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Revised Authority Timetabled Change Proposal – CPW070 Bilateral Transactions

Revised Authority Timetabled Change Proposal

CPW070 Bilateral Transactions

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1. Revisions to CPW070

This document sets out the revised timetable for CPW070, and includes an additional duty on the Market Operator ('**MOSL**') to provide working level reports to Ofwat every two months to enable the timely development of final recommendation reports. For the reasons given below, amendments have also been made to how often the Steering Group (as defined at section 5.2) is required to meet, and the type and frequency of audits to be obtained.

Amendments to the original version of CPW070 are shown in red. Minor drafting clarifications that have also been made to accommodate these amendments are not highlighted.

Reasons for revisions

In developing amendments to the timetable MOSL have highlighted that amendments to auditing requirements and when the Steering Group will meet should be adjusted to account for developments in the Project (as defined at section 2).

When CPW070 was originally submitted to the Panel, Steering Group member availability and the pace of Project milestone delivery fit a practical pattern of Steering Group meetings every two months. The frequency has subsequently proved to deliver rigorous Project oversight. Going forward, however, Ofwat considers that building flexibility into the Steering Group schedule to ensure that it meets at key milestones for the Project (e.g. business case sign off), whilst retaining a maximum period between meetings of two months is more appropriate to the Project design.

Auditing requirements are set out at section 5.2. Originally, there was a requirement for three external audits to be commissioned throughout the life of the Project. MOSL have raised concerns that the requirement for three external audits presented a high cost versus benefit ratio to trading parties who have challenged them to minimise costs where possible. MOSL anticipate that three external audits could cost between £50,000 and £100,000. The auditing of the Project remains important however Ofwat agrees that this can be accommodated by MOSL carrying out regular internal audits, with the provision of reports to relevant stakeholders (as set out), and by enabling the Steering Group to request that the MOSL Board appoints an external auditor. MOSL's Board will be required to consider any request from the Steering Group to appoint an external auditor.

The timetable originally set out in CPW070 was written in advance of MOSL commencing its work in earnest on the bilateral transactions Project ('**Bilateral Transactions**' meaning those interactions and communications governed by the Wholesale Retail Code ('**WRC**'), Schedule 1, Part 3: 'Operation Terms'). At the time the original proposal was developed, it was not clear where issues and solutions, or the extent of them, existed. The original timetable envisaged that all issues would be addressed as one, with the Panel reviewing a single complete solution in November 2020.

Subsequent to the raising of the original change proposal, MOSL has adopted a different ‘agile iterative’ delivery approach. MOSL have established the principles on which a solution will be based, the standardisation of key processes and creation of a central ‘hub’. This hub will hold up-to-date status information about each process. MOSL have established that of the c. 70 bilateral processes in the market, 10-15 represent the majority of transactions. By adopting an agile approach MOSL have established the order in which processes should be addressed. Further information can be found on [MOSL’s website](#).

Ofwat is supportive of the approach that MOSL has adopted, and considers that this will enable demonstrable progress to be made to address the lack of common standards for Bilateral Transactions that was noted by Retailers in the [2019-20 State of the Market Report](#). Ofwat notes Wholesaler support for the Bilateral Transactions initiative, and the work that MOSL continues to progress in this area. Ofwat publishes this revised timetable for the development of CPW070 to reflect the iterative nature of delivery, whilst ensuring all parties involved in its delivery, including MOSL, Ofwat and the Panel remain compliant with the Market Arrangements Code (‘MAC’).

Following a review of the processes set out in the Operational Terms, MOSL considers the issues it has identified will be addressed in five phases, resulting in five change proposals being developed. These will all be linked to CPW070. The process to reach the implementation dates proposed by MOSL are set out in the revised timetable at section 7 of this document. The timetable also confirms the point at which CPW070 will be complete. Phase 1 has been completed in accordance with the original timetable.

The revised timetable also provides additional clarity that whilst Ofwat will be sending the draft recommendation reports to the Panel, these will be developed, in draft, by MOSL.

The timetable includes a timeframe for when MOSL should present the draft recommendation report(s) to Ofwat which incorporates the potential need to run a statutory consultation on proposed amendments, for example, due to the scale of changes and the potential impact on trading parties. However, additionally, this revised change proposal includes an additional duty on MOSL to provide working level updates to Ofwat from 1 November 2020. Ofwat envisages that by obtaining a better working level understanding of the solutions that MOSL are developing, Ofwat will be able to establish earlier whether a statutory consultation will be required, and thereby potentially enabling longer for the draft recommendation report(s) to be developed and submitted by MOSL to Ofwat.

