

1 September 2020

Dear Contract Managers,

The COVID-19 temporary vacancy flags were introduced as it was important to ensure that customer bills more accurately reflected reduced levels of consumption where businesses were temporarily closed, due to COVID-19. The ability to mark premises as temporarily vacant, where they were fully closed or where activities at the premises had reduced by 95 per cent, meant that the need for meter reads was “legitimately” suspended as were the fixed charges sometimes charged by wholesalers.

The situation has changed in a number of respects. For example, the majority of businesses have now reopened and consumption levels are increasing. We therefore let the use of this temporary vacant flag expire at the end of July 2020, and retailers have until the end of September to remove the flags in CMOS.

As part of the transition out of the temporary measures in place for COVID-19 around vacancy status, we would like to inform you that MOSL, Ofwat and CCW have formed a new review group. This COVID-19 Transition Review Group will meet fortnightly and scrutinise the data, analysis and insight available to assess the progress of the market as it transitions out of temporary vacancy measures. The first meeting was held on Tuesday 25 August and the group agreed, based on analysis of current data, to contact a number of retailers, expressing concern that they were yet to make any significant progress towards changes to their portfolio of ex-COVID-19 vacant premises to Occupied or Assured Vacants.

These review sessions will form a key part of the assurance process as captured in the [‘Monitoring, Reporting and Intervention Framework for Transitioning Beyond COVID-19’](#) published alongside this letter and will ensure we are able to act quickly and decisively where we see trends, behaviours and activity levels which either give cause for concern, or merit being called out as good practice.

To support this work, MOSL will be implementing an Additional Performance Indicator (API) around levels of ex-COVID-19 vacant premises which have not been evidenced’ as Vacant or confirmed as Occupied.

The group will be reviewing the levels of retrospective changes being made to temporary vacancy flags for the period of March-July 2020 as trading parties gain a better understanding of their customers’ status during the COVID period. The group will also be scrutinising the subsequent movement of premises to either Vacant or Occupied, with the necessary evidence being gathered as mandated. The extent of meter reading coverage and use of amended Yearly Volume Estimates (YVEs), where this isn’t possible, will also form a key part of the analysis for premises which are being moved back to Occupied status. It is vital that meter reads are taken and submitted in a timely manner to provide customers with the reassurance of their consumption being accurately reflected.

The market auditor will be invited to attend these review meetings as appropriate.

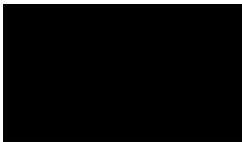
Following this initial period of monitoring, the COVID-19 Transition Review Group will consider further next steps as appropriate. Ofwat has a range of tools at its disposal, including enforcement action, should it have concerns around how retailers have approached the removal of temporary vacant flags and use of YVEs and does not rule out the possibility of introducing a financial incentive associated with this if it deems it appropriate.

Retailers should continue to engage with their customers to establish the occupancy status at their respective premises. In addition, we expect parties to continue to work collaboratively through this transition phase to ensure that settlement accurately reflects consumption and customers can have confidence in their bills and service levels through, and beyond, this transition period.

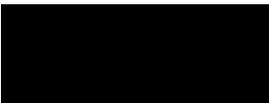
Yours sincerely



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