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## Wholesale Retail Code Change Proposal – Ref CPW022

<b>Modification proposal</b>	CPW022 - Requesting a new connection SPID when the retailer is unknown
<b>Decision</b>	Ofwat has decided to accept this change proposal
<b>Publication date</b>	17 November 2017
<b>Implementation date</b>	3 March 2018

### Background

The Wholesale-Retail Code (WRC) sets out the relationship between wholesalers and retailers, and how the market operates. The WRC includes a number of Code Subsidiary Documents (CSD), which are the detailed processes and responsibilities that further describe and facilitate the performance of duties under the Market Terms, as set out in Schedule 1 Part 4 of the WRC.

Currently, the Central Market Operating System (CMOS) will not permit a wholesaler to register a new supply point that is either a new connection or an entry change of use where the customer has not chosen a retailer. This is causing wholesalers to use the “Gap Site” connection type as a workaround in order to register these supply points.

This change proposal therefore seeks to amend CSD 0301, CSD 0101, CSD 002 and the WRC Part 4 Market Terms, to allow wholesalers to leave the “Retailer ID” field blank when requesting a new connection SPID in CMOS for a connection type of “NEW” (Standard new connection) or “CU” (Entry Change of Use).

### The issue

When requesting a new SPID, wholesalers are currently not able to complete the request with New Connection Types of “NEW” or “CU” if they do not have a specified retailer, as stated in CSD 0301. To bypass this, wholesalers are currently inserting New Connection Types of “NEW” or “CU” as “GS” (Gap Sites), as this is the only option that will allow them to request a SPID when a retailer is unknown.

CSD 0101 (Registration: New Supply Points) describes the process to be followed to register new supply points. Currently, there is no obligation in the Code for end users to choose a Retailer as end users are not parties to the Code. If the Non-Household Customer does not make a selection within twenty (20) Business Days from the wholesaler's notification, wholesalers will insert the Connection type to "GS" so that CMOS allocates an 'Opted In' retailer to the Supply Point from the List of Opted in Retailers as per the Direction to Supply allocation process described in CSD 0005 (Direction to Supply Allocation Process).

As wholesalers are currently processing New Connection Types in relation to "NEW" or "CU" without a specified retailer as Gap Sites, this is potentially overstating the amount of Gap Sites that are currently in the market.

There is also a further issue relating to the Market Performance Standards (MPS). Where a retailer has not been chosen or is unknown, this means that "NEW" or "CU" connection types that are put through as "GS" in the D2023 (New Connection Type) data item, will fall under MPS 3A (Gap site Performance Criteria) instead of the MPS 2A/B (New Connections performance criteria). As a result, wholesalers will be measured against timescales allowed for Registration of New Connections but will be incurring MPS penalties associated with the Gap Sites connection type.

### **The modification proposal<sup>1</sup>**

This Change Proposal has been proposed by Thames Water ('the Proposer') and it seeks to adjust the current functionality of the data transaction that relates to requesting a new SPID (T101.W (Request New SPID)) to allow a blank 'Retailer ID' when requesting a new SPID as part of the new connection process.

Currently, the retailer ID can only be left blank if the New Connection Type data item in the data transaction indicates that the site is a 'GS' (Gap Site). If the New Connection Type is either 'NEW' (Standard New Connection) or 'CU' (Entry Change of use), the Retailer ID must be populated as per CSD 0301 (Data Catalogue).

The Proposer contends that other parts of the Code allow wholesalers to register a SPID where the Retailer is not known and for these to be allocated a retailer via the Direction to Supply Allocation process. However, the constraint set out in CSD 0301 prevents this from happening in this scenario.

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<sup>1</sup> The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

The Proposer believes that it is not uncommon for the end customer to not have chosen a Retailer at the time a new connection is requested. As timescales in CSD 0002 (Market Performance Framework (MPF)) are specified for the creation of new SPIDs, wholesalers can incur market performance charges if they do not have a retailer at the time of creating a new SPID. This is because the timescales required when setting up new connections are different to those required for processing Gap Sites.

