



Covid-19 and the business retail market – consultation and next steps

16 July 2020



Introduction

Please find enclosed the submission from Thames Water Utilities Ltd in response to this consultation.

- 1.1 We recognise the significant work and time that Ofwat have invested in both this consultation and the recent code changes and we wish to continue to support Ofwat and the market in the interests of our Retailers and the non-household users of our services.
- 1.2 We support the objectives with the consultation that in these changed circumstances, it is right that the emergency measures introduced in March and April should be withdrawn and unwound as soon as practical without disrupting the market and services to customers.
- 1.3 We fully support the response made by Water UK and within this response have sought to provide more detail in some areas as to how the proposals could operate, adding key practical and detailed clarifications that we believe Ofwat may find helpful.
- 1.4 We have also addressed the questions asked on behalf of the Panel as input to into Code change CPW100.

Please note, the data and examples set out within various parts of our response represent our own internal analysis. Whilst we have sought to ensure the accuracy of this information, given the time allowed to respond to this consultation, it has not been subjected to our usual governance and assurance process.



Question responses

Full list of consultation questions

Consultation question 1: Of the three options identified in relation to extending liquidity support, which option do you support and why? Please explain your answer and provide supporting evidence wherever appropriate. Which option is most compatible with furthering customers interests and why?

1.5 We support the Water UK's position that Option 1 is adopted. We believe this is the only suitable option on the basis that:

- Retailers are no longer taking up the deferral option in significant numbers in the Thames region. At the end of June, only five Retailers are deferring charges worth [REDACTED]
- Six Retailers who initially chose to defer a proportion of charges, have repaid all deferred charges in full.
- All Retailers who continue to defer sums have overpaid against the minimum requirement.

Consultation question 2: If we were to implement option 2, should we retain the existing capped amount of liquidity support (i.e. 40% of primary charges from March to July), or should this be reduced to a lower level (e.g. 30%, or 25%)? Please explain your answer and provide supporting evidence wherever appropriate.

1.6 We support Water UK's position that Option 2 is not compatible with customers interests or necessary to prevent systematic Retailer failure.

1.7 Should Ofwat choose to adopt this option we believe there would be a strong case to significantly reduce the existing level of capped liquidity support to more marginal levels for the reasons and evidence given in response to Question 1, including that the take up has been low and the repayment level has been high.

1.8 Maintaining even a 25% deferral rate would create a disproportionate liquidity challenge for Wholesalers and risk worsening the ability of Retailer to repay large deferred sums.

Consultation question 3: If we were to implement option 2, should we continue to allow Retailers to opt into the scheme at any time up until October 2020? We also welcome stakeholder views on the most appropriate way a cap could be implemented into the current mechanism. Please explain your answer and provide supporting evidence wherever appropriate.

1.9 We support Water UK's response that Retailers should not be allowed to opt into the scheme after July.

1.10 Should Ofwat choose to allow Retailers to opt-in at a later date, we would expect Ofwat to amend the Code rules so that any Retailer proposing to opt in must evidence *in advance to Ofwat* that this support is needed rather than to retain the option as an open line of credit.



1.11 There is no current evidence to suggest that the deferral window would need to extend until October 2020 for the reasons and evidence previously articulated in response to Questions 1 and 2 above.

Consultation question 4: Of the three options identified in relation to unwinding liquidity support, which option do you support and why? Please explain your answer and provide supporting evidence wherever appropriate. Which option is most compatible with furthering customers' interests and why?

1.12 We support Water UK's position that a mandated backstop approach is necessary.

1.13 We do not believe a bilaterally negotiated timetable, is workable in practice, even as part of Ofwat's proposed Option 3, on the basis that:

- trading parties' commercial goals pull in directly opposing directions.
- Retailers with deferred sums outstanding in the second half of the year may be those who have not generated enough cash as recently as October to pay their wholesale bills and have been unable to secure funding from other sources.
- Wholesalers would be making bilateral lending agreements to support potentially failing Retailers. We do not consider this would be in the interests of customers or the market.

Consultation question 5: Under option 3 do you agree that 33% of deferred wholesale charges should be repaid by end November 2020 and that 66% should be repaid by end January 2021? Please explain your answer and provide supporting evidence wherever appropriate.

