

Trading party site visit reporting

Thames Water Utilities Limited (Wholesaler)
Year 2 NHH market audit
February 2019



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Overview and approach

Approach to review

Our year 2 programme for Trading Party compliance is developing on our strong base of understanding and relationships formed from year 1, to enable **a more focused, data led and innovative audit approach**.

Our approach is based around a biannual review cycle, which is designed to target the key risks and issues identified using **evolving data analytic techniques** on the data generated by the market throughout the period, **supported by targeted site visits** to selected Trading Parties to better understand root cause and potential solutions.

Below is a summary of our review approach:



Scope of review

The scope of our review at Thames Water Wholesaler Market Services (WMS) included the following areas:

1. Proportion of monthly settlement invoices covered by estimate vs. actual volumes
2. Data quality: availability of live and valid records for SPID, meter info, premises, service component data tables in CMOS
3. Age the exceptions reported in the monthly CMOS exception reports

Phase 1

Risk profiling

- Build risk based view based on: Year 1 audit, market analysis, regular analysis of data in CMOS and wider market, awareness of performance outputs
- Data profiling to identify additional or emerging risks
- Scope risk focus areas
- Alignment with Market Performance Operating Plan (MPOP) and Market Performance Committee (MPC)

Phase 2

Data analytical review

- Develop data test concept and supporting data requests
- Obtain data from central systems and Trading Parties as required
- Execute data tests and validate results

Phase 3

Targeted site visits

- Report comparative results, and identify top and bottom quartile Trading Parties
- Engage sample of Trading Parties for detailed site visit on targeted issues
- Perform site visits and detailed audit, assessment of root cause and potential solutions

Phase 4

Reporting and recommendations

- Reporting on key themes and issues, with our recommendations
- Engage with market via forums, portal or other means to share findings and recommendations, as appropriate

Summary of observation

Summary of observations

During our review at Thames Water Utilities, we observed the following good practices:

- Thames Water Wholesale Market Services (WMS) have initiated an Accelerated Program (AP) aimed to improve customer experience for Retailers and non-household customers. AP included 6 different work streams that began in Jul 2018. The areas of focus included:
 - ✓ Identification of reasons for long unread meters and resolution of the issues through joint work with Retailers;
 - ✓ Desktop analysis and field visits of over 20k vacant properties were conducted to confirm occupancy status;
 - ✓ Implementation of a new data analytics tool, which will enhance the company's ability to monitor data completeness and integrity;
 - ✓ Fixing and cleansing of over 50k data records in CMOS and internal systems;
 - ✓ Resolution of issues related to incomplete or missing customer address data; and
 - ✓ Root cause analysis of 7k outstanding bilateral requests and allocation of additional resources for their completion.
- Thames Water WMS actively participates in many market-wide activities such as groups established by MOSL and trading parties, user forums, committees etc.;
- Wholesale Service Offering, a document explaining the details of services and how Retailers can order these services, is published on Thames Water website;
- Thames Water WMS have implemented a Retailer portal, which allows better communication with Retailers, providing them with a convenient instrument for submitting bilateral requests and sharing data.
- R-Mex is an initiative voluntarily being developed by the Retailer Wholesaler Group with Thames Water WMS chairing that group, aimed at evaluating Retailer's satisfaction with services provided by Wholesaler.

Through detailed discussion with management and investigation of the scope areas on the previous page we identified a number of observations that impact Thames Water Utilities and the wider market, such as:

- Significant number of meters that have not been read since market opening;
- High volume of premises incorrectly marked as Vacant in CMOS; and
- Lack of common methodology for YVE calculations and insufficient control over changes to existing estimates.

Over the following pages we have included further details on these and other observations identified during the course of investigation into the scope areas listed. They are categorised according to our findings that impact the market and Thames, and feedback captured for MOSL following our discussions relating to central systems and processes.