2. About this document

The main aim of business retail market opening was to put Non-Household Customers in the driving seat – allowing them to ‘shop around’ for a package which is best suited to their individual business needs, and to renegotiate or switch provider where they are dissatisfied with the service they receive. Competition for Non-Household Customers’ business should encourage Retailers to anticipate their needs and innovate in meeting them – for example through improved billing, more streamlined administration, or take-up of water efficiency services. As a result, Non-Household Customers should be able to save money, water and time. Ofwat considers that a key part of this is to ensure the efficiency of arrangements between Wholesalers and Retailers.

Evidence collected by Ofwat and the MOSL indicates that market frictions caused by a lack of consistency in approach to Bilateral Transactions is having a negative impact on Non-Household Customers’ experience of the market, and in some instances, is making it difficult for Retailers to operate effectively in the market. Section 3 of this document sets this out in more detail. There is, however, a lack of industry consensus about what the solution should be to address this friction, and concerns have been raised with Ofwat that due to the inclusion of provision to consider a solution in MOSL’s Business Plan of 2019/20, Trading Parties may not lobby further because they believe that they have already provided the mandate to MOSL to find a resolution.

[In a letter](#) to the CEO’s of Wholesalers in May 2019, Ofwat set out its expectations on Wholesalers to do more to contribute to the development of effective markets and specifically, in its [Wholesaler Call For Inputs outcomes report](#) (the ‘**Outcomes Report**’), published in June 2019, Ofwat emphasised its support of the prioritisation of improving Bilateral Transactions in the market. It confirmed that “we are fully supportive of this initiative and expect to see wholesalers working constructively with MOSL and the Panel to help to progress this work swiftly. A market-wide bilateral solution has the potential to deliver fundamental improvements in retailer-wholesaler interactions which will improve effectiveness of the market”.

Following discussions with MOSL, we consider that to enable the progression of a solution to address issues with Bilateral Transactions (‘**Solution**’), it is necessary for Ofwat to put forward an Authority Timetable Change Proposal which will provide the mandate and governance for MOSL to take forward work on the Solution. In addition, the technology aspect of the Solution is likely to drive a significant proportion of any required amendments to the WRC meaning that the development of changes to the WRC ahead of a technology solution may result in subsequent code amendments being required to refine the rules where issues are identified and addressed through design and development of the technology solution.

An Authority Timetabled Change Proposal enables MOSL to be given the mandate to find a Solution prior to amendments being made to the WRC. Under Section 6 of the MAC, Ofwat may raise a Change Proposal with the Panel Secretary in respect of the WRC. In conjunction with the Change Proposal Form and in accordance with section 6.3.2 of the MAC, this document sets out the timetable and process that will be followed to enable investigation into, and the development of the Solution and appropriate code amendments to the WRC to resolve issues with Bilateral Transactions within the market (the '**Project**').

3. Why is a Solution required?

During the Open Water Programme, it was determined that Bilateral Transactions would be excluded from the central operating system and that industry would self-determine how these transactions would occur between Trading Parties. Instead, specifications were implemented following several workshops that Trading Parties were invited to follow.

Evidence gathered by the Digital Strategy Committee (the '**DSC**') indicates that for the period April 2017 to August 2018 there were over 80,000 Bilateral Transactions in the market. Market intelligence indicates that the actual number of Bilateral Transactions will be higher than this. Feedback from the DSC has informed MOSL that some Trading Parties are experiencing 30-40% rejection rates on Bilateral Transactions due to lack of data quality, lack of transparent reporting, lack of a standardised way of working and a proliferation of technology. This translates to friction and increased manual reconciliation which is costly and inefficient.

In October 2017, MOSL implemented the DSC to support it in forming strategic digital initiatives. Alongside the Retailer Wholesaler Group (the '**RWG**'), they have been working to look at ways to make the submission and progressing of forms easier, with an RWG working group looking at ways to improve or standardise the process involved in Bilateral Transactions between Retailers and Wholesalers and the DSC specifically focussing on the possibility of delivering a technology based solution and a single set of standards to govern Bilateral Transactions.

Ofwat's 2018 state of the market report, [Open for Business](#), identified a number of market frictions that have had a negative impact on customers' experiences of the market, for example, obtaining accurate quotes, reliable billing and smooth switching. These frictions include poor interaction between Wholesalers and Retailers which has sometimes made it difficult for Retailers to operate and offer services in the market, for example in verification of meter details and other customer data.

Open for Business also considered that "for the market to function effectively, wholesalers and retailers need to interact efficiently and reliably, and co-ordinate effectively to deliver a good experience for customers. It went on to highlight that "a lack of common approach by wholesalers to service and information provision means nationwide retailers can face increased complexity and costs – particularly where portals, policies and processes are inconsistent between wholesalers".

