

Wholesale Retail Code Change Proposal –CPW041

Modification proposal	Wholesale Retail Code Change Proposal –CPW041– G read removal governance
Decision	The Authority has decided to approve this change proposal
Publication date	5 March 2019
Implementation date	29 March 2019

Background

Process

Code Subsidiary Document 0201 (CSD 0201) sets out the process by which Wholesalers invoice Retailers for Primary Charges. It provides the process by which MOSL produces the settlement table and the Settlement Reports. It confirms that, for each monthly Invoice Period, MOSL will produce six Settlement Reports for the first six Invoice Periods, at scheduled intervals. A provisional Settlement Run (P1) will be undertaken sixteen Business Days prior to the start of the Invoice Period, and what is referred to as the first Settlement Report (R1), will be run four business days after the end of the Invoice Period. Further Settlement Reports are run after two months, eight months and fourteen months. Each Settlement Report provides the opportunity for Trading Parties to adjust the information in order to provide progressively more accurate data.

The sixth report, called the Final Settlement Report (RF), is ordinarily produced sixteen months after the Invoice Period to which the Settlement Report relates. The RF provides the final calculation of the Primary Charges payable by each Retailer to each Wholesaler, and will crystallise the consumption data about each Supply Point (SPID). For this reason, and in the interests of ensuring the market dataset is of sufficient quality, the data on which Wholesalers invoice Retailers needs to be as accurate as possible.

The Market Terms provides that MOSL may carry out Unplanned Settlement Runs. There are three different types of Unplanned Settlement Run. These are (i) Corrective, (ii) Dispute, and (iii) Post RF. The Corrective Settlement Run is a complete recalculation of all Supply Points in relation to one Invoice Period following agreement between the Wholesaler-Retailer pairing that there is a material error in

the Settlement Report. A Dispute Settlement Run is carried out after a Trading Dispute or a MO Dispute following the resolution of a referral to the Trading Disputes Committee. A Post RF Settlement Run is undertaken following agreement between the Wholesaler-Retailer pairing when materiality thresholds have been met.

Following the implementation of CPW039 (“Deferral of Final Settlement Runs”), in which Final Settlement Runs were deferred for six months, the first RF will be issued by the Market Operator (MOSL) no later than four working days after 28 February 2019.

G Reads

The information on which Settlement Reports are produced will include data based on System Generated Reads (G Reads). G Reads are calculated for a meter as part of a Final Settlement Run where there have been no meter reads submitted for that meter from the day after the end of the Invoice Period to the Settlement Run date. They are estimated reads that take account of data available at the SPID, inclusive of occupancy state, connection state and temporary disconnection, and on this information, a read is calculated. It is assumed when the Final Settlement Runs occur that the underlying data is accurate, including the information provided through G Reads.

It is currently estimated that approximately 13% of SPIDs in the market are settling on G Reads (c168 thousand out of c1.38 million).

The issue

There may be instances where Trading Parties want to remove a G Read, and in certain circumstances replace it with a new G Read, in order to better address data errors and correct Primary Charges, or to remove an obstacle to performing operational processes. The issue is that there is no recognised functionality in the Wholesale Retail Code ('WRC'), and therefore in CMOS, that allows for this.

There are two reasons why it may be necessary to delete a G Read. Poor quality G Reads can cause inaccuracies in Primary Charges, and removal of the G Read should enable a more accurate reading to be inserted, in line with obligations on Trading Parties to maintain accurate data. To enable the correction of Primary Charges following a Final Settlement Run, an Unplanned Settlement Run would be required. Currently the WRC does not allow for the generation of a G Read for an Unplanned Settlement Run. Also, the presence of G Reads can prevent the correct functioning of some operational processes, such as removing or exchanging a meter. If such operations need an effective date which is prior to the read date of the

G Read, Trading Parties will need to remove the G Read before carrying out the exchange or removal, otherwise the transaction will be rejected within CMOS.

The mechanism currently envisaged by the WRC for dealing with G Read inaccuracies is via the Market Operator Data Correction (set out in section 4 of CSD 0105). This allows for scripted updates to be made directly to CMOS. The problem with this approach is that it does not carry an appropriate level of transparency, auditability and robustness, and no transactional notifications (TCORR171.M) will be generated. Therefore, Trading Parties would not be able to reflect amendments in their own systems without interface changes. Also, the lack of a trading notification can reduce the likelihood of Trading Parties becoming aware of the change in the event that they wish to query the amendment. This could ultimately lead to the change being referred to the Trading Disputes Committee, as a consequence of the lack of transparency in the current mechanism.

