion on the approval of the Change Proposal and requests that the Panel revise and resubmit the Final Report
Publication date	19 December 2019
Implementation date	N/A

Background

There are two elements to this Change Proposal. Firstly, the Wholesale Retail Code (WRC) which includes four obligations within the Code Subsidiary Documents (CSDs) that require the Market Operator (MOSL) to undertake technical reviews of certain aspects of the Central Market Operating System (CMOS). Secondly, the Market Terms, which includes an obligation regarding the provision of information. These obligations are further explained below.

Timescales of technical reviews

CSD 0203 (Meter Read Submission: Validation) includes an obligation to review the Rollover Detection Algorithm (RDA). A meter rollover is the point at which a meter has reached its maximum value and reverts to a zero reading. The RDA validates a meter reading submitted by Trading Parties. CSD 0203 includes an obligation for MOSL to provide reports to the Panel each year on whether the algorithm remains appropriate and review the nominal maximum capacity table.

CSD 0207 (Charge Calculation, Allocation and Aggregation) includes an obligation for MOSL to set the estimated values of the expected flows through meters of a given meter size and produce an Industry Level Estimate (ILE) table. In the first quarter of each year MOSL is required to review the ILE table and make recommendations to the Panel as to whether or not to update the estimates and the estimating caps.

At the January 2019 Panel meeting, MOSL presented a review of the RDA. Based on the analysis presented by MOSL, the Panel agreed that the RDA did not require any changes at the time and discussed the need for undertaking another yearly review as specified within the market codes. This was because the Panel was concerned by the amount of effort and time required for MOSL to undertake the analysis required to develop the report. The Panel also noted that similar reviews may tie up MOSL's resources unnecessarily and requested that MOSL review the obligations that relate to technical reviews and return to the Panel with a plan on how to proceed and address this issue.

Provision of information

There is an obligation set out in section 1.2.11 of the Market Terms for the Market Operator to provide a summary list of the documents that it makes available to various groups and which the Panel is required to approve.

At the March 2019 Panel meeting, MOSL presented a summary paper on the documents that it publishes and makes available for various groups. This was collated to fulfil the obligation within the Market Terms. The Panel called into question the appropriateness of this obligation to publish a list of non-code obligated documents that are ever changing. As such, Panel members agreed that this obligation should be considered for removal and batched with other low materiality changes.

The issue

There are two issues identified as part of the Change Proposal which CPW059 seeks to remove:

1. The over-frequency of technical review obligations mandated against MOSL in the CSDs of the WRC.
2. Panel members have agreed that the 'Provisions of Information' obligation in the Market Terms should be considered for removal.

The modification proposal¹

It is proposed that the frequency of reviews that are currently competed and presented to the Panel on an annual basis are reduced to 'from time to time', as

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>

outlined in CSD 0203 and CSD 0207. In addition, CPW059 proposes to remove the obligation in 1.2.11 in the Market Terms.

The current obligations were deemed by the Panel as being overly onerous on MOSL resource. It was noted that the current obligations are not efficient, lack simplicity, and therefore, an approach that is flexible and dynamic was needed.

This Change Proposal includes amendments to the following documents:

1. CSD 0203: Meter Read Submission: Validation;
2. CSD 0207: Charge Calculation, Aggregation and Allocation; and
3. WRC Schedule 1 Part 4 Market Terms.

Industry consultation and assessment

No industry consultation was undertaken and no rationale was provided as to why further assessment was not required.

Panel recommendation

The Panel considered this Change Proposal at its meeting on 23 July 2019. It recommended, by unanimous decision, that the Authority approve this proposal. This recommendation has been made on the basis of improving the principles of efficiency, transparency, simplicity and cost-effectiveness and security. The recommended date of implementation is 8 November 2019.

Our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the Panel's Final Report, and have determined that we cannot properly form an opinion on the approval of the Change Proposal and request that the Panel revise and resubmit the Final Report.

When resubmitting the Change Proposal we expect the Panel to consider its priorities and determine an appropriate time for it to review and address the full extent of concerns raised and reconsider the legal drafting and further rationale needed in light of this.

Reasons for our decision

We have decided to return the proposal to the Panel and MOSL due to the following reasons:

1. As detailed in the Final Report, the proposed solution is to amend the obligation and enable the Panel to decide when to undertake the reviews rather than have an annual requirement which covers the CSD 0203, CSD 0207.
On review of the proposed legal drafting of the change, we note that the decision of when the reviews will be undertaken sit with the Market Operator and not the Panel. This does not align with the Final Report and therefore recommend that MOSL review the legal drafting proposed for CSD 0203, CSD 0207 and align it to reflect the Final Report.

We contacted MOSL for its view and asked for clarification on our understanding of the Change Proposal. MOSL shared with us the minutes from the January 2019 Panel meeting which explained the rationale behind the Change Proposal. Whilst this was helpful in understanding the rationale, the information provided did not explain why the legal drafting differed from the information in the Final Report. We will not be able to proceed with making a decision on this Change Proposal without a review of the legal drafting.

2. Based on the information in the Panel's Final Report and the Change Proposal form provided by MOSL, it is unclear why the provision of information section would be removed from the Market Terms. There is no rationale in the Final Report which explains the reason for the removal and the impact and/or detriment, if any, on Trading Parties.

We contacted MOSL for further information on this element of the Change Proposal. MOSL responded with minutes from the March 2019 Panel meeting in which it agreed that this obligation should be considered for removal and suggested that such an amendment could be batched with other low materiality changes. It did not, however, provide sufficient detail on the rationale for the removal of this obligation.

We would need further details on why the Panel questioned the appropriateness of this obligation, what was the rationale behind this and the consequential impacts, if any.

Decision notice

In accordance with paragraph 6.3.8 of the Market Arrangements Code, the Authority has determined that it cannot properly form an opinion on the approval of the Change Proposal and requests that the Panel revise and resubmit the Final Report.

Emma Kelso
Senior Director, Markets and Enforcement