Ofwat issued a [Call for inputs](#) (the '**CFI**') in November 2018, the responses to which raised concerns about poor interactions between Wholesalers and Retailers, including the late completion of Bilateral Transactions by Wholesalers, which had a negative impact upon the service Retailers provided to Non-Household Customers. In addition, it considered that a variance in Wholesaler policy meant that Retailers have experienced problems due to a lack

of consistent approach in the way that Wholesalers receive and manage Bilateral Transactions. The CFI confirms that “at the time of receiving responses we understood that some wholesalers had online portals available for submitting bilaterals, while others didn’t – which adds to the administrative burden for retailers when interacting with them. Where wholesalers do have portals in place, retailers raised concern that wholesalers had not adopted one common agreed approach for managing bi-laterals in the market”.

The response to the question in the CFI about whether ongoing initiatives in the market would deliver sufficient outcomes within a reasonable timeframe, which is detailed in the Outcomes Report, indicated that many retailers are supportive of the DSC’s proposal for Bilateral Transactions and saw the potential for it to deliver benefits for all Trading Parties. Some thought that even without a technological solution, there are additional benefits to be gained through this work in encouraging code standardisation. Other Retailers thought that the DSC and RWG bilateral process working group could commit to timescales on when a single set of standards will be introduced to ensure that this improvement is being driven forward. There were, however, some concerns that the outcome of the DSC review might not be delivered in adequate timescales and may be optional to Trading Parties, which would hamper its effectiveness.

A Request for Information, issued by MOSL in December 2018, indicated that there is support for a Solution among many Retailers and some Wholesalers. Further, the UK Water Retail Council, whose members represent over 95% of supply points in the market have written to MOSL asking to see the implementation plan for a Solution.

The impact that a lack of consistency in the approach to Bilateral Transactions is having on Non-Household Customers and Retailers, and the lack of industry consensus on how to enable this means that the development of a Solution is required.

4. Scope of the Project

This Project is to:

- a. investigate the problems with Bilateral Transactions, including concerns about the impact current mechanisms for undertaking Bilateral Transactions are having on the market;
- b. where necessary, develop a Solution that will encompass the standardisation of Bilateral Transactions that are supported by a technology platform;
- c. through the provision of a suitable test environment, enable the testing by Trading Parties of the technical aspects to a Solution at appropriate junctures of the Project and in any event prior to the submission of the final proposal(s) to the Panel by Ofwat;
- d. develop, as appropriate, code modifications to enable the implementation of a Solution into the WRC.

