

**72nd Technical Panel Meeting
Approved Minute**

Present

David Sigsworth (DS)– CMA – (TP Chair)
Amanda Hancock (AH) – CMA (TP Secretary)
Robin Donald (RD) – Castle
Ian Grundy (IG) – Pure Utilities
Fiona Matheson – Business Stream
Mike Brindle (MB) – Water Plus Ltd
Jeremy Atkinson (JA) - CMA
Nicola Gribben (NG) - Wave
Fraser Gourlay (FG) – Earlsgate Water
Tom May (TMV) – Veolia
Richard Lavery (RL) – Scottish Water
David Innes (DI) - Commission
Ewan Hardy (EH) – Lettermay

Apologies

Andrea Mancini (AM) - Commission
Alastair Ross (AR) – Commercial Water Solutions
Tony March (TM) – Wave
Belinda Oldfield (BO) – Scottish Water
Janet Judge (JJ) – Affinity for Business

1. Introductions and Minute

AH advised that no comments had been received on the Minute. The Minute from 20 June 2019 was approved by the meeting.

2. Actions and Administrative Update

AH noted that AP459 was still ongoing, as confirmed by RL. All other actions were complete. AH added that as no feedback had been received from participants in relation to the creation of specific Widgets on the new LVI, the CMA has made some recommendations to our developer which participants will see once they access the test environment in October.

AH noted that no proposals had been withdrawn or rejected since the last meeting. AH noted that MCCP185 – Backdating Deregistration’s has been agreed. No proposals had been implemented.

AH noted that there were no Commission Changes implemented or introduced since the last meeting and no CMA Bulletin or Guidance notes issued since the last meeting.

No new TP dates were proposed.

3. Change Proposals in Progress

AH noted that there were no change proposals in progress at this time.

4. New Change Proposals

MCCP242 October 2019 CSD Release Drafting

AH introduced this proposal and confirmed that this CP brought forward the consolidated drafting from proposals already approved, such as MCCP237 CC, along with refinements to the documentation. For this release, the bulk of the refinements look to streamline transaction names between the CSDs and the LVI. AH noted that this alignment will not impact on HVI users as the Schema will not change as a result of this work. The CP contains a table summarising the changes.

IG asked if there was any impact on the MDS. AH confirmed that there will be changes in this release – but not as a result of this MCCP – it relates to the removal of the Vacancy Admin Scheme.

The meeting then approved MCCP242. AH to prepare the final report and forward to the Commission for consultation and agreement.

AP482 CMA to prepare Final Draft and forward MCCP242 and supporting documentation to WIC for consultation.

MCCP243 Critical Sites

AH advised that this is a Wave proposal and introduced NG to present this proposal. NG stated that this proposal is to identify sites in the Central Systems where a SW Emergency Plan is in place. This currently is not identified and Wave felt, having spoken with Scottish Water, that this would be beneficial.

AH asked who is responsible for determining which sites are deemed critical. RL confirmed that this would likely be a joint decision between SW and the LP at the time. RL further asked whether it would be feasible for SW to update this as well as the LP. AH could look into this, but it may cause issues with validation. Would it be a better alternative to provide SW with some sort of notification when an LP flags a new site as critical. AH would look into this and advise.

AP483 CMA to look at an option to add an SW notification transaction to the user requirements for updated a site to critical on CS. AH to then circulate the revised proposal to the TP offline for approval.

JA asked whether the Commission was happy with this proposal in principle, and with the proposed way forward. DI advised that he was, and believed it

was a sensible approach to ensure these customers had adequate protection. He noted that it also seemed sensible to have one owner to avoid confusion.

5. Forward Planning Report

AH noted that CMAPx188 had now been delivered. This was a license transfer to implement name changes for UU and STS to Water Plus and Water Plus Select in CS. There are no new CPs and no changes to the Release Calendar. There is an additional £159k in the performance pot, and section 6 has been updated for quarter 1 detailing any late payments received.

No comments were received from the meeting on any of the papers.

6. Performance Charge Projects

DS introduced this item and highlighted that this has been an issue talked about at some length, both at the TP and at the CMA Board in determining how to take this forward, either via re-distribution or new projects.

DS had reiterated his original statement hoping that we would see some proposals being brought forward into that latter half of the year, and two of the three being discussed today had come directly from the CMA.

AH then provided an overview of the paper highlighting that the performance pot is currently sitting at around £1.8M, and growing at a rate of about £159k per quarter. There are no projects currently up and running that are drawing down from this fund.

There are three potential projects derived from discussions at TP meetings / working groups, the Chairman's Lunches and at the CMA Board. This paper sets out some high-level objectives, potential benefits and estimated resource requirements. The CMA is seeking views from the Market on each of these.

AH added that the aim today is to look at next steps for each of the three projects. JA added that there is a mix of stages across the three projects, and some are more ready to progress than others.

