

<b>MARKET CODE CHANGE PROPOSAL</b>			Form version 3.0
Change Proposal reference (To be completed by the TP Sec.)	<b>MCCP308</b>	Version No.	<b>D.1</b>

<b>SUBMISSION</b>			
<b>GENERAL DETAILS</b>			
TITLE	Performance Standard Review Outcomes		
COMPANY	CMA		
Change Proposals must be authorised by the person designated by the signatory to the Market Code Framework / Accession Agreement			
AUTHORISED SIGNATURE		NAME	Damian Sharp, MDA
CONTACT NAME	Damian Sharp	CONTACT EMAIL; TEL/MOB.	<a href="mailto:Damian.sharp@cmascotland.co.uk">Damian.sharp@cmascotland.co.uk</a>
ASSOCIATED MCCP / OCCP			
ASSOCIATED DOCS.	Market Code CSD0002 Performance Standards Performance Standards User Requirements Specification – mark up		
PROPOSED URGENCY	NON-URGENT		
REASONS FOR URGENCY			
The CMA CEO will review this information and make a decision as to whether to take this MCCP / OCCP forward as urgent as defined under Market Code Part 8.9.1			

MCCP308—*Performance Charge Review outcomes*  
CMA

MCCP / OCCP DETAILS
<p>ISSUE OR DEFECT WHICH THIS MCCP / OCCP SEEKS TO ADDRESS Required under Market Code Parts 8.7.1 (ii) (b) and 8.8.1 (ii) (b)</p> <p>Following a Request for Information on the current Performance Standards Framework in March 2023, the CMA chaired a series of Performance Measurement Working Group meetings, commencing in June 2023 with the most recent meeting on 6<sup>th</sup> June 2024. The group reviewed the performance measures used in the Scottish Market and set out in CSD0002 (Performance Standards).</p> <p>The review covered a wide range of potential changes to the Performance Standards regime to encourage Trading Parties to improve performance and reduce market friction by improving data for all Market Participants.</p> <p>The conclusions of the Working Group included concern that:</p> <ul style="list-style-type: none"> <li>for too many Trading Parties, there was no business case to invest in improved performance because they were too far over the performance charge cap</li> <li>the penalties for late submission of meter reads disincentivised the submission of reads that would improve the accuracy of settlement</li> <li>it was confusing that Performance Standards and obligations under the Market Code were not aligned</li> </ul> <p>This Change Proposal includes measures to address these concerns as a first step in an ongoing process to improve Market Performance.</p> <p>There is consensus that there is no intention to increase revenue from Performance Standards, although there may be a short-term increase while Trading Parties invest in improved performance.</p> <p>This MCCP was discussed at the Market Participants Forum (MPF) in August 2024 and the principles of the changes received strong support. However, there was concern that the CSD obligations that underpin Performance Standards R9D, R10A and R10B are not always achievable for reasons out with the control of Licensed Providers. The MPF supported deferring aligning those Performance Standards with the relevant CSDs until a further review had been undertaken of whether the obligations in the CSDs should be amended to allow LPs a reasonable chance to achieve those obligations.</p>
<p>DESCRIPTION OF THE NATURE AND PURPOSE OF THE MCCP / OCCP AND HOW IT MEETS THE MARKET CODE / OPERATIONAL CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS Required under Market Code Parts 8.7.1 (ii) (c) and 8.8.1 (ii) (c)</p> <p>General Description</p> <p>This MCCP would:</p> <ul style="list-style-type: none"> <li>align the Performance Standards with the Market Code so that the initial trigger for performance standards penalties as set out in CSD0002 is the same as the Market Code obligations (except for the deadlines in Performance Standards R9D, R10A and R10B)</li> <li>reduce the financial penalty of a late meter read submission (excluding transfer reads) to zero while still recording the relative performance of LPs</li> </ul>

**Commented [DS1]:** Paragraph added following August 2024 MPF meeting

**Commented [DS2]:** Added to reflect discussion at August 2024 MPF

- remove the cap from Performance Standards over 4 years with interim increases of the cap to 0.3%, 0.45% and 0.6% of annual settlement from April 2025, April 2026 and April 2027 respectively

Principles and Objectives affected  
CMA Guidance Note GN009 may be referred to for assistance with this section

PRINCIPLE	AFFECTED (Y/N)	DESCRIPTION
Proportionality	N	
Transparency	N	
Simplicity, Cost-effectiveness, and Security	Y	Aligns CSD obligations and Performance Standards
Non-exclusivity	N	
Barriers to Entry	N	
Customer Contact	N	
Non-discrimination	N	
Non-detrimental to SW Core Functions	N	
MC / OC OBJECTIVES		

IMPACT  
Required under Market Code Parts 8.7.1 (ii) (d), (f) and (g), and 8.8.1 (ii) (d) and (f)

CONFIGURED ITEM	IMPACTED (Y/N)	DESCRIPTION
MC / OC	Y	Changes to Performance Charges cap
CSDs	Y	CSD0002 changes
Wholesale Services Agreements	N	

Licences	N	
CMA Central Systems	Y	Changes to Performance Charges calculations
CMA business processes	N	
Trading Party systems	N	
Trading party business processes	Y	Trading Parties will be able to align performance reporting and will be incentivised to improve performance against the standards set in CSD0002

DRAFT LEGAL TEXT

Required under Market Code Parts 8.7.1 (ii) (d) and 8.8.1 (ii) (d)

**Market Code**

Section 6.2.6 (a) of the Market Code would be amended as shown in red below:

The aggregate liability of Scottish Water in relation to any Year for CMA Performance Standard Charges shall in no event exceed ~~0.45%~~ **the Performance Cap Percentage** of the Wholesale Charges payable to it over the full financial year based upon the R1 Settlement Runs as published at the date of the invoice for each quarters Performance Standard Charges. **Up to 31 March 2025, the Performance Cap Percentage shall be 0.15%; from 1 April 2025 it shall be 0.3%; from 1 April 2026 it be 0.45%; and from 1 April 2027 it shall be 0.6%. This limit on the liability of Scottish Water for CMA Performance Standards shall not apply from 1 April 2028.** For the avoidance of doubt, there is no cap on the aggregate liability of Scottish Water in respect of SWLP Performance Standard Charges.