Definition of ratings

Our findings are categorised by the following priority ratings:

- **High** – A recommendation relating to a significant issue identified that is resulting in (or could result in) non-compliance with the WRC and is important to be addressed by management as a matter of priority;
- **Medium** – A recommendation addressing a weakness which, although unlikely to lead to a material risk of non-compliance with the WRC, warrants timely management action using the existing management framework to ensure a formal and effective system of management control exists in the business; and
- **Low** – A recommendation which addresses issues where resolution within the normal management framework is considered desirable to improve efficiency or ensure that the business matches current market best practice.

Summary of observation (cont'd)

No.	Process area	Type of observation	Observation	Priority	Recommendation	Management response
1	Long unread meters	Market wide issue	<p>As of June 2018 there were approximately 65k long unread meters owned by Thames Water WMS that have not been read since market opening. As it is Retailer's responsibility to arrange cyclical meter reads and timely submission of these into CMOS, Wholesalers do not have direct control over this metric.</p> <p>Results of Accelerated Programme have shown that over 8k baselined meters (which represents over 13% of the baselined meters) required service works (assets fixes, field visits, deregistration) to be carried out by the Wholesaler, with 87% requiring action from Retailers. Although the majority of these cases are expected to be resolved by the end of Accelerated Programme, the number of long unread meters is constantly growing and further work is needed to improve the situation. It was also noted by Thames Water WMS that a growth in the number of long unread meters is not accompanied by a correlated growth in the number of bilateral requests from Retailers.</p>	Medium	<p>We encourage management to continue their joint work with Retailers started in Accelerated Programme on the investigation of the reasons behind long unread meters and resolution of identified issues.</p> <p>Where there are market wide performance discussions on this topic, root cause analysis and recommendations as they relate to Wholesaler responsibilities should be identified and considered alongside improvement programmes existing within Thames.</p>	<p>We will continue to work and engage with our Retailers to reduce the number of long unread meters in our area.</p> <p>In parallel we are feeding into wider market forums to ensure that issues relating to long unread meters are highlighted and addressed appropriately at a market level.</p> <p>Whilst we endeavour to reduce the number of long unread meters in our area, we note that market wide activity will have the greatest impact in resolving this observation.</p>
2	Vacant Premises	Market wide issue	<p>From July 2018 to January 2019 Thames Water WMS worked with Retailers to review over 23k premises marked as Vacant in CMOS and confirm their occupancy status.</p> <p>The results of the Accelerated Programme have shown that many of these premises have been occupied. Thames Water WMS highlighted that of the 23k premises considered:</p> <ul style="list-style-type: none"> • Desktop studies indicated approximately 25% of the properties were incorrectly marked vacant; and • Site visits were conducted on a sample of 23k premises and approximately 47% of those visited were found to be incorrectly marked as vacant. <p>Thames Water WMS suggest that the high volume of Vacant Premises in CMOS can indicate that either Retailers do not perform sufficient checks on their customers, or do not maintain accurate occupancy status for other reasons.</p>	Medium	<p>Thames should continue to investigate the root cause of vacant property details in CMOS, and share knowledge and experience on their findings with relevant Retailers.</p> <p>Central processes and metrics can be reviewed (by MOSL) to ensure appropriate priority is given to reduce vacant premises in the market.</p> <p>In addition, as covered in the next section of this report, A simpler and faster vacancy change process can help to improve the situation with high volume of occupied premises incorrectly marked as Vacant in CMOS.</p>	<p>We agree that vacancy is a major issue in the market and would welcome greater focus in this area by MOSL particularly in relation to transparency of performance.</p> <p>Give the impact on Thames's wider customer base we will continue to investigate incorrectly flagged vacant premises and challenge Retailers where appropriate. We have developed a Performance Commitment focussed on Empty Business Properties as part of our PR19 plans.</p>

Summary of observation (cont'd)