In order to register New Connection SPIDs or Entry Change of Use SPIDs in the market when the retailer is unknown, wholesalers are currently selecting the 'Gap Site' connection type when submitting new SPIDs via the T101.W data flow. The Proposer contends that, whilst this is currently the only way that wholesalers can get these premises registered into the market, this is not in line with Code requirements and this approach provides a misleading view of the number of New Connections, Change of Use and Gap Sites. Furthermore, this approach will impact the reporting of Market Performance and the Market Performance Charges incurred by wholesalers. With the integrity of the MPS reporting year in mind, the Proposer requests that the change is implemented within CMOS Release 4.0 in March 2018.

The solution put forward proposes to allow a wholesaler to request a new SPID from the Market Operator for New Connection and Entry Change of Use connection types, even if no retailer has been chosen by the end customer. To mitigate the risk of wholesalers incorrectly submitting a T101 request without a retailer, the Proposer seeks to add new connection types as a validation rule within the process.

Where a retailer has not been selected after twenty (20) Business Days from the wholesaler's notification to request a retailer, CMOS will follow the current Direction to Supply Allocation Process to assign a retailer.

It is recommended that these modifications come into effect on 3 March 2018.

### **Industry consultation and assessment**

Prior to this change being discussed by the Panel at its October 2017 meeting, the Proposer raised this change at the Wholesaler Interface Group (WIG) and User Forum. A summary of these discussions is provided below.

#### **WIG – 29 September 2017**

The WIG members agreed that, to request "NEW" or "CU" SPIDs from CMOS, they currently have to amend the connection type to "GS" to bypass the "Retailer ID" field. The WIG members agreed with the proposed amendments to the data transaction,

highlighting that more accurate market data and a more efficient process in requesting a SPID would come from this proposal.

### **User Forum – 12 October 2017**

The Change Proposal was considered at the User Forum to gather the initial views regarding this change. One member agreed with the proposed solution, however suggested that removing the validation rule could cause wholesalers to not insert the “Retailer ID” when a retailer has been selected. The Proposer suggested that the risk of such mistakes already exists for Gap Sites, but could be mitigated by creating another validation rule to confirm why a retailer has not been selected if considered to be a material risk.

In regards to the identification of ‘New Connections’ and ‘Entry Change of Use’ within the Direction to Supply Allocation method, retailer members suggested that if this is to change, retailers would have better visibility in which they deal with Direction to Supply SPIDs. Currently, they are expecting the sites from this process to be Gap Sites and Eligible Premises, which initially did not have a SPID associated with the site, which has a different customer journeys to that of New Connections.

Another wholesaler believed that the Change Proposal would help to speed up the process in creating SPIDs.

### **Industry consultation**

Following the User Forum, a Request for Information (Rfi) was issued. A summary of the responses received to the Rfi is set out below.

In total, 16 Trading Parties responded to the consultation, which included:

- 13 Wholesalers; and
- 3 Retailers.

### **Question 1: Do you agree with the proposed changes in CPW022?**

All Trading Parties who responded to the Rfi agreed with the proposed changes in CPW022, with the majority of responses highlighting that this change avoids having to use the work around (putting New connections through as Gap Sites to process the request) and the improvement of the accuracy of MPS charges.

### **Question 2: Do you agree that the proposed changes would better meet the need for Wholesalers to register new connections and entry change of use supply points where the customer has not chosen a Retailer?**

15 Trading Parties (12 Wholesalers and 3 Retailers) agreed with the proposed changes in CPW022, with the majority of respondents suggesting that this change simplifies the registration process of new SPIDs for wholesalers.

1 Trading Party did not provide a response to this question.

**Question 3: If you are a Retailer currently ‘opted in’ for the Direction to Supply allocation process would you be happy to accept “New Connection” and “Change of Use” SPIDs in this way rather than them being coded as gap sites?**

3 Trading Parties (3 retailers) agreed with this question. 1 retailer suggested that currently, coding them as “Gap Sites” is misrepresenting the picture and the retailer would prefer to accept them as New Connections and Change of Use SPIDs where that were to be the case.