Section 6.2.6 (b) of the Market Code would be amended as shown in red below:

The aggregate liability of each Licensed Provider in relation to any Year for CMA Performance Standard Charges shall in no event exceed ~~0.45%~~ **the Performance Cap Percentage** of the Wholesale Charges payable by it over the full financial year based upon the R1 Settlement Runs as published at the date of the invoice for each quarter's Performance Standard Charges. **Up to 31 March 2025, the Performance Cap Percentage shall be 0.15%; from 1 April 2025 it shall be 0.3%; from 1 April 2026 it shall be 0.45%; and from 1 April 2027 it shall be 0.6%. This limit on the liability of each Licensed Provider for CMA Performance Standards shall not apply from 1 April 2028.** The aggregate liability of each Licensed Provider in respect of CMA Performance Standard Charges will be further reduced by the aggregate of SWLP Performance Standard Charges due to it. In the event that the aggregate of the SWLP Performance Standard Charges exceeds the capped liability in respect of CMA Performance Standard Charges, there will be no overall liability in respect of charges between the Licensed Provider and the CMA.

Schedule 1 of the Market Code would have the following new definition inserted:

<b>"Performance Cap Percentage"</b>	<b>the maximum percentage of a Trading Party's Wholesale Charges in a given Financial Year that can be payable for CMA Performance Standards Charges;</b>
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**CSD0002 Performance Standards**

See attached mark up of CSD0002.

If changes are identified for CSD0301 Data Transaction Catalogue Annex, these will not be provided in this MCCP, but will be provided following the deployment of the associated system updates. This is because the majority of CSD0301 Annex is system generated automatically and can only be updated after associated changes have been incorporated into the relevant system.

**IMPLEMENTATION DETAILS**

<b>PROPOSED IMPLEMENTATION DATE OR LEAD TIME</b> Timescale must not overlap with the period of consultation with the Commission and should take account of the impacts identified in Section 0. Any quoted lead time should commence from date of Approval.
2025-03
<b>ANY LIMITATIONS OR DEPENDENCIES FOR IMPLEMENTATION</b>
None
<b>ANY OTHER COMMENTS</b>
<b>Indicative User Requirement Specification</b>  <b>UR 1</b> The changes in the attached mark-up of the Performance Standards User Requirements Specification shall be delivered and take effect from 1 April 2025.

TP ASSESSMENT			
ASSESSMENT PROCESS			
ASSESSMENT START DATE	2024-08-15	ASSESSMENT END DATE	2024-08-15
IMPACT ASSESSMENT REQUIREMENT		IA REQUIRED	
CONSULTATION REQUIREMENT		TP CONSULTATION NOT REQUIRED	
ASSOCIATED DOCUMENTS (TO THIS PART B)			
ASSESSMENT DETAILS			
CHANGE SPEC AND IMPACT (IF DIFFERENT FROM THAT ORIGINALLY SUBMITTED)			
CMA INTERNAL SYSTEMS IMPACT			
DRAFT LEGAL TEXT (IF DIFFERENT FROM THAT ORIGINALLY SUBMITTED)			
CUSTOMER IMPACT (TO BE COMPLETED BY LPS)			
<p>These changes would:</p> <ul style="list-style-type: none"> <li>improve the accuracy of settlement and billing</li> <li>incentivise Scottish Water and LPS to improve performance</li> <li>provide a business case for Scottish Water and LPS investing in their systems which will allow improved customer service and faster issue resolution</li> </ul>			
<p>TP ASSESSMENT</p> <p>Taking into account complexity, importance and urgency, and having regard to whether or not such proposal is within the relevant Objectives and Principles as required under Market Code Parts 8.7.1 (v) and 8.8.1 (iv)</p>			
Impact on Principles and Objectives (if different from that originally submitted)			
Cost Estimate		£32k (IA + 33%)	
Benefit Estimate (L: < 10k, M: £10k to £100k, H: > £100k)		High	
TP DECISION		TP APPROVED	

Commented [DS3]: Amended in light of MPF discussion

<b>FINAL TP VIEWS</b>	Approved offline by the TP 13 September 2024
<b>PLANNED IMPLEMENTATION DATE</b>	2025-03

<b>WITHDRAWN BY PROPOSER?</b>	No
<b>COMMENTS</b>	
<b>DATE OF WITHDRAWAL</b>	

<b>COMMISSION APPROVAL</b>	
<b>DATE FINAL REPORT ISSUED TO COMMISSION</b>	2024-09-27
<b>APPROVAL STATUS</b>	APPROVED CHANGE
<b>DATE OF APPROVAL STATUS</b>	2024-11-26
<b>COMMISSION RESPONSE REFERENCE</b>	CMA CP261124

<b>IMPLEMENTATION</b>	
<b>IMPLEMENTATION DATE</b>	2025-03
<b>IMPLEMENTATION DETAILS</b> (MC version, CSD versions, CMA Central Systems release number, etc.)	