No.	Process area	Type of observation	Observation	Priority	Recommendation	Management response
3	Access to customer contact details	Market wide issue	<p>During our review of data quality issues, we were made aware of the fact that wholesalers do not have access to customer's emergency contact details and find the ability to provide timely notifications in the event of service disruptions challenging.</p> <p>Currently this information is owned by Retailers and there are known data issues where the information is not regularly maintained. Additionally, if the emergency happens during non-working time (e.g. night time, Christmas, Bank holidays etc.) Wholesalers have to contact Retailers' emergency contact numbers. In some instances Retailers have not provided the customer details in a timely manner.</p>	Low	<p>Together with any relevant application of data protection standards, access to customer's contact details in the event of an emergency should be considered. This includes information about vulnerable customers, such as hospitals and schools, which will allow companies to prioritise their work in the event of emergency.</p> <p>This will require joint collaboration across the market, including Retailers and MOSL.</p>	<p>This carries a very real risk to customers and is a priority given the constraints of the current market design.</p> <p>We have reached out to Retailers to proactively share customer contact details with bi-lateral agreement with the aim of getting appropriate arrangements in place by March 2019.</p> <p>We are also sourcing details for sensitive NHH directly given poor coverage of this data in the market.</p>

Summary of observation (cont'd)

Feedback on central processes

Following our visit to Thames Water WMS, we have recorded the points of feedback from the Trading Party below regarding MOSL activities and central processes performed. During the course of our review programme we will endeavour to collate all feedback received from participants and share with MOSL for their consideration.

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- 1 Yearly volume estimates (YVE)**

Thames Water WMS do not consider YVE to be sufficiently accurate for its purpose due to lack of common calculation methodology and control over changes to YVE values. Currently, market codes do not require Retailers to provide a methodology for making changes to YVE in CMOS, which increases the risk of inaccurate YVE values, such as 0 or 1, being set. Market codes should be updated to propose a common methodology for YVE calculation and introduce controls over changes to YVE values in CMOS (e.g. provision of supporting evidence for significant changes) or remove them entirely.
 - 2 Vacancy change application**

During 2018 Thames Water WMS submitted vacancy change applications to MOSL for 6 supply points. They have found that current process is complicated and takes a long time to complete. In particular, Thames Water WMS suggest that allowing more timely notifications to involved parties and a comparative review of evidence provided by Retailers and/or Wholesalers could lead to significant process efficiencies.

Thames Water WMS also highlighted that this process is only necessary where Retailers have not maintained accurate occupancy data. They believe that this raises the question as to whether Wholesalers should bear the cost of investigating and challenging occupancy data particularly when this process currently requires onerous site visits to be completed for each challenge.
 - 3 CMOS validation checks**

Significant data fixing and cleansing work was carried out by Thames Water WMS as a part of their Accelerated Programme. There are cases when historic data inconsistencies could not be fixed due to validation checks implemented in later CMOS releases.

For example, previously it was possible to deregister a SPID in CMOS while an associated meter remained active. New validation checks do not allow to deactivate these meters in the system.

