
Wholesale Retail Code Change Proposal – CPW065

Modification proposal	Wholesale Retail Code Change Proposal – CPW065 – Retailer Notifications
Decision	The Authority has decided to approve this Change Proposal
Publication date	22 August 2019
Implementation date	15 May 2020

Background

CSD0101 (Registration of New Supply Points) deals with the process of registering new supply points (SPIDs) in the Central Market Operating System (CMOS). The process for registering new SPIDs consists of a series of interactions between Wholesalers and Retailers in order to load data into CMOS. Data submitted by either party should be notified to the other in order to ensure full alignment in Trading Parties' internal systems.

Where a new connection is made, a Wholesaler will submit the transaction T101.W to the Market Operator (MOSL) to request a new SPID. The SPID will then be assigned or allocated to a Retailer and that Retailer is required to submit the T103.R transaction to accept or reject the SPID. Once a SPID is accepted any future notifications/transactions relevant to that SPID are sent to the accepting Retailer.

The issue

When a Wholesaler's transaction relating to a SPID is submitted in CMOS in advance of a Retailer accepting that SPID, currently there is no way for that Retailer to review transactions that were submitted before its acceptance - for example, a Wholesaler may load Service Component data and a connection date for the SPID. Where a Wholesaler does not wait for a Retailer to accept the SPID before submitting its transactions, this can result in Retailers having a poorer understanding of the information available at the relevant SPID. The Retailer will also be unable to make automatic updates relevant to the previous notifications on their internal systems. This results in potential system alignment issues, which could be problematic in the future as it affects the quality of the data available that can have an adverse impact on customers.

MOSL has undertaken analysis which demonstrates that in approximately 57% of cases, the Retailer acceptance (T103.R) is submitted immediately after the T101.W. The T103.R registers the Retailer to the SPID and as such it will receive the relevant notifications. If however, this transaction is not submitted straight away, as in 43% of cases, the notifications applicable to that SPID will not be sent to the Retailer.

The Wholesale Retail Code (WRC) does not place an obligation on Wholesalers to wait for the relevant Retailer to accept the SPID in advance of submitting its own transactions. Wholesalers are potentially incurring additional market performance charges where they are delaying the submission of transactions to enable the Retailer to first accept the SPID by submitting the T103.R.

Another identified issue relates to a Retailer's rejection of a SPID. Where a SPID is rejected and the Wholesaler subsequently re-requests assignment of the SPID to a different Retailer or allocation by way of direction to supply, the newly allocated Retailer will not have access to previous notifications relevant to that SPID. MOSL analysis has indicated that this issue affects around 0.25% of new connection requests.

The modification proposal¹

The proposed solution to address the identified issue is to introduce the following functionality into CMOS:

1. Generation of Wholesaler notifications to Retailers in advance of the Retailer submitting the T103.R. This will ensure that if there are transactions relevant to the SPID which were submitted in advance of the T103.R, the Retailer will receive a notification; and
2. Where a Retailer rejects the T101.W notification, transactions will be generated for the newly assigned Retailer to ensure it is aware of previous notifications which will enable them to progress the registration of supply points.

An alternative solution was also put to the Panel. The alternative solution only incorporated point 1 above. It did not seek to address what happens regarding notifications when SPIDs that are rejected by Retailers and subsequently re-requested by Wholesalers (point 2 above). The Panel agreed to recommend for approval the proposed solution as it was felt that this presents a more 'appropriate and complete resolution' to the identified issue. It is also noted in the Final Report

¹ The proposal and accompanying documentation is available on the Market Operator website at <https://www.mosl.co.uk/market-codes/change/changes>

that incorporating point 2 in the proposed change contributes to future proofing the new connections process.

Industry consultation and assessment

The Request for Information for CPW065 (initially raised as draft change proposal DCP024) was issued on 12 February 2019 and closed on 26 February 2019. There were 13 responses received, nine from Wholesalers and four from Retailers.

11 of the 13 respondents expressed support for the proposal. A Wholesaler highlighted that the change will assist Trading Parties to make a new SPID Tradable. A Retailer said that this modification will give Retailers visibility of transactions in advance of acceptance. Other respondents considered that the proposal will have a positive impact on market performance standards by removing the need for a Wholesaler to wait for a Retailer to accept the T101.W before submitting its transactions. A number of respondents commented that the proposal will improve efficiency due to the information that will be available to Retailers. 11 respondents also agreed that the benefits of the proposed change outweighed the costs.

