
Wholesale Retail Code Change Proposal – CPW013

Modification proposal	Wholesale Retail Code Change Proposal CPW013 – Meter Reading Validation - Proposal to amend the volume validation tests outlined in CSD 0203: Meter Read Submission: Validation
Decision	Ofwat has decided to reject this change proposal
Publication date	20 November 2017
Implementation date	N/A

Background

Meter reads submitted into the central market operating system (CMOS) by Retailers are subjected to a high level of volume validation testing before being accepted. These tests look at the history of meter reads and compare the submitted read against them, assessing whether the new read is reasonably realistic. If there are too few reads, the meter’s characteristics are considered instead. The tests are laid out in CSD 0203 – Meter Read Submission: Validation.

This Wholesale Retail Code (WRC) Change Proposal seeks to amend CSD 0203 and CSD 0301 to modify certain volume validation tests, in order to focus validation on areas with actual validation issues.

The issue

Meter reads that are submitted to CMOS may be rejected due to failure of the tests in table 2.6.11 of CSD 0203. If a Trading Party investigates the rejected read and believes it to be accurate, it can resubmit the exact same read as a ‘reread’, which would then be accepted by CMOS. This is because the Central Systems perform no volume validation tests for rereads. Therefore, this change proposal relates to improving the functionality for these validation tests.

Whilst the current volume validation tests are sensible for cases where the previous meter reads have been progressively increasing going forward, the Proposer contends that they are not practical for situations where previous reads have remained constant (or decreased). In these cases, it is difficult to submit reads into CMOS and the validation causes a high level of rejection.

NWG Business ('the Proposer'), contends that this is not sensible, as premises may have been vacant for a period of time, in which case the prior meter advance would be zero. Coming out of vacancy, a positive advance would be expected.

The modification proposal¹

This Change Proposal seeks to amend CSD 0203 and CSD 0301 to modify certain volume validation tests, in order to focus validation on areas with actual validation issues as well as enable Trading Parties to better allocate their resources. In particular, the proposal seeks to allow for the acceptance of transactions that show zero advances during periods of occupancy.

The Proposer contends that the modification of the validation will improve the efficiency of the system, reduce manual intervention in meter reading transactions (as reads must constantly be re-verified after rejection) and save the industry circa £230,000 per annum.

This modification proposal has been developed through a Working Group established by the Panel. The Working Group for CPW013 is of the opinion that the ideal solution for this Change Proposal would be one that addresses the high number of rejections while not causing significant impacts on CMOS or Trading Parties.

Industry consultation

In total, 10 Trading Parties responded to the Working Group's consultation² on CPW013, of which six were Wholesalers and four were Retailers.

Common themes across the responses were:

- Nine out of the 10 respondents agreed with the proposed solution;
- The party that did not agree with the proposed solution believes that meter readings which show zero advances should be rejected as this may be indicative of a faulty meter or meter tampering and that a positive advance after a zero advance should be rejected as this may show a leak or unnoticed change of occupier or property usage;
- Five Trading Parties agreed that the quality of data in CMOS would improve, while three Trading Parties disagreed, one of whom stated that it believed the

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>

² Details of the consultation can be found at <https://www.mosl.co.uk/market-codes/change/details/12/meter-reading-validation>

quality of data would decrease as a number of errors that are currently being caught through rejections will not, as a consequence of this Change Proposal, be detected at first submission to CMOS;

- Trading Parties stating that the proposed changes would increase efficiency in the market and be beneficial to the entire industry;
- Trading Parties stating that receiving fewer rejected reads to investigate would allow them to allocate resources on areas of more complex investigatory work;
- There was unanimous agreement that individual error codes for each failed validation test would enable Trading Parties to conduct investigations more efficiently;
- It was agreed that there would be a potential impact on the quality of settlement data within the system, but there was no agreement on whether this would be positive or negative; and
- There was general agreement that this Change Proposal furthers the Objectives and Principles of the WRC.

The Working Group believes that this solution will improve the efficiency of market operations by decreasing the need for unnecessary manual interventions by Trading Parties when investigating failed meter reads. The Working Group also believes that the change is proportionate to the perceived benefit, as the proposed solution is simple and cost-effective.

Panel recommendation

The Panel considered the Draft Recommendation Report for CPW013 at its meeting on 26 September 2017. The Panel felt that an adequate case for the proposed changes in CPW013 had not been made. The Panel raised several concerns with implementation of CPW013, which are discussed below, and subsequently, the Panel unanimously agreed to recommend CPW013 to Ofwat for rejection.

The Panel believes that there needs to be a continuing focus on improving data quality. Panel Members expressed concern that there was insufficient evidence that the quality of data in CMOS would improve as a result of implementing the proposed changes to the meter reading validation rules. Some Panel Members felt that if erroneous meter reads entered the central system as a result of changes to the meter reading validation rules, additional work may be incurred in resolving such errors.

At its August meeting, the Panel had favoured an option of making changes to CMOS to allow parameterisation of the validation standards. However, the Panel has now been advised that this is not feasible without the risk of significant degradation in the performance of CMOS. The only option is to consider implementing a specific

change to the rules – which could be done in a way that allowed reversion to the existing standards.

The Panel noted that the cost of the change was high and that, following further review, while flexibility in the meter reading validation rules could be achieved, certain amendments to these rules (including rolling back to the current meter reading validation rules) would incur additional cost.

The Panel was therefore not convinced that the change would further the Objectives and Principles of the Wholesale Retail Code. The Panel stated that more time was needed to assess the situation in the market, as it could not readily recommend a Change Proposal so early on in the market which relaxed validation rules and put at risk the quality of data in the Central Systems. The Panel agreed that meter reading validation rules should be reviewed in the light of a full year's operation.

The Panel submitted its recommendation report to Ofwat on 2 October 2017.

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report, including the responses to the Working Group's consultation. We have concluded that the implementation of CPW013 will not better facilitate the principles and objectives of the WRC, detailed in Schedule 1 Part 1 Objectives, Principles and Definitions.

Reasons for our decision

With reference to particular Code Principles, we set out below our views on why we do not consider these will be better facilitated by the modification proposal.

Efficiency

We do not think that this Change Proposal would improve the efficient operation of the market. We echo the Panel's concerns that the implementation of CPW013 could potentially degrade the quality of data in CMOS. In turn, this would have a subsequent effect on settlement charges, with an increased likelihood of a higher number of settlement corrective runs and trading disputes. We agree with the Panel that this is contrary to the Principle of Efficiency.

Simplicity, cost effectiveness and security

In carrying out a high level impact assessment, the cost of the change was considered, by CGI (MOSL's service provider), to be Medium-High, i.e. the high end

of the medium band. Taking into account that the proposed solution does not deliver full flexibility to revert back to the current validation rules without incurring additional cost, we do not think that this Change Proposal is consistent with the Principle of Simplicity, cost effectiveness and security.

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