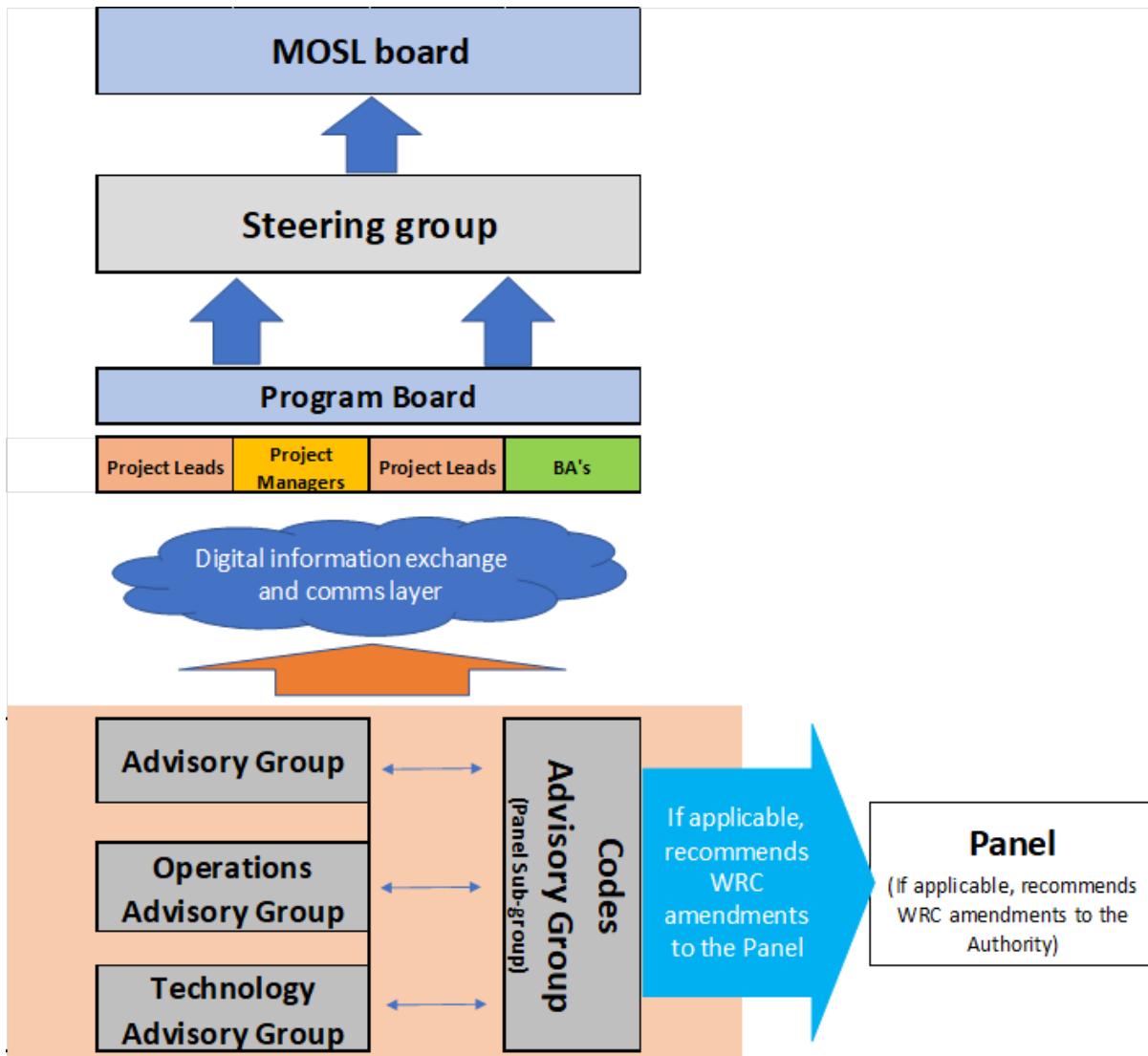
5. Overview of Governance

The Project will be concluded in accordance with existing governance arrangements under section 6 of the MAC. This section of the MAC sets out Ofwat's broad powers to set the process that should be undertaken with regard to a Change Proposal, and the timetable in which a Change Proposal should first be considered at a Panel meeting and the date by which the Panel Secretary should provide a Final Report in relation to it.

The nature and complexity of Bilateral Transactions, and the need for a Solution that will not require changes to the WRC at multiple different times means that, in this instance, Ofwat are taking a different approach to this Authority Timetabled Change Proposal to that we have taken previously to this type of Change Proposal. Instead of submitting to the Panel a Change Proposal Form that sets out the WRC changes required (including legal drafting), the Change Proposal Form sets out the areas of the WRC that we currently understand will require changes, with a view that this will be properly investigated, and a Solution identified, prior to submitting the decision document(s) and legal drafting that will be required to give effect to a Solution.

The Panel will not be required to formally consider the Change Proposal for some time (as set out in the timetable at section 7 below) but instead will be an integral part of the development of the Solution as set out at Figure 1 below (the Codes Advisory Group). The Panel will be presented with finalised additional documents and legal drafting that will give a detailed picture of the processes undertaken to reach a Solution and proposals of how the WRC should be changed to implement these.

Further to this, once the Panel has issued its Final Reports to Ofwat, due to the impact that changes to the WRC to address problems with Bilateral Transactions may have on Trading Parties, Ofwat may undertake one or more statutory consultations in accordance with sections 66DA and 117F of the Water Industry Act 1991 (the 'Act') prior to making its decision on whether to approve, reject or return the proposal to the Panel.

Figure 1 Solution Development

5.1 Role of the Market Operator

The nature and the scope of the work required to investigate and resolve problems with Bilateral Transactions means that, in this instance, Ofwat considers that MOSL should have day to day responsibility for this Project. Ofwat considers that MOSL has the requisite functions to carry out the work under the MAC and the WRC. Section 3.1 of the MAC imposes duties on MOSL which include the requirement under section 3.1.1(a) for it to:

“... fulfil the role of the Market Operator and carry out the obligations of the Market Operator as set out or referred to in the Wholesale-Retail Code, in particular in the Market Terms, the Code Subsidiary Documents and the Disputes Procedure...”

Further, section 1.1.2 of the Market Terms of the WRC specifies that:

“This Part A of the Market Terms describes, at a high level, the role that the Market Operator will carry out in supporting the Contracting Wholesaler and the Contracting Retailer in the Competitive Market. In particular the Market Operator will provide the facilities, resources and services required to:

(a) “Enable the Registration of data concerning Non-Household Customers or Eligible Premises which is or may be relevant to the provision of Water Services or Sewerage Services by the Contracting Wholesaler to the Contracting Retailer in relation to the Competitive Market...”

5.2 Duties of MOSL for the Project

5.2.1 MOSL must, at the outset of the Project, produce and publish a plan for the successful delivery of the Project. MOSL will be required to report against this plan to a steering group (the ‘**Steering Group**’), via a Programme or Highlight Report, on a two month basis.

5.2.2 MOSL must establish a Steering Group for the Project which must consist of:

- (a) one Wholesaler Panel Member (or nominated alternate) as nominated by the Panel;
- (b) one Retailer Panel Member (or nominated alternate) as nominated by the Panel;
- (c) one Independent Panel Member (or nominated alternate) as nominated by the Panel;
- (d) one representative from the Consumer Council for Water; and
- (e) one representative from the Authority.

