

Wholesale Retail Code Change Proposal – Ref CPW109

Modification proposal	Wholesale Retail Code Change Proposal ¹ – CPW109 – Changing the constraints on customer reads
Decision	The Authority has decided to approve the alternative solution proposed by this Change Proposal
Publication date	28 June 2021
Implementation date	9 July 2021

Background

Under the Wholesale Retail Code, meters can be designated as either a Monthly Read Meter or a Twice-yearly Read Meter.

A Monthly Read Meter is any meter which carries:

- i. an 80mm Tariff or above (including all appropriate Sub Meters); or
- ii. supplies subject to agreements under section 142(2)(b) of the Water Industry Act 1991; or
- iii. supplies to a Supply Point taking more than 100,000m³ per annum.

A Twice-yearly Read Meter is any meter other than a Monthly Read Meter which is read twice each Year. The final recommendation report highlights that 98.9% of meters in the market are Twice-yearly Read Meters.

There are various Meter Read Types which can be submitted to the Central Market Operating System (CMOS). There are four Meter Read Methods for which the Meter Read Method is a mandatory Data Item that must be submitted with every Meter Read, this denotes the method used to obtain the Meter Read value. The Meter Read Methods set out in CSD0202 include:

- (a) Visual;
- (b) Customer;

¹ Unless specified otherwise, the terms used in this document are those defined by the Wholesale Retail Code.

- (c) Remote; and
- (d) Estimated.

The issue

CSD0202 currently restricts the number of customer reads that can be entered into CMOS. For Monthly Read Meters, ten customer reads are permitted per year and for Twice-yearly Read Meters one customer read per year is permitted. The final recommendation report indicates that the number of customer reads in CMOS was originally restricted to avoid degradation of market data.

Whilst the number of customer reads are restricted in CMOS, Retailers are able to use any number of these as a basis for billing the customer (providing they do so in accordance with the [Customer Protection Code of Practice \(CPCoP\)](#)). The final recommendation report suggests that the restrictions on entering customer reads into CMOS for Twice-yearly Read Meters is unnecessary. The restrictions potentially deprive the market of more accurate reads, particularly when Covid-19 restrictions have resulted in visual reads being more difficult to obtain.

The Change Proposal²

A proposed and an alternative solution were presented to the Panel. The Market Operator (MOSL) submitted the proposed solution, the alternative solution was developed by the metering huddle which is a group of Trading Parties (three Wholesalers and three Retailers) reporting to and advising the Panel on the Strategic Metering Review.

The proposed solution

The proposed solution was to increase the number of customer reads permitted per year for Twice-yearly Read Meters from one to two.

The alternative solution

The alternative solution is to remove the restriction on customer reads for both Twice-yearly Read Meters and Monthly Read Meters completely. The final recommendation report indicates that this was considered to be a more complete solution which would

² The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

facilitate more meter reading without compromising data quality because Retailers are required to validate Meter Reads in accordance with CSD0203.

The final recommendation report states that Retailers will retain full ownership and remain fully responsible for assessing the accuracy of the reads they submit to CMOS and for meeting the Market Performance Standards. In addition, MOSL will regularly monitor the levels of customer reads submitted into CMOS, their rejection and removal rates and the proportion of Supply Points reaching the Final Settlement Report without a visual or remote read.

Industry consultation and assessment

The final recommendation report highlights that when the plan to develop CPW109 was presented to the Panel at its meeting on 26 January 2021, the Panel agreed that a consultation would not be necessary as CMOS functionality would not be impacted. In addition, the Panel considered that the proposal would have a small and exclusively positive impact on Trading Parties.

Further, at the Panel meeting on 23 February 2021, the Panel agreed to recommend the alternative solution to Ofwat for approval without a consultation. The final recommendation report indicates that the rationale for this was that the Change Proposal 'focuses on making more metering information available for settlement and the obligations around metering remain under review as part of MOSL's Strategic Metering Review'.

Although a formal industry consultation was not undertaken, MOSL conducted preliminary interviews with three Retailers which together account for 53% of customer reads entered into CMOS. The discussion with these Retailers focussed on the proposed solution as at the time of these discussions the alternative solution had not been developed. All three Retailers agreed that the restrictions on entering customer reads should be relaxed and that more than two customer reads per year should be permitted. One Retailer said that it was already entering all customer reads that it received into CMOS, another said that they do not enter all customer reads into CMOS but thought that the proposed solution would reduce their costs, reduce the number of long unread meters and decrease the penalties they incur for failing to meet Market Performance Standards. The Retailers that were interviewed considered that customer reads are generally of the same quality as reads taken by meter readers and that the market should utilise customer reads more for the following reasons:

- Covid-19 restrictions have on occasion meant that a customer read is the only type of read available;
- Customers have an incentive to take and submit reads (e.g. to improve bill accuracy);

- Customers who read their own meters are more likely to take an interest in their water consumption and may be more receptive to water efficiency and leakage initiatives;
- Some customer contracts include financial deductions for providing customer Meter Reads.

