

United Utilities welcomes the opportunity to respond to this consultation. We have been actively engaged with Water UK in the development of their response and support the submission. Further to the response from Water UK there are additional points we make below that we believe are helpful in reaching better solutions. The most substantial of these points relate to the application and unwinding of the temporary Covid-19 vacancy flag.

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

In order for successful co-operation between retailers and wholesalers and for the temporary vacancy guidance to be applied consistently it is important that the rules setting out whether a premises was correctly deemed to be temporarily vacant and when a vacancy flag must be removed are clear. We believe that some elements of the temporary vacancy guidance remain unclear and could lead to disagreement between wholesaler and retailer as to the correct treatment for a premises. Not only may this lead to conflict and delay, but also make it very difficult to resolve any disputes that may arise.

In relation to the application of the vacancy flag it needs to be noted that United Utilities does not charge for usage on vacant premises, and that about one third of our non-household revenue relate to fixed charges. These characteristics mean that the impact of the use of Covid-19 vacancy flags is materially different on customers in the North West, than for much of the country.

We have set out below our interpretation of the guidance and where we believe that uncertainty remains and additional guidance is required.

	<u>Is not open or available to workers, the public or visitors</u>	<u>Remains open or available to workers, the public or visitors</u>
<u>Has seen a significant decrease in its usual activities. Significant here means a reduction of 95% or more.</u>	<p><u>Scenario A</u></p> <p>Occupancy status: Vacant</p> <p>Fixed charges: Not recoverable</p> <p>Volumetric charges: Unclear</p> <ul style="list-style-type: none"> Charges will not be raised where two or more meter reads are submitted to CMOS during a period of vacancy Charges will be raised where one or no meter reads are submitted to CMOS during the period of vacancy <p>There is no current mechanism to ensure consistency of charging for these premises.</p>	<p><u>Scenario B</u></p> <p>Occupancy status: Vacant</p> <p>Fixed charges: Not recoverable</p> <p>Volumetric charges: Unclear</p> <ul style="list-style-type: none"> Charges will not be raised where two or more meter reads are submitted to CMOS during a period of vacancy Charges will be raised where one or no meter reads are submitted to CMOS during the period of vacancy <p>There is no current mechanism to ensure consistency of charging for these premises.</p>

COVID-19 and the business retail market – consultation on next steps

	Is not open or available to workers, the public or visitors	Remains open or available to workers, the public or visitors
<p>Has not seen a significant decrease in its usual activities. Significant here means a reduction of 95% or more.</p>	<p>Scenario C</p> <p>Occupancy status: Vacant</p> <p>Fixed charges: Unclear</p> <p>There remains a conflict between the codes and the guidance in that the premises is legitimately marked as vacant in line with the provisions of CSD0104 however the guidance states that “if on the business returning to operation, it transpires that water was consumed at that premises, then the Retailer will be billed for it and be liable for charges associated with that consumption.”</p> <p>There is no current mechanism for fixed charges to be levied where a premises is marked as vacant.</p> <p>Volumetric charges: Unclear</p> <p>The guidance states that “if on the business returning to operation, it transpires that water was consumed at that premises, then the Retailer will be billed for it and be liable for charges associated with that consumption.”. However there is no current mechanism to ensure consistency of charging for these premises.</p> <ul style="list-style-type: none"> • Charges will not be raised where two or more meter reads are submitted to CMOS during a period of vacancy • Charges will be raised where one or no meter reads are submitted to CMOS during the period of vacancy 	<p>Scenario D</p> <p>Occupancy status: Occupied</p> <p>Fixed charges: Recoverable</p> <p>Volumetric charges: Recoverable</p>

COVID-19 and the business retail market – consultation on next steps

Scenarios A and B

If it is accepted that consumption will be charged inconsistently based on the number of meter reads that are submitted then we believe that the following addition to the guidance would be helpful:

“Where premises meet the temporary vacancy eligibility criteria and have therefore used less than 5% of normal consumption the Covid-19 temporary vacancy flag should remain in place and charges will be applied in accordance with the existing vacancy charging arrangements of the respective wholesaler.”

If the intent is that consumption will either be charged, or not charged, for these premises on a consistent basis then an additional mechanism is required to adjust volumetric charges in CMOS.