The Steering Group, which is accountable to the MOSL Board, will meet a minimum of every two months, and additionally, where necessary, at key Project milestones and:

- (a) Monitor progress of the Project, including the budget, and hold to account the Programme Board, Advisory and/or other Governance bodies;
- (b) Provide input and advice relating to any risks or issues to the Programme Board, Advisory and/or other Governance bodies, where required;
- (c) Assist with prioritisation of the work of the Programme Board, Advisory and/or other Governance bodies, where required;

- (d) Ensure that the Project remains within its scope; and
 - (e) Provide advice and decisions about implementation of the Project if required.
- 5.2.3 MOSL must establish an internal Programme Board to deal with the regular day to day running of the Project at a more detailed level. The Programme Board will
- (a) Monitor progress of the Project, including the budget;
 - (b) Provide and publish updates on a two month basis to the Steering Group, the MOSL Board, the Panel, Trading Parties and the Authority on the Project budget and costs incurred by the Project.
 - (c) Review risks and issues, and agree escalations to the Steering Group as required;
 - (d) Prepare and review reports;
 - (e) Manage the required resources;
 - (f) Review requests for change and escalate as required, including, for example, changes to the detailed Project plan or variations to the budget.
- 5.2.4 MOSL must establish new groups or identify existing industry groups to act as advisory groups to the Project (the '**Advisory Groups**'). The Advisory Groups may come into existence throughout the life of the Project, and do not all need to be in place at the outset of the Project.

The Advisory Groups will feedback to the Steering Group on the progression of a Solution and must include, but are not limited to an:

- (a) Operational Processes Group which will be responsible for reviewing proposed amendments to operational processes falling within the scope of the Project and identifying preferred process amendments where consistency impacts Trading Parties' existing working practices.
- (b) Technology and System Design Group which will be responsible for reviewing the design of any proposed technical system design requirements falling within the scope of the Project and identifying preferred design options where consistency impacts Trading Parties' existing systems; and
- (c) Market Codes Rules Group which will be responsible for reviewing proposed code amendments that are required to deliver the revised operational processes and technology requirements falling within the scope of the Project and which will be responsible for the associated legal drafting to implement such amendments.

MOSL, in consultation with the Panel, shall ensure that the Advisory Groups are composed of individuals with the relevant skillset and expertise so as to enable successful delivery of the Project.

- 5.2.5 In conjunction with the established Steering Group, Programme Board and Advisory Groups, MOSL shall develop a system that will enable Bilateral Transactions to be concluded through interactions that are conducted via processes and (as needed) system interfaces which are consistent and clearly defined and appropriately mandated in the WRC so as to deliver such consistency and ease of use for existing and future Trading Parties. Consultation with stakeholders on key design decisions is required throughout the Project, and until a final proposal is presented to the Panel for consideration. Key decisions relate to design decisions and include, but are not limited to:
- (a) any proposed change to a defined process which, if mandated, could require (some or all) Trading Parties to amend their operational working practices;
 - (b) any proposed new and/or change to a system requirement that, if mandated, could require (some or all) Trading Parties to amend their own systems and processes; and
 - (c) any amendments to the WRC, including relevant forms, that delivers (a) and/or (b) above.
- 5.2.6 Provide a test environment, which will be available to all Trading Parties, which will enable the testing of Bilateral Transactions to take place in accordance with the proposed solution prior to the finalisation of modifications to the WRC.
- 5.2.7 Identify amendments that are required to the WRC to enable system changes to be implemented within the legal framework.
- 5.2.8 Provide a communications service to share feedback to and enable engagement with the Advisory Groups across all Project areas. This will include:
- (a) a digital platform such as ‘Microsoft teams’ to provide the day to day working platform for the Project;
 - (b) pages that are access controlled to allow different levels of information on the Project;
 - (c) functionality to enable the Programme Board, Advisory Groups and other such bodies to have document review and discussion capability to support an iterative style of working; and

- (d) access for Trading Parties to version controlled documents, as well as regular updates and progress reports.
- 5.2.9 MOSL will be required to complete an internal audit by no later than 31 January 2021. Thereafter, **MOSL will be required to undertake an internal audit and prepare an assurance report every six months. These reports will be provided to key stakeholders including the Panel, the Programme Board, the Steering Group, the MOSL Board and the Authority. It will review areas including:**
- (a) the initiation of the Project;
 - (b) if it has in place everything it needs to be successful;
 - (c) if the Project, over time, is adhering to time, cost and quality parameters and is managing its risk.
- The Steering Group has the authority to request the MOSL Board appoint an external auditor to prepare an audit. This report will be provided to key stakeholders including the Panel, the Programme Board, the Steering Group, the MOSL Board and the Authority.
- 5.2.10 To facilitate the development of code modifications, and to help Ofwat determine whether or to what extent any statutory consultation will be needed, from 1 November 2020, MOSL will provide a working level report every two months (or more frequently if MOSL considers necessary) to Ofwat setting out the information contained in Appendix 1.
- 5.2.11 Where appropriate, ensure that amendments to the WRC are implemented with effect from 3 months from the date of the approval by Ofwat.