1.14 We support Water UK's response and would ask Ofwat to further consider that:

1.15 No residual cash payments are left to the very end of the financial year. We would prefer all payments to be in by at least 1 month before the end of the year to ensure certainty of cash flows.

1.16 Retailers in this situation are unlikely to have had enough cash coming in from customers all year to meet their payment obligations in full and would have been unable to secure funding from other sources. The standard default route could take at least 25 business days and in the interests of customers (who will be continuing to pay this Retailer) Ofwat should consider an expedited exit route, including for example an immediate loss of licence.

1.17 Customers will be exposed by an extended exit in two ways. Failing Retailers' customers may lose money paid during an extended default period, and all customers may subsequently be impacted by higher wholesale prices as a consequence of their delayed exit.

Consultation question 6: Do you agree that the option for Retailers to use the temporary vacancy flag should be allowed to expire on 31 July 2020? Please explain your answer and provide supporting evidence wherever appropriate.

1.18 We support Water UK's response to this question. We agree that, in line with the nationwide easing of restrictions, the option to apply the temporary vacancy flag should expire at the end of July 2020.



- 1.19 We particularly support the need for an absolute priority focus from all parties on obtaining meter reads as this is the key to making sure that customers receive accurate bills, don't face future bill shocks and that Retailers are charged correctly.
- 1.20 We include some of our data below to illustrate Water UK's point about the variable use of vacancy flags and how having a clear end date at the end of July is critical. In particular our smart meter data and data from vacancy field visits suggests significant overuse of vacant flags.
- 1.21 Our **smart meter data** indicates that in c80% of cases customers have continued to use more than 5% of the normal level of usage and as such that vacancy flags have been applied incorrectly. Further details are set out in Table 1.
- Of our non-household smart meters, we looked specifically at 2,694 premises with smart meters where the SPIDs are marked as vacant.
 - Of these only 484 (18%) meet Code criteria of >95% reduced usage compared to normal levels of usage.
 - This means that 82% of premises have been wrongly flagged as being vacant due to Covid-19.
 - Usage has reduced for these 'vacant' meters overall by 69%.
 - We have been sharing smart meter read data with Retailers (in line with the Guidance for use of Wholesaler meter reads since this was issued by MOSL). Data was shared in March (reads for c4700 meters), June (reads for c12,000 meters) and we are in process of sharing data in July (reads for c12,000 meters). This is in addition to meter reads provided through vacancy field visits and other BAU work such as meter verification visits.

Table 1: Analysis of water usage from smart meters with vacancy flags

Change in usage pre/post Covid-19	Number of meters	Percentage
Decrease >95%	484	18%
Decrease <95%	1780	66%
No change	100	12%
Increase	330	4%
TOTAL	2694	100%

Source: Thames Water data up to 31 May 2020



1.22 Our **vacancy field visits**¹ have shown from visual inspection that 18% of premises are occupied

- We have carried out over 39,000 site visits to properties flagged as vacant at our own cost. We have done so using redeployed staff, observing social distancing at all times and avoiding customer contact wherever possible.
- All sites visited have had vacancy flags added by Retailers. Of the premises visited, we found 18% (>7000 premises) to be evidenced as being partly or fully occupied.
- This information, including corroborative evidence such as photographs, has been provided to our Retailers via a shared digital storage space.
- Despite this information being shared with Retailers providing significant evidence of occupancy, Retailers have only actively reverted 238² premises to occupied.

Consultation question 7: Do you agree that in the event of (1): reduced consumption, and/or (2) any local lockdowns, Retailers should seek to obtain meter reads to reflect actual consumption in the market (or in the event a meter read cannot be obtained engage with customers to obtain an accurate estimate of consumption (YVE))? Please explain your answer and provide supporting evidence wherever appropriate. If you do not agree, please set out an alternative proposal.

1.23 We support Water UK's response to this question. In particular we agree that for customers whose activities have been affected by Covid-19, obtaining meter reads is the best way to ensure that customers' bills are accurate and reflect their actual usage of water and wastewater services.

