
Wholesale Retail Code Change Proposal – Ref CPW118

Modification proposal	Wholesale Retail Code (WRC) Change Proposal – CPW118 – Minimum Meter Read frequency
Decision	The Authority has decided to reject this Change Proposal
Publication date	9 November 2021
Implementation date	N/A

We are rejecting this Change Proposal. The final recommendation report details that the revised proposal is seeking to amend the definition of Monthly Read Meter so that a greater proportion of consumption in the market would have monthly Meter Reads. However, the report does not provide information or evidence as to why this is considered to be necessary, nor does it sufficiently analyse the impacts that this change would have. As a result, we cannot be confident that this Change Proposal would further the interests of customers.

Background

The Market Operator's¹ (MOSL) 2021-24 business plan identified the [strategic metering review](#) as a key improvement programme after metering was identified as contributing to a number of market frictions at the 2019 CEO forum. The review was initiated to identify and implement a programme of metering-related improvement initiatives, with a focus on accurate and timely consumption data. The [metering committee](#) was established to support the review.

This Change Proposal has been developed by the metering committee as part of the strategic metering review and focuses on proposed amendments to minimum Meter Read frequencies.

¹ Unless otherwise specified, the terms used in this document are those defined in the WRC.

Under the WRC, 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.

Retailers are required to submit Regular Cyclic Reads to the central market operating system (CMOS), the frequency for which is dependent on whether the meter is a Monthly Read Meter or a Twice-yearly Read Meter. CSD 0202 (Meter Read submission: process) specifies the frequencies for Monthly Read Meters and Twice-yearly Read Meters. Data Item, D3011 ('Meter Read Minimum Frequency') is a Wholesaler owned Data Item which details, in CMOS, the minimum frequency for a Retailer to read a meter associated with each relevant Supply Point.

The issue

The Proposer does not consider that the current provisions relating to Meter Read submission are appropriate. The [final recommendation report](#) details that this is, in part, due to the criteria for Monthly Read Meters and Twice-yearly Read Meters which results in a wide spectrum of sites with different levels of usage having meters read bi-annually.

The final recommendation report details that usage profiles from April 2017 to April 2019 showed that 0.9% of meters were Monthly Read Meters but represented 20% of total consumption in the market. In 2019, it is stated that only 10.5% of market consumption was read on a monthly basis compared to 89.5% of consumption being read bi-annually.

The Change Proposal²

It is proposed that the frequency for Meter Reads is amended so that it is instead determined solely by consumption, instead of both size and consumption being determining factors. To achieve this, the criteria in the definition of Monthly Read Meter would be amended to remove the 80mm pipe size criteria, an adjustment would be made to decrease the consumption levels to 'above 5,000m³', subject to fluctuation levels set by the Market Operator of 10%. Reference to the Water Industry Act 1991 would however be retained. These amendments would increase the number of meters that would be Monthly Read Meters from 0.9% to 1.8%. Although this would result in 61.2% of consumption being read monthly and only 38.8% would be read bi-annually compared to the current position of 10.5% and 89.5%, respectively.

In addition to the above, it is recommended that ownership of Data Item D3011 ('Meter Read Minimum Frequency') is transferred from the Wholesaler to the Retailer. This proposal has been made because 'scheduling methods and usage monitoring are undertaken by Retailers', the Proposer therefore considers that Retailers would be better placed to own this Data Item. To support this amendment, it is proposed that MOSL would run a yearly report ('Frequency Mismatch Report') to monitor compliance with the Meter Read Minimum Frequency set in CMOS. This report would be to provide Trading Parties with information enabling them to identify discrepancies between the frequency set in CMOS and the frequency provided by the revised criteria in the definition of Monthly Read Meter.

Industry consultation and assessment

An industry consultation was published on 21 June 2021 and closed on 9 July 2021. There were 18 respondents, 11 Wholesalers and seven Retailers.

In addition to the proposed amendments to the definition of Monthly Read Meter and the change of ownership of Data Item D3011, the consultation included a proposal to introduce criteria for annual read meters (where annual consumption was below 50m³). Following consultation, and in view of the responses, the Proposer revised the proposal by removing the criteria for annually read meters.,

A summary of the key consultation responses is provided below, the verbatim responses and a more comprehensive summary can be found in the final

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>

recommendation report. Only responses which are relevant to the revised solution have been included in the below summary.

Trading Parties' views on the issue

Trading Parties were asked whether they considered that Meter Read frequencies posed an issue for the market and if so, whether it is one which requires addressing. Opinion was divided in response to this question.

One Wholesaler that did not consider the issue should be addressed at this time and said that changing frequencies does not ensure that the root causes of meter reading issues - cost to serve and performance - will be addressed. Another agreed that there are issues in the market around meter reading although considered that these were related to the number of accurate Meter Reads obtained and entered into CMOS within the current frequencies, rather than the current frequencies themselves. One Wholesaler that did not consider there to be an issue highlighted that the current provisions provide for all customers to have at least two meter readings per annum.

Of the Wholesalers that agree there is an issue with the current Meter Read frequencies, one thought that the current provisions relating to these are illogical. Another thought that the current Monthly Meter Read criteria is 'too high which ultimately means there is limited amount of Meter Reads being sent to enable accurate settlement'. One Wholesaler stated that the Monthly Meter Read criteria should be amended or removed as this is unnecessarily rigid.