Central Systems Refresh

AH talked through this proposal noting that, although they have been maintained and developed, the Central Systems are now over 11 years old. The CMA Board recently commissioned a Technology Review which, along with feedback received from our contractors, has highlighted some potential risks of continuing to utilise software that is fast becoming redundant. DS added that whilst there is no imminent risk to our systems, the cost base to keep them maintained would be higher, and the functionality would not develop at the rate it potentially could.

IG asked what the costs were based on, and what the estimated lifespan of the system was. JA advised that the cost estimate is reflective of the original build cost of the current system i.e. the 2007-08 cost with no allowance for inflation. JA also stated that it is difficult to predict the lifespan of the system, but whilst it may not last the 10-11 years of the current system, it should be much closer to this than say a 3-4-year lifespan. RL commented that this seemed like a sensible use of funds and that Scottish Water were supportive of the proposal in principle.

MB commented that at first review, he was unclear whether this project would meet the criteria for a performance project, and whether it would be business as usual activity. AH added that one of the criteria is timing, and that the project could be expedited more quickly if done as a performance project. MB asked what the risk would be of not expediting it and undertaking it through member contributions over a longer period. AH stated that undertaking this project over a period of time would take up a number of releases, which would mean limited or no enhancements to the CS during this period, as well as prolonging the potential security risks associated with not upgrading.

MB then asked whether using the pot was equitable in terms of contributions, commenting that if recovered through CMA charges, LPs would be liable for two thirds and Scottish Water one third. It was a possibility that LPs had contributed significantly more into the performance pot due to the nature of the fines. RL added that these performance penalties are capped, so any disparity may be down to a lack of contribution from LPs due to them continually hitting their cap. AH advised that only 6 LPs were not hitting their performance cap on a quarterly basis.

TM asked whether there was any alternative way of spending the money. MB commented that re-distribution could be an option, along with potential other projects. MB also added that there was also a concern that we do not spend the cash simply because it is available. JA commented that this work is demonstrably required based on the review of our technology and the feedback from our contractors during the latest Release Project. What needs to be determined is how the work is done, how quickly it is done, and how it is funded. JA added that a project of this scale would be difficult to deliver piecemeal through Releases, but easier as a stand-alone Performance Charge project. DS commented that these concerns have also been raised at the Board and were in fact used in its determining whether this project fulfilled the criteria. It is the Board's belief that this project does meet the criteria and benefits the Market as a whole.

MB stated that in England there is the presumption that Performance Charge cash will be redistributed to participants. It was noted that re-distribution of the pot had been ruled out in Scotland due to the risk of undermining Performance Measure incentives and the difficulties of attributing cash to individual participants. There was general agreement among TP members that the existing pot should not be redistributed and should be used for Market-enhancing projects. MB asked whether there could be a change in the framework and future charges could be redistributed. DS agreed that this could be considered if the case for a change was made.

MB asked whether there was a risk with using the performance money that the Project would not require approval from members and could progress regardless. Both JA and DS commented that whilst the Board does have absolute discretion over these funds, the purpose of bringing the proposal to the meeting was that the TP play a very important role in assisting the Board in its determining how they are spent. If the TP were unsupportive of treating this project as a Performance Charge project, the Board would give this due consideration in determining the best approach to delivery and funding.

TM asked if the performance money was not available, when would the CMA be looking to fund this project. JA advised that work would begin within the same time frame, but what was done and how long it took could be different if it was funded from CMA charges.

IG asked if there were any other projects that could be delivered using these funds. JA commented that there were no projects on the horizon other than those documented in this current paper. DS added that participants are prompted on a regular basis to look at projects that would enhance the Market, and there was nothing additional in the pipeline. FM commented that this paper had prompted SWBS to look at alternatives and it could be that participants maybe were not fully aware of the availability of these funds. AH commented that Participants should be fully aware as it has been discussed several times in these meetings, and DS has also asked members over the last 3 or 4 meetings and at previous Chairman's lunches to specifically consider options for review.

MB asked whether there was merit in undertaking a feasibility study to fully scope the proposal and provide costs. JA asked for clarification on whether the issue was whether the work was required, or how the work should be funded. The meeting accepted the recommendations received by the CMA that there is a requirement to upgrade its systems, the clarity required was in relation to how the project would be funded and whether it was more beneficial to deliver this as a single project, or piecemeal over time.

DS summarised the discussion to be fed back to the Board confirming that in principle the TP is supportive of this project but would like to see more detail provided on the overall scope of the works. It would also be fed back that a discussion would need to take place on whether the project would be funded from the performance charge pot, or whether it would be recovered from participants through an increase in CMA Charges. DS also added that based on current analysis, if the Board commissioned all three of these projects to go ahead, there would still be around £1M in the pot after completion based on current run rate of charges.