The modification proposal¹

The proposal is to recognise that there is, within the WRC, a way in which G Reads can be deleted, and in certain circumstances replaced with a new G Read. The proposed solution is that the current processes and obligations for carrying out data corrections and for requesting Unplanned Settlement Runs is extended for the removal and/or creation of G Reads. It is proposed that the TCORR171.W.R (currently used for data corrections) is recognised as the process by which G Reads are deleted, and that governance arrangements are extended, placing an obligation on MOSL to monitor the use of it. It also extends the circumstances in which G Reads can be created, permitting the generation of G Reads for Unplanned Settlement Runs.

The proposal involves inserting the following obligations into the WRC:

- Confirmation that MOSL is the data owner of G Reads in order to prevent unintended consequences to the WRC arising from the co-ownership of G Reads;
- Placing a requirement on Trading Parties to use the correcting transaction TCORR171 “Remove Meter Read” (with a defined Authorisation Code (D4031) of “MOSL AGREED”) when removing G Reads;
- Clarification that, even if Trading Parties are not the data owners of G Reads, in the case of removing central system generated reads for market meters,

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>

- either the Wholesaler or the Retailer may submit the TCORR171.W or TCORR171.R transaction (as applicable);
- Place a requirement on MOSL to monitor the deletion of G Reads; and
 - Clarification that G Reads will be calculated for Unplanned Settlement Runs (if the G Read generation conditions are met).

Industry consultation and assessment

The Panel issued a Request for Information on 26 July 2018 and invited responses by 7 August. There were 19 responses to the industry consultation (11 wholesalers and 8 retailers). The consultation sought industry views on the draft proposal DCP004, which contained the proposal that MOSL had a more stringent governance role in monitoring G Read deletions. A number of amendments were made following consultation and when finalised, the proposal was formalised into CPW041. Appendix 1 of this document details the consultation questions, and provides a summary of the responses received.

Panel recommendation

The Panel considered the change proposal at its meeting on 18 December 2018. It recommended, by unanimous decision, that the Authority approve the proposal on the basis of improving the principles of efficiency, proportionality, transparency, simplicity, cost-effectiveness and security. The recommended date of implementation is 29 March 2019.

Our decision

We have considered the issues raised by the change proposal and the supporting documentation provided in the Panel's Final Recommendation Report. We have concluded that the implementation of CPW041 will better facilitate the principles and objectives of the Wholesale Retail Code detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and is consistent with our statutory duties.

Reasons for our decision

We set out below our views on which of the applicable WRC principles are better facilitated by the change proposal.

Efficiency

By enabling the removal of G reads, the proposed change will facilitate the correction of material errors in Settlement Reports in a way that facilitates improved data quality going forward. In addition, providing a mechanism to remove G Reads will enable operational processes such as meter exchanges or removals, increasing process efficiency for Trading Parties and enabling them to better comply with their obligations under the WRC.

Proportionality

The proposed solution will treat G Read removals in the same way as all post-RF data amendments. No undue stringency is applied for removing G Reads in comparison to other data amendments.

Transparency

The proposed changes will ensure that the process for the removal of G Reads is clearly expressed and defined in the WRC. Additionally, the proposed changes will clearly impose obligations on Trading Parties in relation to the removal of G Reads and the associated monitoring by MOSL.

Simplicity, Cost-effectiveness and Security

The proposed changes will ensure that the provisions for the removal of G Reads, including the associated monitoring by MOSL, are clearly expressed in the WRC, in a manner that is simple and clear. The proposed changes will also use existing provisions in the WRC in relation to data amendments and requesting Unplanned Settlement Runs. It is expected that this should minimise the cost for Trading Parties and MOSL.

Market Terms objectives

The proposed changes will enable the collection of accurate data at Eligible Premises which is relevant to the calculation of Primary Charges and when undertaking operational activities. A functionality to remove G Reads will help Wholesalers and Retailers to fulfil their overarching obligation of maintaining accurate data as required by the Market Terms. Finally, the proposed changes utilise existing processes around carrying out Unplanned Settlement Runs.,

Decision notice

In accordance with paragraph 7.2.8 of the Market Arrangements Code, Ofwat approves this change proposal.

Emma Kelso

Senior Director, Customers and Casework

Appendix 1 – Request for Information questions and summary of responses

This section summarises the responses received following the Request for Information (RFI) for DCP004 which was issued on 26 July 2018 and closed on 7 August 2018. In total, 19 responses were received, of which 11 were from Wholesalers and 8 from Retailers.

While some responses are applicable to the Panel's recommended solution of CPW041, they are more applicable to a previously proposed solution which introduces additional governance in relation to the removal of G Reads (namely requiring Trading Parties to determine the materiality of deleting a G Read and, based on the outcome of that determination, mandate the running of an Unplanned Settlement Run). The current proposal does not provide a solution which introduces additional governance specific to G Read deletion.