In addition to the preliminary interviews, the proposed amendments were discussed by the metering huddle. The metering huddle proposed the alternative solution to remove the restriction on customer reads altogether.

One member of the metering huddle reportedly expressed preference for a backstop requirement to ensure meters receive a ‘non-customer’ read prior to the Final Settlement Report. However, this member still supported the proposal without a backstop to help get more Meter Reads into CMOS.

The final recommendation report states that with regard to the validation requirements, the metering huddle considered that:

- the use of photographic evidence of accompanying customer reads would be best practice.
- validation of customer reads should include reference to consumption history and peer group comparisons.
- validation should flag both high and low consumption, not just high Meter reads.
- there is a second validation process within CMOS, which will reject high or low Meter Reads.

The Customer Representative view

The Customer Representative provided the following view:

“As the consumer representative, we are supportive of more reads going into CMOS as customers want to be billed on actual consumption. However, while we support what the proposal is aiming to achieve, we have some concerns for the following reasons:

- Billing and charges are the biggest area of complaints and we believe CPW109 may potentially encourage Retailers to place the onus on customers to read their meters in order to get accurate bills, rather than reading the meter themselves. For this change proposal to be fair, we do not want Retailers placing undue pressure on customers to submit more reads, implying this is the only way they are going to be billed accurately;
- We are concerned the change may dilute the important MPS [Market Performance Standards] incentives for Retailers on meter readings if they are able to rely on

more customer reads. It needs to be made clear that Retailers remain responsible for meeting the MPS measures concerned. It is in the Retailer's interest to ensure they are committed to taking their own reads in order to meet the required target, in the event that they receive an insufficient number of customer reads. We would advise that this is made clear in the communication to Trading Parties that accompanies the notification of the change, should it be approved;

- While the proposal advises of validation checks being in place, without the requirement of a Retailer visual read once a year, CPW109 carries the risk of customers being billed incorrectly if it transpired the meter was being read incorrectly by the customer and this went undetected through validation checks. This could potentially result in large back-bills which could have been avoided with an annual visual read by a Retailer, along with robust Meter Read validation processes to safeguard against any increases in erroneous customer reads that may occur.

Ultimately we want the Retailer responsibility for meter reading to be clear to all and the requirement of one Retailer visual read once a year to be in place for the purpose of customer protection. We also want greater visibility on the validation processes, including the steps retailers are required to take to assure themselves that customer reads are accurate.”

Ofwat comment on the consultation

We acknowledge that there was no formal industry consultation on this Change Proposal. However, a number of Trading Parties were engaged during the development of this Change Proposal (through interview and via discussion at the metering huddle).

It appears from the information provided that there was general consensus amongst those with whom the proposed and alternative solutions were discussed that the current provisions related to entering customer reads into CMOS are unnecessarily restrictive.

In addition to Trading Party discussions regarding this Change Proposal, the view of the Customer Representative was sought. The Customer Representative has provided potential challenges to approval of the Change Proposal.

Having assessed the impacts of the proposal (noting in particular the requirements in the CPCoP, see our decision section below) and taking into account that the Change Proposal was discussed with a range of Trading Parties in addition to the view of the Customer Representative being sought, we agree that a formal consultation was not required on this occasion. The Change Proposal does not place an obligation on Retailers to alter current meter reading practices if they choose not to as the existing option to enter visual or remote reads will remain unchanged. Instead, it provides an

alternative option to enter a greater number of customer reads into CMOS should customer reads be available.

Panel recommendation

The Panel considered this Change Proposal at its meeting on 23 February 2021. The Panel agreed to recommend the alternative solution to Ofwat for approval (10 votes in favour, one vote against and three abstentions). This recommendation has been made on the basis of improving the principles of efficiency, customer participation, the Market Terms Objective and simplicity, cost-effectiveness and security. The recommended date of implementation was 14 May 2021.

The Panel Members that voted against the alternative solution or abstained from voting wanted to retain the backstop requirement for Retailers to obtain a visual or remote Meter Read every two years for Twice-yearly Read Meters and every year for Monthly Read Meters. The final recommendation report states that the Panel discussed the removal of the backstop requirement in the alternative solution and its potential impact on the accuracy of Meter Reads. The Panel noted there was no evidence that the quality of customer readings was inherently inferior to visual reads. They also noted that Retailers would retain the obligation to validate customer reads and with the market being almost four years old, most meters have a history of visual reads which could be used for validation and so mitigates the risk of data degradation.

The Panel reiterated the importance of MOSL monitoring the level of customer reads submitted into CMOS and the proportion of Supply Points reaching the Final Settlement Report without a visual or remote read.