5.3 Role of MOSL's Board

The Board of MOSL will have responsibility for the oversight of the Project in accordance with section 4.6 of the MAC which sets out the role of MOSL's Board. Section 4.6.1 of the MAC states that the responsibilities of MOSL's Board are to ensure that the Market Operator:

- (a) "carries out its duties pursuant to Section 3.1.1 as necessary for the effective operation of the Competitive Market and in accordance with the requirements in Section 3.1.2; and
- (b) carries out its duties under the Market Terms, within the scope of the Market Terms Objectives and consistent with the Principles".

In accordance with section 4.6.2 of the MAC, in fulfilling the duties set out in section 4.6.1, MOSL's Board will:

- (a) have oversight of all the activities of the Market Operator...
- (b) ...
- (c) ...
- (d) ...

provide a forum for discussion among market participants regarding the operation and development of the Central Systems and the Market Terms and the Market Arrangements Code...

5.4 Duties of MOSL's Board for the Project

MOSL's Board will:

- 5.4.1 Meet as required to discuss the Project, and ensure that it remains within the stipulated timetable;
- 5.4.2 Prepare and submit to Ofwat on a two monthly basis a progress report which will update Ofwat on the Project and any significant matters arising. The progress report will also be submitted to the Panel to keep it up-to-date on the Project, and published to enable Trading Parties to understand how the Project is progressing. **This progress report is separate, and at a higher level, to the working level report that MOSL will provide to Ofwat in accordance with paragraph 5.2.10 above.**
- 5.4.3 Take into account comments that Ofwat may provide on the Project, including in relation to the process and proposals for changes to the WRC.
- 5.4.4 Consider a request from the Steering Group to appoint an external auditor.

5.5 Role of the Panel

The Panel must issue its Final Report on the proposed amendments to the WRC in accordance with the MAC and the timetable set out at section 7 below.

5.6 Role of the Authority

Ofwat, with MOSL's support, will present the Panel with up to five final proposals (for phases 2-6 of CPW070) which will include the proposed modifications to the WRC for that phase. Having received the relevant Final Reports from the Panel, Ofwat will consider the

recommendations and, where it thinks changes should be made to the WRC, it may issue a statutory consultation under the Act on the proposed solution(s). If the outcome of the statutory consultation is to amend the WRC, Ofwat will publish its decision to that effect. Where no statutory consultation is required Ofwat will publish its decision on the proposed amendments without further consultation.

6. Stakeholder involvement

We recognise that Trading Parties have already undertaken work to enable Bilateral Transactions to be completed in conjunction with their systems and processes, and that there are potentially significant cost implications for Trading Parties to make changes to these. We therefore recognise the importance of engagement throughout the Project with Trading Parties to ensure that potential impacts on them are fully understood and taken into account, enabling the development of the most effective and efficient Solution. We have therefore included a requirement for MOSL to actively engage with Trading Parties, and other stakeholders, throughout the life of the Project and mandated that the Steering Group must be made up of various stakeholders, including a customer representative and both Wholesaler and Retailer Trading Parties.

Further, MOSL will be required to enable the testing of system designs by Trading Parties to ensure that the system developed works for, and is workable by, Trading Parties.

Finally, dependent on the outcome of MOSL's work on the Project, Ofwat may undertake a statutory consultation in accordance with the Act prior to finalising its decision on whether to accept the Final Proposal submitted to it by the Panel. This will give Trading Parties another opportunity to comment on a Solution, and WRC amendments prior to any implementation.

7. Revised Timetable

Phase 1

(Initial Set Up): to be completed by 31 October 2019

Authority Timetable Change Proposal submitted to Panel (Complete)

Steering Group, Programme Board and Advisory Group members selected and initial meetings to have taken place.(Complete)

Steering Group to have confirmed when it will provide monthly updates to relevant parties. (Complete)

Appointment of supplier(s) to assist with design / development (as required) (Complete)

Phase 2

CPW070a (Operational Terms, Process C1)

Implementation date (where appropriate): no later than 31 July 2021

Incorporates:

- a. system build;
- b. operational process design confirmation;
- c. technical solution design confirmation;
- d. trading party testing;
- e. working level updates to Ofwat every two Months in compliance with the structure set out at Appendix 1;
- f. code amendments identified and confirmed;
- g. MOSL submits the draft recommendation report ('DRR') for CPW070a to Ofwat. Unless addressed by the working level updates, this should be supported by all necessary information to enable Ofwat to understand the basis on which the change proposal should be submitted to the Panel. Where Ofwat considers that a statutory consultation may be required, the DRR shall be submitted to Ofwat not less than 3 months ahead of the implementation date.
- h. Ofwat reviews the DRR for CPW070a and, where appropriate, submits it to Panel;
- i. Panel makes recommendation to Ofwat in accordance with the following timetable. Where Ofwat does not consider that a statutory consultation is required, the Panel should consider the change proposal no later than 30 June

