
Wholesale Retail Code Change Proposal – Ref CPW032

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| Modification proposal | Wholesale Retail Code Change Proposal - Amend H/04 to clarify the tariff effective date |
| Decision | The Authority has decided to approve this change proposal |
| Publication date | 28 June 2018 |
| Implementation date | 28 September 2018 |

Background

The Wholesale Retail Code (WRC) includes the Operational Terms which set out a number of processes and obligations to co-ordinate operational activities that are necessary for the wholesaler's provision of water services and/or sewerage services to the retailer. Process H5 of the Operational Terms details the process to be followed when a retailer wishes to apply to the wholesaler for a change in tariff for a specific Supply Point (process H5).

A retailer may wish to change the tariff due to a number of reasons. For example, if the specified banded charges are inappropriate. Retailers initiate process H5 by completion of form H/04. This form contains the information required by the wholesaler to consider the retailer's request for a change of tariff.

The issue

To effect a tariff change in the Central Market Operating System (CMOS), an effective from date needs to be entered by the wholesaler. Form H/04 does not, at present, allow for retailers to communicate the date they require the new tariff to come into effect. Currently, retailers are communicating this information to wholesalers by using different methods, such as email.

The modification proposal¹

It has been proposed that an additional mandatory field should be added into form H/04. This mandatory field would require retailers to provide the date from which the new tariff should apply.

In addition, process H5 of the Operational Terms will be amended to mention the inclusion of the tariff effective date.

Industry consultation and assessment

Eight out of eleven respondents agreed with the changes that CPW032 proposes. Rationale for agreement included that the change proposal would bring simplification and clarity in the H5 process.

Eight out of eleven respondents also agreed that the proposal furthers the principles and objectives of the WRC, and agreed with the proposed date of implementation.

The three respondents who did not agree with the proposed change suggested that it is not necessary to introduce an additional field into the form. One wholesaler suggested that the date field should not be mandatory as this information was not required by all wholesalers. It was highlighted by wholesaler respondents that wholesalers have charging policies which dictate the timings of tariff changes at Supply Points within their charges schemes. These respondents suggested that retailers should familiarise themselves with wholesaler charging policies.

The Panel considered industry consultation responses and discussed the issue this change proposal is seeking to address. It concluded that the change to form H/04 would be sensible and beneficial. In addition, it agreed with the consultation responses which suggested that this proposal furthers the Principles and Objectives of the WRC.

Panel recommendation

At the Panel meeting on 27 March 2018, the Panel reviewed the costs, impacts and benefits of CPW032, and also considered industry consultation responses. The Panel agreed, by unanimous decision, to recommend CPW032 to the Authority for implementation on 28 September 2018.

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>

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report. We have concluded that the implementation of CPW032 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 have detailed below our views on which of the applicable Code Principles are better facilitated by implementing this change proposal.

Operational Terms

This proposal will further the objectives of the Operational Terms as it will facilitate the performance of wholesalers and retailers in performing their respective functions. It achieves this by allowing all relevant information to facilitate the H5 process to be communicated through one medium, the H/04 form.

Efficiency

The proposed change will promote efficiency as it will remove the requirement for retailers to communicate the tariff effective date to wholesalers by using alternative methods. It will also align the data requested within the form with the requirements of CMOS.

Transparency

This proposal furthers the principle of transparency by ensuring the information requirements for completion of the H5 process are transparent to trading parties. All required information will be requested within form H/04.

Simplicity, Cost-effectiveness and enhances security

Industry consultation responses highlighted that implementation of this proposal will not be expensive and that there would be no ongoing operational costs. This is a cost effective solution which enhances security as all material information relating to process H5 will be communicated in a single location.

Customer Contact

This proposal may reduce the level of customer contact as the customer would only need to be contacted once to identify and prepare the change to their tariff allowances.

Decision notice

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

Emma Kelso

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