Our decision and reasons for our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the Panel's Final Report and have decided to approve the alternative solution. We have concluded that the implementation of the alternative solution presented by CPW109 will better facilitate the Objectives and Principles of the Wholesale Retail Code detailed in 'Schedule 1 Part 1 Objectives, Principles and Definitions', and is consistent with our statutory duties. We are approving the alternative solution rather than the proposed solution as we consider that the alternative solution provides a more complete and long-term solution to the identified issue. We consider that customer reads are a useful source of information that can assist in improving the quality of the data in CMOS, which in turn has potential to have a positive impact on the quality of data in the market, improved settlement and billing accuracy.

The alternative solution is proportionate in the context of the Objectives of the WRC and it furthers the Market Terms Objective as it will enable the Registration of additional data (in the form of customer reads) concerning 'Non-Household Customers or Eligible Premises' which is relevant to the provision of retail services. The proposed amendment will also further the Market Terms Objective of enabling the calculation of Primary Charges as increased numbers of Meter Reads entered into CMOS should assist in improving settlement accuracy and has potential to reduce the number of Central Systems Generated Reads (G Reads).

We note that some Retailers currently use customer reads as a basis to bill and invoice customers although they may be prevented from entering these reads into CMOS because of the current restrictions. Removal of these restrictions will improve transparency and efficiency of the meter reading process. Should the efficiencies achieved as a result of implementation of this Change Proposal materialise as cost savings for Retailers going forward, we would expect such cost savings to be shared with customers – for example in the form of financial deductions for customers providing Meter Reads.

We have outlined below our consideration of the issues raised by Trading Parties and the Customer Representative during the development of this Change Proposal.

Customer impacts

The Customer Representative considered that Retailers could potentially put pressure on customers to provide Meter Reads and that there could be a risk of large back-bills if a customer does not provide a Meter Read. Following implementation of this Change Proposal it remains the responsibility of the relevant Retailer to obtain Meter Reads and ensure that appropriate validation is completed. We consider that some of the concerns raised by the Customer Representative are mitigated by the obligations under the CPCoP which ensure there is a back-stop requirement to enter a visual or remote read where a customer read is not provided. Section 9.2.1 of the CPCoP provides that Retailers shall issue at least one accurate bill or invoice each year and that this bill or invoice must use a Meter Read where the supply is Metered (unless the exceptions detailed in section 9.2.3 are applicable³). As a result of this requirement, should a customer be unable, or unwilling, to provide a Meter Read the relevant Retailer will ultimately be required to obtain a visual or remote Meter Read to be able to bill or invoice the customer in accordance with the CPCoP. We would be concerned if Retailers were found to be placing unnecessary pressure on customers to provide Meter

³ The exemption provided by section 9.2.3 to the requirement to use a Meter Read where the supply is Metered for the provision of an accurate bill or invoice are applicable until 30 September 2021, or such other date as the Authority may notify in writing to Retailers.

Reads and Retailers should ensure due consideration is given to the location of a Meter and the safety of customers in any such request for the provision of a Meter Read. If there is an escalation in customer complaints as a result of implementation of this Change Proposal, we will take appropriate action to address the issues that are impacting customers.

Data quality

We note the concerns that have been raised during engagement with Trading Parties and the Customer Representative regarding the potential for data degradation should the Change Proposal be approved. We have also considered the comments from the metering huddle member who expressed the view that there should be a back-stop requirement for a visual or remote Meter Read to be entered prior to provision of the Final Settlement Report.

We fully expect Retailers to undertake robust validation of Meter Reads provided by customers prior to entering these into CMOS. We agree with the recommended validation requirements which were set out by the metering huddle (as detailed above) and we ask that MOSL request details of how Retailers are drawing on these good practice validation requirements in undertaking their own validation. We expect Retailers to provide details of their customer read validation requirements to MOSL, which will also be shared with Ofwat to enable monitoring of Retailers' approaches to validation. Following submission to CMOS, as highlighted in the final recommendation report, there are validation requirements outlined in CSD 0203 (Meter Read submission: validation) which will also assist with identification of inaccurate Meter Reads.

In addition to the validation requirements, the final recommendation report highlights that MOSL will regularly monitor the levels of customer reads submitted to CMOS, their rejection and removal rates and the proportion of supply points reaching the Final Settlement Report without a visual or remote read. This monitoring should assist in identifying any issues which may arise following implementation of this Change Proposal. We consider that the combination of validation and monitoring by MOSL will provide mitigation against degradation of data quality.

Market Performance Standards

The Customer Representative expressed concern that Market Performance Standards incentives may be diluted if Retailers are able to rely on more customer reads. The Customer Representative considered that it needs to be made clear that Retailers remain responsible for meeting the MPS measures concerned.

No changes are being made to the Market Performance Standards as a result of implementation of this Change Proposal. Retailers retain responsibility for entering Meter Reads into CMOS within the requisite timeframes in order to avoid incurring Market Performance Standards Charges.

Decision notice

In accordance with paragraph 6.3.7 of the Market Arrangements Code, the Authority approves the alternative solution to this Change Proposal.

Georgina Mills
Director, Business Retail Market