Therefore, it is Thames view that an approach should be developed to facilitate manual fixing of data inconsistencies which cannot be resolved through standard procedures, and MOSL should notify trading parties about upcoming CMOS releases providing sufficient details about changes to data validation procedures.
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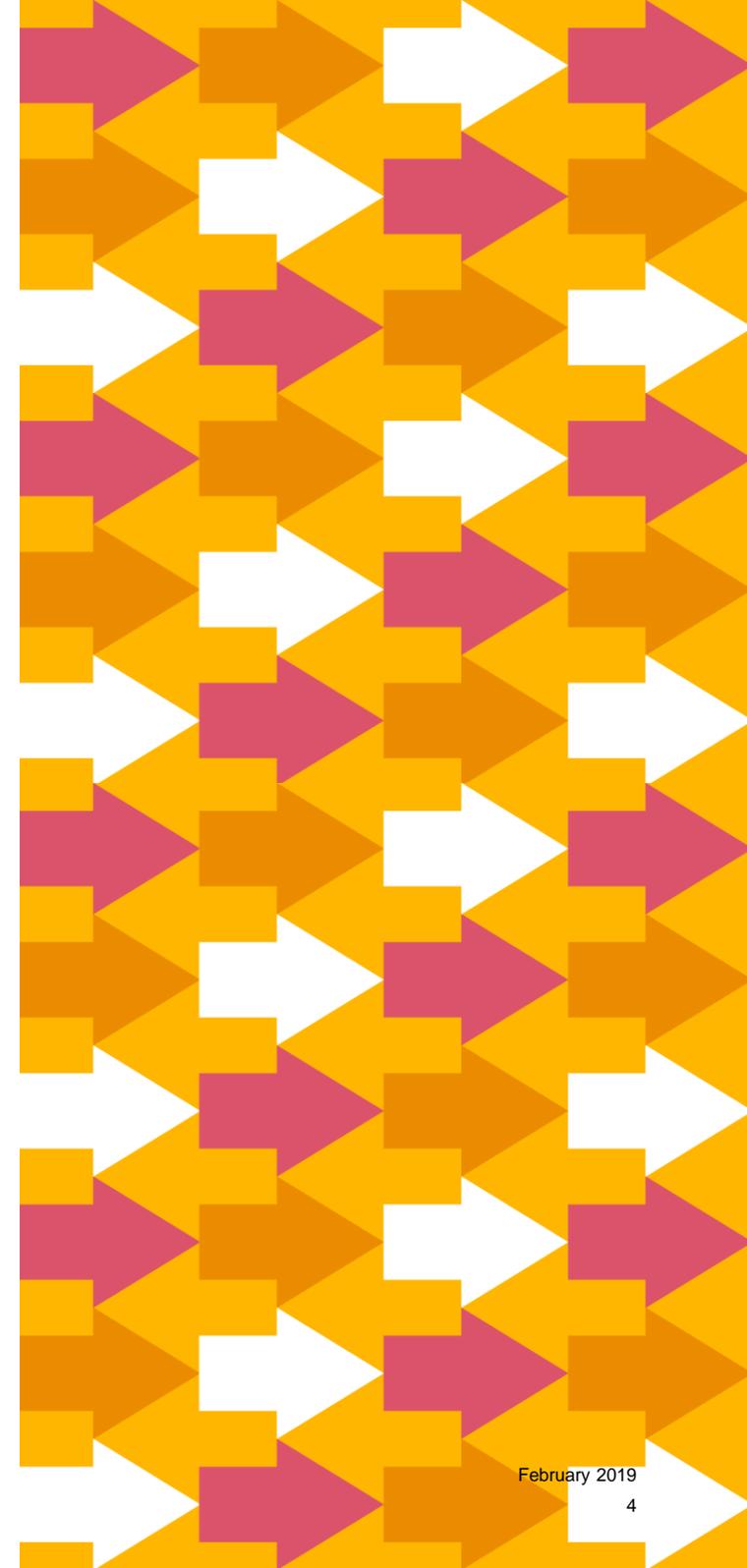
Summary of observation (cont'd)

Feedback on central processes (continued)

4 CMOS Exception report

We noted feedback from Thames Water WMS regarding the application of the standard Exception report from CMOS, where it is found to have insufficient details and therefore limited usability. The report does not provide sufficient details about the nature of exception and additional time is required to investigate the reasons behind reported error. Monthly reports are received in separate files for each Retailer and same exceptions are recorded multiple times in the report for each day, which creates additional effort to de-duplicate and consolidate records.

As an improvement, MOSL should explore how to update the format and detail of the report such that duplicated records are addressed, consolidated view for all trading parties and more detailed categorisation of exceptions is provided, as this will facilitate an improvement in the timely resolution of identified exceptions.



Next steps

Following the issue of this report, we will arrange a close out call or meeting with you to run through the findings. We will look to obtain management responses to any key findings.

MOSL and Panel may also ask PwC to prepare regular status updates and a summary of key themes across our reviews throughout the course of the site visit schedule, however these would not seek to highlight any specific company. At this stage, we envisage providing anonymised, thematic reports that highlight areas of good practise and where further, market-wide, enhancements may be required.

PwC will prepare and issue a market wide report entailing a summary of the thematic observations and recommendations observed across the course of the visits. This will focus on areas for market improvement, our recommendations and examples of good practice we have identified across our review programme.

We plan to issue this report in March 2019 and the report will be issued to all trading parties, MOSL and the Panel.

We would like to thank all of the team at Thames Water WMS for their assistance in helping us prepare this report, and in particular [REDACTED]

If you have any further questions or concerns, please do not hesitate to get in touch with your regional PwC team.



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