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## Wholesale Retail Code Change Proposal – Ref CPW038

<b>Modification proposal</b>	Wholesale Retail Code Change Proposal – CPW038 – Tariffs Report updates
<b>Decision</b>	The Authority has decided to approve this change proposal
<b>Publication date</b>	19 September 2018
<b>Implementation date</b>	17 May 2019

### Background

At each Supply Point (SPID) there are various different Service Components<sup>1</sup>. Each Service Component has a number of Charging Elements<sup>2</sup> which govern the calculation of charges for that component. Each Service Component is charged by a different value which is provided by a Tariff. Wholesalers create and upload individual Tariffs to the Central Market Operating System (CMOS), and when doing so, can select which of the Charging Elements to submit and which of these are made ‘applicable’ for each Tariff.

A Tariffs Report is created and issued to Trading Parties on a monthly basis by the Market Operator (MOSL). This report provides a list of all versions of all Tariffs in CMOS with a status of either ‘active’ or ‘legacy’ and with effective from dates covering a two year period from the last business day of the month. This report is used by retailers to assist their understanding of wholesaler charging mechanisms.

In order for a retailer to fully understand a wholesaler’s different charging arrangements, they are also required to review Tariff Standing Data. Tariff Standing Data provides values that apply to all of a wholesaler’s Tariffs and SPIDs and this data governs certain charging arrangements across all Service Components. Tariff

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<sup>1</sup> Service Component is defined as:

“for Water Services: Metered Potable Water, Metered Non-Potable Water, Assessed Water, Unmeasured Water and Charge Adjustments; and  
for Sewerage Services: Metered Foul Sewerage, Assessed Sewerage, Unmeasured Sewerage, Surface Water Drainage Services, Highway Drainage Services, Trade Effluent Services and Charge Adjustments.”

<sup>2</sup> A Charging Element is any individual element of a Service Component

Standing Data is essential for determining Primary Charges in periods of Temporary Disconnection or Vacancy.

## The issue

The Final Report indicates that MOSL has identified issues with the Tariffs Report which prevent the delivery of a complete and accurate report.

MOSL has highlighted that the Tariffs Report does not include Tariff Standing Data. This is an issue, as Tariff Standing Data is required for Trading Parties to fully understand wholesaler charging mechanisms. Because this data is not included within the Tariffs Report, retailers are required to contact wholesalers directly and make enquiries to enable them to gain sufficient understanding of the charging mechanisms. The Final Report suggests that this work around procedure is onerous on trading parties. As an additional work around, MOSL issued a one-off extract of the Standing Data information.

In addition, in certain circumstances, the Tariffs Report displays both applicable and non-applicable Charging Elements, instead of only applicable elements. Due to this, retailers are required to contact wholesalers directly to query Tariffs. Wholesalers are then required to check the data on the CMOS portal in order to advise the retailers which Charging Elements are applicable to a particular Tariff.

When reviewing the codes in relation to the issues associated with the Tariffs Report, some additional non-material issues were identified. One example being that the Tariff Effective From Date Data Item would benefit from improved clarity.

## The modification proposal<sup>3</sup>

In order to reduce the number of enquiries retailers are required to make to understand the different charging mechanisms, it is proposed that Code Subsidiary Document (CSD) 0302 is amended to:

- Include Tariff Standing Data within the Tariffs Report; and
- Restrict the Tariffs Report to only show the applicable Charging Elements in a Tariff.

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<sup>3</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>

It is proposed that the following changes are made to address the non-material issues which were identified:

- Provide further details on the use of the Tariff Effective From Date Data Item in CSD0301;
- Switch the tables in section 8.6 and Appendix A of CSD0302; and
- Add Wholesaler ID to the list of Data Items in CSD0302 which are used to populate the record fields on the Tariffs Report.

## **Industry consultation and assessment**

A Request for Information was issued by the Panel on 13 June 2018 and closed on 27 June 2018. There were a total of 14 respondents, nine wholesalers and five retailers.

All respondents agreed with the proposed solution and considered that it better facilitates the Principles and Objectives of the Wholesale Retail Code.

The majority of respondents agreed that there would be minimal cost to implement the proposed changes into their systems and considered that there would be zero to minimal ongoing operational costs. One wholesaler highlighted that the minimal costs associated with this change are outweighed by the benefit which will be brought to retailers. Most respondents also considered that there would be minimal impact on their existing systems or business processes. One retailer felt that the proposed changes would have a minor impact on some business processes.

The majority of respondents (four retailers and four wholesalers) to the Request for Information disagreed with the proposed implementation date of 17 May 2019. A number of these respondents expected the change to be implemented prior to the start of the annual tariff review process for 2019/2020, which starts in the later part of 2018. Two wholesalers suggested that this change is not urgent and agreed with the proposed implementation date, another respondent highlighted that the implementation date falls in line with the next scheduled release of CMOS. Although the Final Report does not provide the Panel's reply to the request by some Trading Parties that the implementation should be earlier, we note that the Panel has recommended the implementation date should be 17 May 2019.

## **Panel recommendation**

The Panel considered this change proposal at its meeting on 24 July 2018. It recommended, by a unanimous decision, that the Authority approve this proposal on

the basis of improving the principles of efficiency, transparency, simplicity, cost-effectiveness and security. The recommended date of implementation 17 May 2019.

## **Our decision**

We have considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's Final Report. We have concluded that the implementation of CPW038 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.

We note that implementation of this proposal is dictated to a large extent by the scheduled full releases of CMOS. We would urge trading parties, MOSL and the Panel to consider ways to allow code modifications to be implemented sooner where there is clear benefit to the market.

## **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**

This Change Proposal furthers the principle of efficiency by improving the clarity of the Tariffs Report. This should reduce the number of enquiries retailers are required to make to understand wholesaler charging mechanisms and in turn reduces the number that wholesalers are required to respond to. Including only applicable charging elements within the Tariffs Report will also reduce the need for cross checking and verifying charging mechanisms.

### **Transparency**

It is considered that this change will improve the content and clarity of the Tariffs Report by ensuring that it is clearly designed and well structured.

### **Simplicity, cost-effectiveness and security**

Ensuring that the report provides clearly information which can be used by retailers for its intended purpose it will reduce the requirement for there to be additional processes outside of the market codes to assist retailers in understanding wholesaler charging mechanisms.

## **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**