Of those that did not agree with the proposal, one was a Wholesaler and one was a Retailer. The Wholesaler that did not agree considered that the proposed change did not demonstrate sufficient benefits to justify the cost (approximately £130,000) because it thought that the benefits of the change were unclear when the Request for Information was issued. The Retailer respondent did not agree with the data initialisation element of the proposal (see below).

The majority (11 respondents) agreed with the proposed drafting. Those that agreed cited reasons such as the benefits of the proposal and that the drafting reflected the proposed modification. The one Wholesaler respondent that did not agree with the proposal stated that the proposal did not provide evidence of the benefits for the market and customers. MOSL has since undertaken research which has provided further evidence as to the extent of the issue and gives a better indication of the benefits of the proposal. The research suggests that as a result of the change, in approximately 43% of cases, Retailers will have access to more accurate SPID data. This in turn can have positive impacts for customers as they will potentially receive more timely and accurate bills.

Most respondents stated that there would be few or no changes to systems and processes if the proposal was approved. Of those that identified changes, two Retailers said that there would be implications on billing systems to ensure that they are able to receive the transactions. These Retailers indicated that these system changes would have associated costs, these associated costs were not quantified. Most respondents considered that there would be low or no implementation costs.

With regard to the implementation date, 11 respondents agreed with the proposed date. It was stated that this aligned with the proposed date for the next release of CMOS. One Wholesaler did not agree with the proposed date as it did not agree with the proposed change, one Retailer did not agree as it considered that aspects of the proposal were complex and could lead to confusion (see below).

Data Initialisation

As CMOS currently has a number of SPIDs awaiting the T103.R transaction, it was originally proposed in the Request for Information that data initialisation should be undertaken. This would provide access to historic notifications for Retailers that have not yet accepted or rejected these SPIDs.

The majority of Trading Parties did not consider that data initialisation would be beneficial. Reasons provided included that a review of new and partial SPIDs and necessary remedial action is undertaken regularly. In addition, it was considered by Trading Parties that the number of SPIDs affected (approximately 8,102 in June 2019) would not justify the costs involved (approximately £23,000).

Following consideration of responses to the Request for Information, this part of the proposal was not taken forward.

Panel recommendation

The Panel considered this Change Proposal at its meeting on 25 June 2019. It recommended that the Authority approve this proposal on the basis of improving the principles of efficiency, transparency, simplicity, cost-effectiveness and security and the Market Terms objective. The recommended date of implementation is 15 May 2020.

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 CPW065 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

Having reviewed the evidence provided by the Panel in its Final Report, we consider that approving this Change Proposal should improve the functioning of the market and therefore benefit customers Retailers receiving automatic notifications in CMOS

of any transactions submitted by wholesalers before the retailer submits the T103.R should improve the quality of market data, which has been identified as a key market friction, and ultimately provide a flow through benefit to customers. In particular, we consider that this should in turn contribute to affected customers receiving more timely and accurate bills. This modification will also result in better alignment of Trading Party systems and reduce manual processes which are currently used to remedy the misalignments.

We have set out below our views on which of the code principles are better facilitated by the modification proposal.

Transparency

This change furthers the principle of transparency as it will be clear how notifications for SPIDs in advance of submission of the T103.R will be handled. Retailers will be aware of notifications that were submitted earlier to its acceptance of the SPID without having to take additional steps to obtain this information for each affected SPID.

Efficiency

This Change Proposal will result in efficiencies in the SPID registration process because Retailers will have access to information which will enable them to more efficiently make the SPID Tradable. This will potentially contribute to decreasing the time that is taken for SPIDs to be registered. More efficient registration of SPIDs can have a positive impact on customers in the form of more timely and accurate bills and the SPID is more likely to be accurately registered.

Proportionality

Whilst there is a cost to implement this change in CMOS, Trading Parties have indicated that the implementation and ongoing costs to them will be minimal to low. The costs therefore are considered proportionate to the benefits that this change will realise, particularly given that this change could ultimately lead to more timely and accurate bills for customers. The Request for Information responses also suggest that the change is proportionate as Retailers are likely to benefit from system alignment and from having access to the data at the SPID as a result of this modification. Further, Wholesaler market performance charges could be reduced as they will not need to wait for a Retailer to accept in advance of submitting the T101.W transaction.

Market Terms objectives

The change will facilitate the registration of SPIDs in a more efficient way and better some of the processed detailed within the codes.

Decision notice

In accordance with paragraph 6.3.7 of the Market Arrangements Code, Ofwat approves this change proposal.

Georgina Mills
Director, Business Retail Market