

## **Suggested Measures for Assessing Change Proposals Against Industry Core Document Principles**

### **1. Introduction**

This guidance note provides a suggested approach for assessing Market Code Change Proposals (MCCPs) and Operational Code Change Proposals (OCCPs) against the Market Code and Operational Code Principles, as laid out in the Water Services (Codes and Services) Directions 2007.

This Guidance Note has been prepared by the CMA, based on its own experience of assessing its change proposals during the period of market operation from market opening in 2008.

However, it must be stressed that the authoritative Principles are not reproduced in this note and the suggested measures for assessing a change proposal against them is not in any way binding on any Party and cannot fetter a Party's freedom to interpret the Principles as they see fit. This Guidance Note has been prepared purely to provide a possible approach for an assessment against Principles and it is hoped will be a useful tool in aiding any such assessment.

The attachment to this Guidance Note identifies the suggested approach for assessing changes against the Principles and will be presented under the TP Documents page of the CMA website, alongside MCCP and OCCP Pro-Forma.

### Suggested Measures for Assessing a Change Proposal Against Principles

Principle	Measure
Proportionality; i.e. appropriate to the size and complexity of the market	<p>Cost-benefit.</p> <p>If benefits outweigh costs, achievement of this principle may be considered to be enhanced.</p>
Transparency; concise, clear, well-structured and accessible	<p>Improvement of the content, presentation, format and/or timing of;</p> <ul style="list-style-type: none"> <li>• Trading Party inputs,</li> <li>• Reporting to Trading Parties,</li> <li>• The MC/OC,</li> </ul> <p>may be considered to enhance achievement of this principle.</p>
Simplicity	<p>This principle may be better achieved by reductions in;</p> <ul style="list-style-type: none"> <li>• Algebraic terms in equations,</li> <li>• Volumes of data transacted and held,</li> <li>• Number of process steps and/or</li> <li>• Volume of text in the MC/OC (and LWIs).</li> </ul>
Cost-Effectiveness	<p>Costs should include both development and change in operational costs for the CMA and for Trading Parties.</p> <p>Benefits should include cost reductions arising from efficiency gains and any potential market gains from reductions in barriers to entry or improvements in non-discrimination.</p> <p>Cost-Effectiveness should be taken to be the net benefit from these considerations.</p>
Security	<p>Security (including data integrity, but not data quality) will either be reduced or enhanced.</p> <p>Aside from explicit changes to deal with security issues, it is anticipated that this principle should be largely unaffected by most MCCPs/OCCPs.</p>
Non-Exclusivity; allow for relevant bi-lateral activities.	<p>It is unlikely that any MCCP/OCCP, if it is within the scope of the MC/OC Objectives, will impact on this Principle.</p>
Barriers to Entry	<p>This can be regarded as a special case of Non-Discrimination, where the proposal potentially creates a special distinction for new entrants and/or for incumbents. This will include any undue cost or encumbrance to market entry and customer transfers.</p>

Principle	Measure
Customer Contact; the prime interface with customers should be the LP (Relevant for the OC only)	It is unlikely that any OCCP, if it is within the scope of the OC Objectives, will impact on this Principle.
Non-Discrimination	Any distinction to be made between LPs, including new entrants should be rejected. Other Principles, if adversely affected, may also contribute to this Principle not being met.
Core Functions (of SW)	Any interference with SW functions implies rejection of a proposal.