TM asked what the next stage would be for any system upgrade taking the aspect of funding out of the equation at the moment. JA confirmed that the project would be fully scoped and costed, along with timescales and resource requirements. TM commented then that the discussion on how the project was funded could be parked until this work was undertaken.

DS closed the discussion by taking away agreement from the TP that the CMA should undertake a system development whether it is wholesale or piecemeal. The CMA will look to provide some additional information on the scope the project, and further explanation on why it regards it as appropriate to use Performance Charge funding.

Analysis of Meter Read Compliance

AH summarised the project noting that this topic had been discussed at both performance workshops and the MPF previously. Ongoing input from the Market Audit demonstrates that whilst compliance is improving, this varies greatly between LPs. One of the aims of this project is to understand the key drivers in those variances to understand what an acceptable threshold in the Market would be.

The project would take around 6 months to complete, and the likely cost would be around £60k. IG asked whether this was solely a data project, or whether LPs would be required to feed into the project. AH advised that there would be some data gathering and thus input from LPs would be required. This would be fully scoped, and LPs would get advanced visibility of what would be required of them, with sufficient time to compile any data requests.

JA added that a more detailed specification was currently being prepared along with the methodology that would be used. MB advised that Water Plus would be supportive of this, and perhaps the scope could be expanded in the longer term to look at performance charges more generally. MB also added that with a high percentage of LPs being over the cap, it reduces the incentive to perform appropriately. It could be an option to review the measures to ensure they were fit for purpose and driving the correct behaviour in the market. FM advised that it may be an option for the project to speak directly with the meter readers to understand where the triggers were.

DS summarised that there was full support for this project and the current scope of looking at meters. It was also noted that there may be merit in expanding that scope as part of a future piece of work to look more generally at performance measures or reporting stats. RL added that this would provide valuable information for the Market to understand what is achievable.

LP at SPID Lookup and LP to LP Contact

AH noted that this issue had been raised at last year's Chairman's lunches, which highlighted the lack of formal contact between LPs for raising operational issues. There is also a gap at the customer level where customers are unable to identify who their LP is. JA added that it would be beneficial for the CMA to commence a working group to flesh out what the requirements are. DS asked if the Commission had a view on this work. DI suggested this sounded like a worthwhile piece of work and would improve the overall customer experience.

IG noted that an evidence-based solution would be most appropriate. Pure often find issues arising where a new customer enters a premise and looks to switch, but then could be cancelled with the outgoing LP who is not aware there is a new customer.

Following a brief discussion on what happens in other utility markets, DS closed the discussion off, noting support for this piece of work, and the CMA would take an action to set up a working group to understand requirements in more detail.

AP484 CMA to set up a working group in relation to LP to LP contact and LP SPID lookup functionality.

MB asked whether the issue of incentives would be discussed, referring to a section in the paper that noted this. JA advised that the paper raised the issue and asked whether the Market had a view on whether incentives such as redistribution had any impact on performance. AH added that there has been considerable interest from the English Market on what happens in Scotland and what the CMA does with the performance pot.

MB stated that in England the money was initially re-distributed following an initial year of disappplied charges. Subsequently, the redistribution mechanism was revised, with an element of performance being taken account of i.e. higher performers will get a higher percentage of their charges back. A change proposal is currently being drafted, based on a piece of work done by external economic consultants, which identifies that the default position should be to re-distribute the charges, except where it can be clearly demonstrated that funding a project which meets set criteria and is demonstrably more economically efficient as an alternative to 100% redistribution.

7. Any Other Business

New Entrant Activity

AH advised that Waterscan were about to undertake their final training session.

WICS Consultation Update

DI noted that 10 responses had been received, and thanked participants for these. The initial response is with the lawyers and it is hoped that the draft Determination should be out shortly. The next phase will commence with a round table session on Monday 16th September looking at EBR and the customer experience. It will be restricted to one person per LP. There will also be a session in October to wrap up the process more generally.

There being no further business, DS closed the meeting.

Action Summary

Action	Subject	Update
<i>From the minute of the 64th Meeting (26th April 2018)</i>		
AP459	WIC / SW looking at legal issues associated with the terminology.	Ongoing
<i>From the minute of the 71st Meeting (20th June 2019)</i>		
AP479	CMA to forward M CCP185 to WIC for consultation.	Complete
AP480	Participants to provide CMA with any feedback on CMAPx181, or suggested widgets for the new look CS.	Complete
AP481	All Participants to confirm bank details for any CMA surplus to be paid.	Complete
<i>From the minute of the 72th Meeting (22nd August 2019)</i>		
AP482	CMA to prepare Final Draft and forward M CCP242 and supporting documentation to WIC for consultation.	Complete
AP483	CMA to look at an option to add an SW notification transaction to the user requirements for updated a site to critical on CS. AH to then circulate the revised proposal to the TP offline for approval.	Complete
AP484	CMA to set up a working group in relation to LP to LP contact and LP SPID lookup functionality.	Ongoing