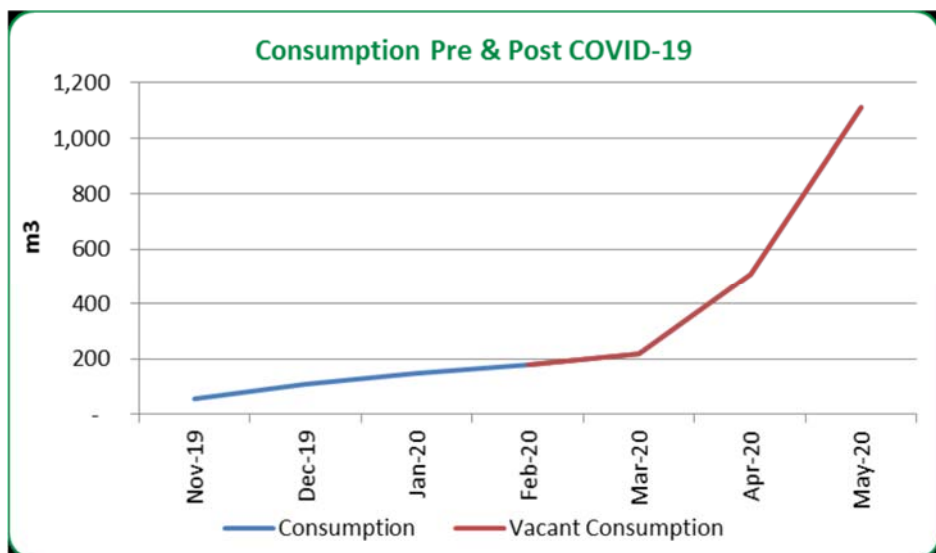
Scenario C

If the intention is that all charges are due for these premises then either:

- CSD0104 needs to be amended to remove the following criteria, “(a) is not open or available to workers, the public or visitors” and thus the premises should be marked as occupied; or,
- An additional mechanism is required to adjust fixed and volumetric charges in CMOS.

If the intention is that either no charges, or volumetric only charges, are due for these premises then an additional mechanism is required to adjust volumetric charges in CMOS.

We believe that there will be a significant number of premises which fall within this category. For example, we have seen examples of hotels, golf courses and leisure centres that appeared to have been closed, but continued to use significant volumes of water, in some cases more than usual due to the warm dry weather in April and May. Below is the consumption trend from a [REDACTED] within the U UW region. This [REDACTED] was closed between March and June and therefore correctly marked temporarily Covid-19 vacant. There has clearly been a material increase in consumption despite the premises being closed.



Wholesalers and retailers may well have different views as to whether such premises should be marked as vacant and what charges are due for these i.e. Are they:

- Correctly marked as vacant and no charges apply
- Correctly marked as vacant, but charges should apply
- Incorrectly marked as vacant and require the occupancy status to be backdated

COVID-19 and the business retail market – consultation on next steps

For all scenarios: Challenges in determining consumption during the period of vacancy.

We have undertaken investigations into the consumption trends at over 3,000 premises marked as temporarily vacant utilising network loggers and a large number of passively read AMR enabled meters. Our investigations have shown that up to 75% of premises flagged as temporarily vacant were using greater than 5% of their normal consumption, even where they appeared to be closed to the public. On average these premises continued to use approximately one third of their normal consumption.

Due to the infrequency of meter reads in CMOS and the limited coverage of AMR data wholesalers and retailers are likely to face significant challenges in determining and agreeing the actual consumption levels at premises during the period of lockdown and thus whether the temporary vacancy flag has been correctly applied. This may well lead to dispute between wholesaler and retailer with a significant number of premises falling into this category.

It would remove significant complexity if a decision were made and a clear statement given that all consumption during a period of vacancy will be chargeable and for a mechanism to be developed to ensure that this happened in CMOS. From a volumetric charges perspective this would remove the onus on proving occupancy status and would be in line with the original intent of the temporary vacancy flag i.e. to temporarily suppress consumption rather than removing liability for charges:

“The intention of introducing the Covid-19 temporary vacant flag was to ensure that customer bills more accurately reflected reduced levels of consumption where businesses were temporarily closed due to Covid-19, by providing Retailers with a workable proxy to identify reductions in consumption of 95% or more when there were significant challenges to obtaining accurate meter reads.”

Fixed charges – Whilst the above outlined approach would ensure full and consistent recovery of volumetric charges across the market and remove the some of the uncertainty highlighted in the table above, the assessment of occupancy would still be critical in ensuring that fixed charges are applied correctly and to help minimise what is likely to be significant under recovery of fixed charges. We would like to work with MOSL to develop consumption trend analysis to indicate where the temporary vacancy flag may have been applied incorrectly.

For each of the scenarios detailed above we would greatly welcome a clear statement as to whether the premises should be deemed vacant, or occupied, and which elements are and are not chargeable. In addition we need to understand the mechanisms by which this will be achieved consistently in the market. We would welcome the opportunity to work with Ofwat, MOSL and other trading parties to resolve these questions.

Responses to other questions

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.

We would support the introduction of an API to allow for greater scrutiny of actions in relation to the use of YVEs. In terms of the use of the YVE the focus should be on ensuring that before RF a meter read is entered into CMOS so that it will overrule the YVE estimate. As ever the importance of getting meter reads into the market, and in addressing long unread meters remains.

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?

We do not think a financial incentive on YVE is necessary, especially if there is sufficient focus on long unread meters. Monitoring of the use of YVE's is important and should help identify if a retailer is inappropriately using the facility. In such circumstances we would expect appropriate action to be taken.

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?

The use of mechanisms already in place alongside the implementation of additional monitoring could provide significant support and incentive. Pairing improvement plans have been successful and could be employed to support trading parties to address issues stemming from the unwinding of the Covid-19 mitigations.