13 Trading Parties (all of which were wholesalers) did not provide a response to this question.

**Question 4: Please explain how you will be impacted (both negative and positive) by the proposed changes**

The responses received recorded 34 positive impacts in favour of the change, whilst there were 5 recorded negative impacts.

The positive impacts included themes such as accurate reporting, not using alternative processes as a workaround and providing greater clarity of current new connections in the market.

The negative themes identified by Trading Parties included internal process and user guide change.

**Question Q5: Are there any other areas of the Market Codes which you believe should be updated in order to fully reflect the changes proposed by CPW022?**

The majority of respondents did not believe there were other areas of the Code that needed updating.

However, a respondent raised the concern regarding potential changes to the current XML Schema Definition (XSD). Since the Panel meeting on 31 October 2017, whilst conducting the Detailed Impact Assessment, CGI have confirmed that the XSDs will need to be updated to implement the new connection types and to mitigate potential submission error.

## Question 6: Do you agree that the proposed changes better facilitate the Objectives and Principles of the WRC?

15 Trading Parties (12 Wholesalers and 3 Retailers) agreed that the proposed changes better facilitate the objectives and principles of the WRC. The Objectives and Principle identified were:

- **Efficiency:** the market will be more efficient as workarounds in the central system will no longer be applicable and it will help avoid disputes around misallocation of MPS penalties
- **Transparency:** the change would provide greater clarity of current new connections into the market, ensure data accuracy and avoid misallocated MPS charges.
- **Non-discrimination:** by making it clear that market systems support the allocation of customers to a Retailer in a controlled and non-discriminatory manner.

### Panel recommendation

At the October Panel meeting, the Panel were provided with three options for implementing the solution to CPW022. The table below provides the three options that were considered by the Panel.

Change to CMOS	Description
<b>Option 1:</b> Removal of Validation Rule (VR.134)	Removal of the 'Retailer ID' validation rule in the T101.W, making it acceptable if the "Retail ID" is left blank for "NEW" or "CU" connection types
<b>Option 2:</b> Removal of Validation Rule (VR.134) / addition of another validation rule in the T101.W	Removal of the 'Retailer ID' validation rule in the T101.W, making it acceptable if the "Retail ID" is left blank for "NEW" or "CU" connection types. New validation rule: adding additional 'description codes' to the D2023 (New Connection Type)
<b>Option 3:</b> New allocation process for "NEW" and "CU" connection types	The creation of an allocation Process for "NEW" and "CU" connection types

The Panel opted for option 2 and agreed that option 2 should be recommended for implementation, as having an additional validation rule would help to mitigate any possible risks that could occur from the removal of the original validation rule. At its meeting on 31 October 2017, the Panel recommended implementation of this Change Proposal to the Authority on the basis of improving the Principles of Efficiency, Transparency and Non-discrimination.

## **Our decision**

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report, and we have paid particular attention to responses provided via the industry consultation and assessment process. We have concluded that the implementation of CPW022 will better facilitate the principles and objectives of the WRC, 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 Code Principles are better facilitated by the modification proposal.

### **Efficiency**

We think that this change will help the market to be more efficient when registering new supply points and, if necessary, allocating a retailer via the Direction to Supply process. We agree with the Panel that it will also help to avoid disputes concerning misallocated MPS penalties.

### **Transparency**

By increasing the accuracy of market data regarding Gap Sites and the performance of market participants, we agree that this change would increase the transparency of the business retail market. In particular, we think that by reducing the need for wholesalers to use a 'workaround' to register new supply points will lead to a more accurate and transparent reflection of performance of trading parties.

From our perspective, it will also help to better inform our market monitoring work and as such believe that this change will aid the transparency of that work, and will help to highlight any areas of market performance that we may wish to target in the future.

## **Decision notice**

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

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