1.24 In support of this we provide data and analysis relating to our experience. We are aware that the Thames Water area has seen a disproportionate number and scale of YVE changes during Covid-19, so we have included further detailed suggestions on how to improve controls and processes that will help to avoid future frictions for the wider market.

1.25 Our experience has been that within the Thames Water area there have been a significant number of changes made to YVE since 16th March. These changes have in many cases been extreme reductions in estimated usage (>95% reduction) and our smart meter data shows these YVEs are leading to significant under-estimation compared to actual consumption. This is not in the interests of customers who, as a result, are likely to face future bill shocks.

1.26 We note that, although not included in the consultation document, data on the use of YVE changes and settlement capping is monitored and reported at a Trading Party level by MOSL and this helps to illustrate this concern.

1.27 Examples of this reporting are included in Figure 1 and Figure 2 below. These specify that Castle Water is the primary outlier in its use of YVEs, both in terms of the highest number of affected meters and the largest average reductions in YVE. Due to Castle Water being the

¹ Data correct to 13th July 2020

² Excluding premises included in the batch of c59,000 premises reverted to occupied by Retailers between 3rd and 6th April following publication of MOSL Guidance on the use of temporary vacancy



largest Retailer in the Thames Water area this has a disproportionate effect in suppressing estimated consumption.

Figure 1: MOSL YVE reporting to Panel (June 2020)

YVE requests since 16th March – which retailers are outliers?



RetailerID	Requests	Covid Requests		Meters	Average Reduction
		#	%		
CASTLE-R	13615	8801	64.6%	13476	95.1%
GREENEKING-R	1995	1995	100.0%	1588	76.7%
WHITBREAD-R	1097	1097	100.0%	900	82.3%
FIRSTBW-R	952	949	99.7%	952	91.9%
STONEGATE-R	816	816	100.0%	653	89.8%
MARSTONS-R	730	728	99.7%	700	75.4%
SOUTHWEST-R	340	334	98.2%	340	84.3%
WATER2BUS-R	202	174	86.1%	202	92.8%
TWRC-R	123	123	100.0%	123	50.9%
BLACKPOOL-R	91	91	100.0%	91	97.1%
BT-R	77	77	100.0%	77	89.7%
BUSSTREAM-R	57	32	56.1%	57	41.1%
JLP-R	33	32	97.0%	33	98.2%
WAVE-R	11329	12	0.1%	10999	33.8%
DWRCYMRU-R	44	4	9.1%	44	25.3%
EVERFLOW-R	7	4	57.1%	6	57.1%
SEVERN-R	4	2	50.0%	4	89.7%
CLEARBUS-R	2	1	50.0%	2	96.6%
SUTTON-R	11	0	0.0%	11	64.4%
YORKSHIRE-R	3	0	0.0%	3	67.8%

- Castle Water are the primary outlier in terms of YVE reductions, with the highest number of affected meters and the largest average reduction (when considering material number of changes).
 - Many of these reductions have been to similar low values, with 25 being a common new YVE. Less than 2/3rds of these reductions have been flagged as due to COVID
- Wave also has a high level of reduction, but this seems to be unrelated to COVID. Water2Business and First Business Water also have high levels of reduction.
- Castle Water, First BW, Greeneaking, Whitbread and Marstons are the only five parties engaging in both YVE and Vacancy reduction practice on a material scale (relative to size of meter stock)

Source: MOSL- Update Panel 44

Figure 2: MOSL YVE reporting to Panel (July 2020)

YVE requests since 16th March – which retailers are outliers?