2021, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting. Where Ofwat does consider that a statutory consultation is required, the Panel should consider the change proposal no later than 10 May 2021, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting;

j. Ofwat assesses Final Report provided by the Panel and issues a statutory consultation under the Act if required;

k. Where statutory consultation is required, Ofwat makes a decision on amendments to the WRC following the closure of that consultation; and, where appropriate, CPW070a amendments are implemented into WRC.

l. Where statutory consultation is not required, Ofwat makes a decision based on the Final Report; and, where appropriate, CPW070a amendments are implemented into WRC.

Phase 3

CPW070b (Operational Terms, Processes to be confirmed, but not less than seven (7) processes to be reviewed)

Implementation date (where appropriate): no later than 30 November 2021

Incorporates:

- a. system build;
- b. operational process design confirmation;
- c. technical solution design confirmation;
- d. trading party testing;
- e. working level updates to Ofwat every two months in compliance with the structure set out at Appendix 1;
- f. code amendments, which may include minor amendments to previous phase(s), identified and confirmed;
- g. MOSL submits the DRR for CPW070b to Ofwat. Unless addressed by the working level updates, this should be supported by all necessary information to enable Ofwat to understand the basis on which the change proposal should be submitted to the Panel. Where Ofwat considers that a statutory consultation may be required, the DRR shall be submitted to Ofwat not less than 3 months ahead of the implementation date.
- h. Ofwat reviews the DRR and, where appropriate, submits it to Panel;
- i. Panel makes recommendation to Ofwat in accordance with the following timetable. Where Ofwat does not consider that a statutory consultation is required, the Panel should consider the change proposal no later than 31 October 2021, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting. Where Ofwat does consider that a statutory consultation is required, the Panel should consider the change proposal no later than 13

- September 2021, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting;
- j. Ofwat assesses Final Report provided by the Panel and issues a statutory consultation under the Act if required;
- k. Where statutory consultation is required, Ofwat makes a decision on amendments to the WRC following the closure of that consultation; and, where appropriate, CPW070b amendments are implemented into WRC.
- l. Where statutory consultation is not required, Ofwat makes a decision based on the Final Report; and, where appropriate, CPW070b amendments are implemented into WRC.

Phase 4

CPW070c (Operational Terms, Processes to be confirmed, but not less than eight (8) processes to be reviewed)

Implementation date (where appropriate): no later than 31 March 2022

Incorporates:

- a. system build;
- b. operational process design confirmation;
- c. technical solution design confirmation;
- d. trading party testing;
- e. working level updates to Ofwat every two months in compliance with the structure set out at Appendix 1;
- f. code amendments, which may include minor amendments to previous phase(s), identified and confirmed;
- g. MOSL submits the DRR for to CPW070c to Ofwat. Unless addressed by the working level updates, this should be supported by all necessary information to enable Ofwat to understand the basis on which the change proposal should be submitted to the Panel. Where Ofwat considers that a statutory consultation may be required, the DRR shall be submitted to Ofwat not less than 3 months ahead of the implementation date.
- h. Ofwat reviews the DRR and, where appropriate, submits it to Panel;
- i. Panel makes recommendation to Ofwat in accordance with the following timetable. Where Ofwat does not consider that a statutory consultation is required, the Panel should consider the change proposal no later than 25 February 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting. Where Ofwat does consider that a statutory consultation is required, the Panel should consider the change proposal no later than 17 January 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting;
- j. Ofwat assesses Final Report provided by the Panel and issues a statutory

- consultation under the Act if required;
- k. Where statutory consultation is required, Ofwat makes a decision on amendments to the WRC following the closure of that consultation; and, where appropriate, CPW070c amendments are implemented into WRC.
- l. Where statutory consultation is not required, Ofwat makes a decision based on the Final Report; and, where appropriate, CPW070c amendments are implemented into WRC.