Question 1: Do you agree that a mechanism to rectify data errors created by inaccurate G Reads should exist and be prescribed in the market codes? Please explain your answer.

Most Trading Parties (16) agreed with the proposal, on the basis that material settlement errors as a consequence of poor quality G Reads can be expected, and a mechanism to improve the data is required, particularly as it ties into the wider market obligation of maintaining accurate data. A mechanism through which errors resulting from G Reads can be corrected was viewed by respondents as leading to an improved customer experience and increasing market efficiency.

Those who disagreed did so on the basis that G Reads will be corrected automatically through the normal settlement processes. It was considered that introducing the ability to rectify data errors created by inaccurate G Reads can lead to undesirable behaviour.

Question 2: Do you agree with the proposed solution in DCP004? Please explain your answer.

Most Trading Parties (13) agreed with the proposal. Those that agreed stated that the proposed solution offers robust governance and transparency.

However, a number of concerns were raised on the solution proposed in DCP004. These included concerns on how the proposed arrangements might work for complex scenarios, concerns on the difficulties in assessing materiality over a large number of settlement periods, and questions about how the MOSL investigation

would be carried out. Suggestions included the option of not being able to remove G Reads without mutual agreement between Trading Parties, and always requiring an Unplanned Settlement Run in order to focus Trading Parties on assessing the benefits of carrying out the change in relation to the cost of performing the run.

Respondents that disagreed with the proposed change stated disagreement with Trading Parties being deemed non-compliant if a G read is removed without requesting an Unplanned Settlement Run. Similarly, respondents raised questions on what the consequences would be of being non-compliant.

Question 3: Do you agree with the proposed red line changes in DCP004? Please explain your answer.

Most Trading Parties (14) supported the red line changes. One of the main themes was that the drafting delivers the objectives of the draft change proposal.

Some respondents suggested amendments to the proposed red line changes, of which some of the more material ones included the introduction of an obligation which always requires an Unplanned Settlement Run to be carried out when a G Read is removed. Similarly, a suggestion was for Trading Parties to mutually come to an agreement prior to removing a G Read.

Question 4: Please outline the extent to which existing systems and business processes developed by your organisation may need to be implemented following the implementation of DCP004?

Responses were varied, with several respondents stating that impact on their systems and business processes is minimal or none. Another group of respondents has identified the need to carry out a review of their processes and ensure that the necessary checks and changes are in place in order to support the proposed governance.

Some Trading Parties have identified a significant impact on their business processes and systems, in order to support the additional checks and interactions required.

Question 5: Please outline any implementation costs to your organisation following the implementation of DCP004?

Responses were varied. A wide range of implementation costs were identified, from none to over £100,000.

Question 6: Please outline any ongoing operational costs to your organisation following the implementation of DCP004 and whether you believe that these costs are balanced by the benefits of change.

Responses were varied. Some Trading Parties have not identified a significant operational cost, with a few identifying a minimal cost. Other respondents have stated that the majority of costs will come from requesting Unplanned Settlement Runs. Similarly, ongoing operational costs were identified in the form of a new monitoring team required to be set up in order to support the proposed governance. One respondent noted that the ongoing operational cost is highly dependent on the frequency at which G Reads are removed.

Respondents have noted that the materially rule is an important aspect of the proposed change, one which protects Trading Parties from excessive costs. Respondents have also noted that the benefits delivered as part of the proposed change are greater than the costs.

One additional point mentioned was that the deferral of Final Settlement Runs (as part of CPW039), if implemented, will reduce the operational costs required at this stage.

Question 7: Do you agree that the proposed change better facilitates the Objectives and Principles of the WRC? Please explain your answer.

Most Trading Parties (15) agreed. A large proportion of respondents have stated that the proposed changes facilitate the Objectives and Principles, stating that the ability to correct data furthers the principles of Efficiency, through improved charging accuracy, and Transparency, by clearly stating the rules and governance in relation to the removal of G Reads.

Respondents have also stated that the materiality rules offer protection to Trading Parties. In addition, one expressed view was that customers will benefit from the proposed changes as they can be billed more appropriately once material error have been resolved and data improved.

Trading Parties that disagreed with the above question did so on the basis that the proposed change will support Trading Parties that have not met their existing obligations in relation to meter reads, with one view being that efforts should be concentrated on resolving those issues.

Question 8: Do you agree with the proposed implementation date? Please explain your answer.

Most Trading Parties (15) agreed, based on the nature of the change and its interactions with the first Final Settlement Run for the live market.

Respondents that disagreed with the implementation date expressed this view based on their overall disagreement with the change proposal.