CurrentRetailerID	Affected Meters	Requests	Covid Labelled Requests		Average YVE Reduction	Meters affected since 1st June
			#	%		
CASTLE-R	23,984	24,266	16,527	68.1%	94.5%	842
WAVE-R	16,605	17,163	26	0.2%	30.3%	7,818
FIRSTBW-R	2,336	2,516	2,248	89.3%	89.1%	82
GREENEKING-R	1,586	3,127	3,127	100.0%	76.7%	0
WHITBREAD-R	909	1,737	1,737	100.0%	82.3%	0
MARSTONS-R	855	1,647	1,645	99.9%	75.4%	0
SOUTHWEST-R	751	751	744	99.1%	84.3%	1
STONEGATE-R	888	1,303	1,303	100.0%	89.8%	0
WATER2BUS-R	325	336	256	76.2%	90.7%	12
TWRC-R	178	178	178	100.0%	50.6%	6
BUSSTREAM-R	117	117	68	58.1%	41.2%	0
BLACKPOOL-R	107	107	107	100.0%	97.4%	0
BT-R	93	93	92	98.9%	89.7%	1
JLP-R	60	61	60	98.4%	98.2%	0
ADSM-R	46	46	46	100.0%	82.6%	0
DWRCYMRU-R	44	44	4	9.1%	25.3%	0
EVERFLOW-R	15	16	8	50.0%	57.7%	2
SUTTON-R	13	13	0	0.0%	64.4%	0
SEVERN-R	7	7	4	57.1%	89.7%	1
YORKSHIRE-R	3	3	0	0.0%	67.8%	0
CLEARBUS-R	2	2	1	50.0%	96.6%	0
UNITED-R	1	1	0	0.0%	0.8%	0
ELIS-R	1	1	0	0.0%	77.5%	0
YUWATER-R	1	1	1	100.0%	86.5%	0

- There continues to be few YVE submissions, with the majority being attributed to legitimate data cleanse activity undertaken by Wave who have adopted a new approach to refining YVEs as part of their BAU
- Castle Water, as an outlier, are subject to market audit scrutiny to better understand the approach they are taking
- Of the 8,765 new YVE reductions submitted in June, only 6 were flagged as due to COVID - all by TWRC
- The total consumption reduction amongst those YVEs that have been flagged as explicitly due to COVID totals 34,308,096 m³.

Source: MOSL- Update Panel 45

1.28 Data from our **smart meters** demonstrates that the YVE changes that have been made since 16th March are inaccurate and significantly underestimating actual usage.



- 1.29 We have analysed smart metering data from 1,859 meters that have had their YVE changed since 16th March. This data shows that YVE adjustments are significantly under-estimating consumption.
- 67% of smart metered properties are consuming more than the YVE adjusted forecast, with 33% using less
 - The net underestimate of usage for these 1859 meters equates to 770,157m³/year.
 - If this error rate is extrapolated to the >23,000 meters that have had their YVEs adjusted, the net revenue impact is c.£20m per year.
- 1.30 Despite YVE changes being monitored and reported by MOSL, clearly demonstrating outlier behaviours, and evidence of consumption being provided from our smart meter reads, we note that the large number of YVE changes made since 16th March in our supply area have not been reversed. This continues to have a significant impact on consumption volume estimated and settled in the market.
- 1.31 If changes to YVE are to be permitted (and even encouraged), in order to maintain accuracy and avoid market frictions we believe there need to be the following:
- Meter reading activity should be focused and accelerated to ensure that reads are taken on all supply points that have either had a vacancy flag applied or their YVE changed during the period since 16th March. If a Retailer seeks to change a YVE value the first test should be whether a read has been obtained or that there is clear evidence that it has not been possible to obtain a meter read;
 - Clearer standards for the evidence Retailers are required to obtain and that this evidence be made available to affected Wholesalers in advance of changing the YVE value to avoid unnecessary challenge;
 - Continued and enhanced monitoring and reporting by MOSL to also include tracking where estimated consumption is being capped by YVE. If consumption shows the YVE is inappropriately capping volume, the YVE must be changed to enable the consumption shown on the meter to be reflected properly in the market;
 - Where Trading Parties do not agree the YVE changes are accurate there needs to be timely independent review of the evidence from the Retailer and other available evidence presented (such as from Wholesaler or MOSL data). Such review could include Ofwat, MOSL and possibly be supported by the market auditor. The only current recourse for challenging YVE changes is through formal disputes processes that are resource intensive and would not deliver timely results;
 - Immediate correction is applied and backdated where YVEs are shown not to be supported by the evidence; and
 - Ofwat uses the existing Code provisions to take regulatory enforcement action in a timely manner where changes to YVE have been misused.



Consultation question 8: Do you agree that following the expiration of the temporary vacancy flag Retailers will have until the end of September to remove these flags from CMOS? Please explain your answer and provide supporting evidence wherever appropriate.