Phase 5

CPW070d (Operational Terms, Processes to be confirmed, but not less than twelve (12) processes to be reviewed)

Implementation date (where appropriate): no later than 30 June 2022

Incorporates:

- a. system build;
- b. operational process design confirmation;
- c. technical solution design confirmation;
- d. trading party testing;
- e. working level updates to Ofwat every two months in compliance with the structure set out at Appendix 1;
- f. code amendments, which may include minor amendments to previous phase(s), identified and confirmed;
- g. MOSL submits the DRR for CPW070d to Ofwat. Unless addressed by the working level updates, this should be supported by all necessary information to enable Ofwat to understand the basis on which the change proposal should be submitted to the Panel. Where Ofwat considers that a statutory consultation may be required, the DRR shall be submitted to Ofwat not less than 3 months ahead of the implementation date. At the same time MOSL submits the DRR to Ofwat, it will confirm to Ofwat whether Phase 6 (CPW070e) will be required.
- h. Ofwat reviews the DRR and submits it to Panel;
- i. Panel makes recommendation to Ofwat in accordance with the following timetable. Where Ofwat does not consider that a statutory consultation is required, the Panel should consider the change proposal no later than 30 May 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting. Where Ofwat does consider that a statutory consultation is required, the Panel should consider the change proposal no later than 11 April 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting;
- j. Ofwat assesses Final Report provided by the Panel and issues a statutory consultation under the Act if required;
- k. Where statutory consultation is required, Ofwat makes a decision on

amendments to the WRC following the closure of that consultation; and, where appropriate, CPW070d amendments are implemented into WRC.

I. Where statutory consultation is not required, Ofwat makes a decision based on the Final Report; and, where appropriate, CPW070d amendments are implemented into WRC.

m. Where MOSL confirms to Ofwat that Phase 6 (CPW070e) will not be required, CPW070 shall be considered complete on the implementation of CPW070d amendments. Audits already in progress shall continue until complete.

Phase 6

CPW070e (Operational Terms, Processes to be confirmed, but includes any processes not considered in previous phases)

Implementation date (where appropriate): no later than 30 November 2022

Incorporates:

- a. system build;
- b. operational process design confirmation;
- c. technical solution design confirmation;
- d. trading party testing;
- e. working level updates to Ofwat every two months in compliance with the structure set out at Appendix 1;
- f. code amendments, which may include minor amendments to previous phase(s), identified and confirmed;
- g. MOSL submits DRR for CPW070e to Ofwat. Unless addressed by the working level updates, this should be supported by all necessary information to enable Ofwat to understand the basis on which the change proposal should be submitted to the Panel. Where Ofwat considers that a statutory consultation may be required, the DRR shall be submitted to Ofwat not less than 3 months ahead of the implementation date.
- h. Ofwat reviews the DRR and submits it to Panel;
- i. Panel makes recommendation to Ofwat in accordance with the following timetable. Where Ofwat does not consider that a statutory consultation is required, the Panel should consider the change proposal no later than 31 October 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting. Where Ofwat does consider that a statutory consultation is required, the Panel should consider the change proposal no later than 12 August 2022, and submit its Final Report to Ofwat no later than one (1) week after the relevant Panel meeting;
- j. Ofwat assesses Final Report provided by the Panel and issues a statutory consultation under the Act if required;
- k. Where statutory consultation is required, Ofwat makes a decision on

amendments to the WRC following the closure of that consultation; and, where appropriate, CPW070e amendments are implemented into WRC.

I. Where statutory consultation is not required, Ofwat makes a decision based on the Final Report; and, where appropriate, CPW070d amendments are implemented into WRC.

m. CPW070 shall be considered complete on the implementation of CPW070e amendments. Audits already in progress shall continue until complete.

Appendix 1 Working Level Report Structure

Project Status Update – Report to Ofwat			
Overview	Project		
	Phase		
Date		Created By	
Status RAG	Time	Quality	Budget
Standing items – Description of project phase, solution and approach			
Issue(s) identified that is/are being addressed in order to move to solution in this phase			
Principles on which a solution will be based			
Proposed solution, including where appropriate, code amendments			
What is the solution aiming to deliver?			
Project updates since last Report			
Progress Since Last Update			
Issues, Risks, Blockers, including any issues raised by stakeholders			
Update on Issues, Risks, Blockers raised in previous report			
Stakeholder views, including potential impacts on their process and/or costs that could			

result from the solution proposed	
Areas of contention	
Forward plan next two months	
Forward plan next two months	
Description of principal mitigation strategies in light of any new issues or risks identified above	

This structure provides for the minimum information to be provided. Ofwat may update the structure where it considers necessary.

Appendix 2 Original Timetable

Phase 1 (Initial Set Up): to be completed by 31 October 2019

Authority Timetable Change Proposal submitted to Panel

Steering Group, Programme Board and Advisory Group members selected and initial meetings to have taken place.

Steering Group to have confirmed when it will provide monthly updates to relevant parties.

Appointment of supplier(s) to assist with design / development (as required)

Phase 2 (Design and Testing): to be completed by 30 October 2020

System build [commences] (as required)

Operational process design confirmed

Technical solution designed confirmed

Trading Party testing of system completed (as required)

Code amendments identified and confirmed

MOSL submits final proposal to the Panel

Phase 3 (Reporting): to be completed by 30 November 2020

Panel issues its Final Report to the Authority

Phase 4 (Implementation): to be completed by end of May 2021

Authority assessment of Final Report and statutory consultation (as required)

Implementation of WRC amendments (as required)

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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