- 1.32 We support Water UK's response to this question. In particular we believe that as a matter of course vacancy flags should be removed at the earliest opportunity and within days of restrictions being lifted and decisive action taken as a backstop where any flags remain at the end of September.
- 1.33 As has been noted the use of the emergency measure has been variable and has had a significant impact on the quality of data in CMOS and on the ability to recover charges from customers who have been consuming water and sewerage services while restrictions have been in place.
- 1.34 To further address discrepancies between the use of vacancy flags and YVEs and actual usage shown from the meter reads the following is proposed:
- In the case of vacant flags, if consumption shows usage to have been greater than 5% of pre-covid volumes the vacant flag should be retrospectively removed back to the date of covid application as the vacant flag was inappropriately applied;
 - In the case of YVEs, if consumption shows the YVE is inappropriately capping volume, the YVE must be changed to enable the consumption shown on the meter to be reflected properly in the market.

In both cases MOSL could monitor and make the changes to save Retailers work and facilitate swift correction of the market.

- 1.35 In support of this we provide data and analysis relating to our experience.
- 1.36 One key reason why the interventions suggested are necessary is that Retailer behaviour has not been symmetrical in applying and removing vacancy flags in response to the implementation of and the removal of Government restrictions. We understand that many Retailers have relied on desktop methods to apply flags for most flagged premises, but there are stark differences in Retailer responsiveness to adding and removing flags. Table 2 illustrates the differences in the rate that Retailers have added temporary vacancy flags in advance of or in response to restrictions (thousands per day), versus the rate that flags have been removed as restrictions have been removed (low hundreds per day).
- As restrictions began to be put in place between 16th March and 2nd April Retailers added vacancy flags for 141,610 premises, increasing the rate of vacant premises in the Thames Water area by 28 percentage points to 45%. The peak day was 26th March with 33,706 flags added in a single day.
 - Following implementation of the Code change allowing use of temporary flags and Guidance clarifying how this was to be used, Retailers then removed flags from 109,352 SPIDs over four days at a rate of 27,338 SPIDs per day.
 - Retailers continued to add vacancy flags to another 91,117 SPIDs through April and May at a rate of around 1600 SPIDs per day.
 - Restrictions started to be eased and removed from 1st June, although flags were removed for only 6048 SPIDs across the whole month, around 200 SPIDs per day.



- Further restrictions for much of the economy were lifted in early July, but flags have been removed for only 2773 SPIDs in the first half of the month, with a peak day of 1079 SPIDs and the overall rate of vacancy remains close to 40%.
- Within the next two weeks (16 July – 31 July), c113,000 flags will need to be removed at a rate of c7000 per day to meet the 31 July end date.

Table 2: Timeline of adding and removing temporary vacancy flags

Timeline of developments	Number of vacant SPIDs	Rate of change
16th March [start] No Government restrictions yet in place	86,215	-
23rd March Non-essential businesses closed Retailers adding vacancy flags (in advance of Code changes permitting this)	104,813	+2,657/day
30th March CPW091 allows temporary use of vacancy flags	207,239	+14,632/day
2nd April Peak use of vacancy flags by Retailers	227,025	+6,595/day
6th April Retailer reverses large batch of non-compliant flags	117,673	-22,392/day
30th April Flags continue to be added throughout April (c63,000 since 6th April) with c21,000 in final 4 days of the month	180,574	+2,621/day
31st May Flags continue to be added throughout May (c22,000) with c15,000 in final 4 days of the month	202,955	+722/day
1st June Second peak in vacancy flags Restrictions eased for Primary Schools and some non-essential retail	208,790	+6000/day
15th June All non-essential retail shops, places of worship and outdoor markets to reopen for the public.	207,104	-112/day
30th June Month ends with small number of flags being removed despite widespread reopening of economy	202,742	-291/day
4th July Pubs, restaurants, hairdressers, hotels and accommodation providers able to reopen	202,298	-111/day
15th July Including outdoor pools able to reopen from 11th July – continued low numbers of flags removed	199,969	-212/day
31st July [end?] Codes don't allow temporary vacancy flags beyond this point Indoor swimming pools and gyms able to open from 25th July	TBC	TBC

Source: Thames Water



Consultation question 9: Do you agree that a new MPS should be introduced from 1 October that focusses on the timely removal of all temporary vacancy flags? If so, what are your views about how this standard should be designed? Please explain your answer and provide supporting evidence wherever appropriate.

1.37 We support Water UK's response to this question.

Consultation question 10: Do you agree that an additional MPS (or alternatively an API) should be introduced to monitor the use of YVEs in the market and incentivise the submission of more accurate consumption data? Please explain your answer and provide supporting evidence wherever appropriate.

1.38 We support Water UK's response to this question.

Consultation question 11: If we were to introduce a financial incentive on YVEs, how could arbitrarily low YVEs entered into CMOS be identified in a proportionate way (for example via one or more simple rules)? If we were to introduce a reputational incentive on the use of YVEs, how could such a reputational incentive be strengthened?

1.39 We support Water UK's response to this question.

Consultation question 12: What are your views on how we can better (financially or reputationally) incentivise Wholesalers to work constructively with Retailers during the unwinding of the temporary vacancy flag and to improve the accuracy of data in CMOS?

1.40 We support Water UK's response to this question and provide some insight into how we have been working with Retailers during the period.

1.41 We have been providing all Retailers with meter read data from our smart meters since Covid-19 restrictions impacted their ability to obtain meter reads. We provided reads in March (reads for c4700 meters), June (reads for c12,000 meters) and are in process of sharing data in July (reads for c12,000 meters).

1.42 In addition, we have carried out c39,000 vacancy check visits over the same period, at our own expense, and shared our findings with Retailers where we found evidence of occupancy. This information, including corroborative evidence such as photographs, has been provided to our Retailers via a shared digital storage space

1.43 This additional activity carried out at our own expense demonstrates that there are already significant incentives for Wholesalers to ensure accurate use of vacancy flags, YVEs and meter read data in the market. This is on the basis we are accountable for the financial outcomes, but only Retailers have the authority to make vacancy flag or YVE changes. We consider the opportunities are to address weak incentives for Retailers to use vacant flags and YVEs appropriately.

Consultation question 13: Do you agree with the expectations set out above, which will guide trading parties through the unwinding of the temporary vacancy flag?

1.44 We support Water UK's response to this question and believe that with further guidance and some additional interventions the reasonable expectations of parties can be delivered.



1.45 These expectations need to ensure that this Code change that was aimed at avoiding overcharging customers due to the absence of meter reads, does not continue to result in billing uncertainty and future bill shocks for customers, inaccurate settlement and provision of significant and unintended liquidity support from Wholesalers to Retailers.

1.46 We would summarise the key steps that are needed to achieve greater certainty of outcome as:

- Remove all vacancy flags as soon as possible. Given Covid-19 restrictions have almost entirely been lifted, we would expect all flags to be removed by Retailers by the end of July. As a backstop, and to provide an incentive for timely action, any flags remaining in place by the end of September should be removed centrally and backdated to the date they were first applied.
- Correct unjustified YVE changes. Setting up a process to independently review the evidence for these changes where YVE changes are challenged, with an initial focus on outlier behaviours.
- Obtain meter reads for all premises that have had a vacancy flag or YVE change applied since 16th March by the end of September and preferably earlier. This is the only way to make sure that customers are being charged accurately and given certainty, following an extended period of uncertainty. Market incentives, charges and penalties should be aligned to prioritise and accelerate this activity and focus Retailers and Wholesalers on delivering this for customers.
- Correct errors in the application of vacancy flags or YVE changes and backdate these corrections. This should address the mismatch between the wide use of these tools and the evidence from meter reads, site visits and independent benchmarks.
- Provide Wholesalers with the right to initiate Covid-19 resettlement runs. Following removal of vacancy flags, restoration of accurate YVE values, and entry of meter reads, a number of reconciliation runs will be necessary to correct the unintended effect of artificially delaying accurate settlement that could otherwise stretch into the next financial year. We have seen significant levels of consumption by customers which has not yet registered or settled in Market systems due to delayed meter reading, use of vacant flags and YVEs. This deferred consumption will generate an unintended working capital benefit for Retailers for the remainder of this financial year as a result of the settlement cycle delaying the billing and payment for services provided³.

³ If a property remains registered as vacant, for example, between 16th March and 31st July, even if flagged as occupied from 1st August onwards, in the absence of a meter read, no volume will be estimated for the residual 4.5-month vacant period. Any consumption used during this period will only register on submission of an appropriate read/s. There are likely to be bill shocks from meter reading delays and this impact comes on top of any 'lost' fixed, supplementary and unmetered charges for this 4.5-month example period.

For the most part metered consumption does not settle in vacant periods. Thus when a meter is read, any consumption registered on meters between 16th March and 31st July will register in the surrounding months subject to the dates of the most recent read entered and the previous read. In the example given of a vacant period between 16th March and 31st July, a read on 1st August will push any consumption used during the vacant period into the period between the last read and March 15th. Settlement of this volume may take up to 6 months from the date the read was entered into the market. Any read impacting historical consumption volumes may take up to 8 months to settle accurately, this being due to the lag between R3 and RF.



- Ofwat uses the existing Code provisions to take regulatory enforcement where these provisions have been misused.

Consultation question 14: Should Market Performance charges come back into effect from end September 2020 or end October 2020? Please explain your answer and provide supporting evidence wherever appropriate.

1.47 We support Water UK's response to this question. We particularly believe that charges and other incentives should be focused on prioritising and accelerating obtaining meter reads for all premises affected by temporary vacancy flags or YVE changes so this is achieved as quickly as possible.

Consultation question 15: Should OPS charges be introduced before MPS charges? Please explain your answer and provide supporting evidence wherever appropriate.

1.48 We support Water UK's response to this question. We particularly believe that charges and other incentives should be focused on prioritising and accelerating obtaining meter reads for all premises affected by temporary vacancy flags or YVE changes so this is achieved as quickly as possible.

Consultation question 16: Should non meter reading MPF charges come into effect before meter reading MPF charges? Please explain your answer and provide supporting evidence wherever appropriate.

1.49 We support Water UK's response to this question. We particularly believe that charges and other incentives should be focused on prioritising and accelerating obtaining meter reads for all premises affected by temporary vacancy flags or YVE changes so this is achieved as quickly as possible.

Consultation question 17: Note – responses to this question will be shared with MOSL. Of the 3 options identified in relation to credit security requirements, which option do you support and why? Please explain your answer and provide supporting evidence wherever appropriate. Which option is most compatible with furthering customers interests and why?

- 1.50 We support Ofwat's proposal to implement Option 2 and maintain the current arrangements. This approach will act as a further incentive for Retailers to act in a timely manner to reverse vacant changes and clearly shows a route to return to business as usual (BAU) credit security arrangements.
- 1.51 We would also ask that Ofwat link a return to BAU with the removal of Covid-19 related YVE changes, specifically those which removed at least 95% of estimated charges volume. These changes have equally impacted collateral levels.
- 1.52 We believe that BAU credit security arrangements should return on an individual trading party basis and not a market wide basis so that Retailers who may be commercially unaffected by the collateral changes (for example, as credit is provided by means of a parent company guarantee.) do not prevent a return to BAU for trading parties who have made early vacancy and YVE moves.



Consultation question 18: Do you agree that the CPCoP does not require amendment in light of the proposals set out in this document? Please explain your answer and provide supporting evidence wherever appropriate.

1.53 We support Water UK's response to this question.



Questions asked on behalf of the Panel, as input into Code change CPW100

A1. What are the benefits and risks associated with implementing different credit support requirements for Retailers who have and have not deferred wholesale charges?

[Redacted]



A2. What assumptions are you making about the level and speed of return of NHH water consumption?

[Redacted]

A3. Please explain the makeup of your credit support and levels of Unsecured Credit Allowances in the pro-forma on the following page

[Redacted]

A4. Please tell us how regularly you reduce or increase credit lodged to match falls and rises in the P1 Settlement Report and explain what the associated costs are. Please also clearly state the monthly cost or saving you would expect to incur across your portfolio as a result of maintaining credit equivalent to July P1 vs credit equivalent to March P1 and provide supporting evidence where necessary.

[Redacted]



[Redacted]

[Redacted]	[Redacted]					[Redacted]	[Redacted]
					[Redacted]	[Redacted]	
	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	

[Redacted]