The Retailer respondents were also divided in response to this question. Four Retailers did not consider that there was an issue with Meter Read frequencies being determined by both size and consumption. The reasons provided for this included that there was a lack of evidence that the current Meter Read frequencies were resulting in issues for customers and that commercial agreements can be entered into on a case-by-case basis if a customer would like to increase their Meter Read frequency. Another Retailer did not consider that there would be a cost benefit of increasing the minimum frequency for all customers consuming 5,000m³. This respondent thought that the proposal would put an unjustifiable cost in to the market and could impact customer service and/or discounts.

Of the Retailers that agreed there is an issue, one suggested that there would be benefits as low consumption meters which are over 80mm. Another thought that the proposal could drive improvements to data accuracy.

Criteria for Monthly Read Meters

Six Wholesalers and two Retailers were in support of consumption being the determining factor for the Monthly Read Meter criteria. However, four respondents (one Wholesaler and three Retailers) suggested that meter size is a preferential criterion. Six respondents did not express a clear preference.

Of those that supported consumption as the sole measure, one Wholesaler highlighted that consumption-based criteria would align with the importance of monitoring, managing and educating on water efficiency. Another considered that using consumption would result in a fairer approach noting recent advances in meters have resulted in smaller meters replacing previously over-sized meters.

One of the four respondents that thought meter size would be a better measure highlighted that basing meter frequency on consumption would be problematic given the large numbers of long unread meters. It was also suggested that using consumption as a measure could result in regular changes to the Meter Read frequency if a customer's consumption levels vary regularly.

Ownership of Data Item D3011 ('Minimum Meter Read Frequency')

Six respondents (three Wholesalers and three Retailers) agreed with the proposal that ownership of this Data Item should be transferred from the Wholesaler to the Retailer. Reasons provided for this included that Retailers have better visibility of customers' consumption levels which would enable the Retailer to better determine the appropriate Meter Read frequency.

Seven respondents did not agree with the proposal (four Wholesalers and three Retailers). The main reason for disagreement with this proposal was that there could be negative impacts for customers and no benefits as a result of amended ownership. Several respondents highlighted concerns that Retailers could amend the Meter Read frequencies to reduce their Meter Reading costs which might have detrimental impacts for customers.

Other respondents did not express a clear preference. A Wholesaler highlighted that the minimum Meter Read frequency is set by the codes therefore considered it was largely irrelevant who owns the Data Item. Another suggested it should be a collaborative effort between the Wholesaler and the Retailer to determine the appropriate frequency.

Implementation costs

The majority of Wholesaler respondents considered that implementation and ongoing operational costs would be low or zero. Some Retailer respondents did not anticipate any additional costs if the proposal were to be implemented. Five Retailers did however highlight that they anticipated potential increases in operating costs relating to Meter Reads with consumption of 5,000m³ and above. Although, the extent of these costs were not specified.

View of the Customer Representative

The Customer Representative welcomed the amendments which had been made to the proposal following consultation.

The Customer Representative expressed that they support the proposal to increase the minimum Meter Read frequency for higher consumption customers, as they considered there may be positive impacts for these customers in the form of more accurate bills. The Customer Representative said that "customers with high seasonal usage may benefit too from this proposal". The Customer Representative had conducted some research regarding Meter Read frequencies, which they indicated shows a significant percentage of customers valued the importance of actual meter readings – with seasonal usage cited as a reason. The Customer Representative concluded that there is a desire among some customers for more visibility over their consumption, which would be achieved by the proposal. The Customer Representative stated that it is important that where a customer's usage varies, their bills accurately reflect this.

View of the metering committee

The metering committee unanimously agreed with the proposed solution (as amended following the industry consultation). The members agreed that the proposed solution could deliver benefits for the market, including:

- Improved reconciliation of Wholesale Charges,
- Improved customer experience in market,
- Increased chances of leak detection, and
- Increased billing accuracy for customers.

Panel recommendation

The Panel considered this Change Proposal at its meeting on 31 August 2021. It recommended, by unanimous agreement amongst those that voted (nine votes were against the proposal and four Panel Members abstained), that the Authority reject this proposal.

The final recommendation report details that the Panel expressed concern that the proposal would result in increased costs for Retailers. Members are said to have noted that, whilst intuitively it makes sense for higher volume meters to be read more frequently, the benefits were uncertain and likely to be outweighed by the increase in costs.

The Customer Representative Panel Member noted that higher volume customers had the opportunity to seek separate arrangements and therefore did not consider it was clear why more frequent Meter Reads should be mandated. Other Panel members noted that customers were generally happy with Meter Read frequencies and that mandating more frequent Meter Reads would increase regulation on Retailers and reduce the opportunity for differentiation in their services.

In relation to the proposed amendment to data ownership, the final recommendation report details that some Panel Members did not consider that this should be changed as Wholesalers have experience in setting frequencies in the market which should not be lost. However, other Panel members thought that the change in ownership from Wholesalers to Retailers would improve the customer experience and the relationship between Retailers and their customers.

It is noted that some Panel Members enquired why the initial solution had been amended as they would have welcomed the introduction of an annual Meter Read frequency for low volume consumers. This would have reduced the cost of meter reads for these sites and offset the increase in cost in the retained solution.

The Panel Members that abstained thought that elements of the proposal had merit for example, the change in data ownership, but didn't support the increased costs or reduced customer choice.

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 reject the proposal.

We note that this Change Proposal was originally raised to focus meter reading activities on high consumption meters and reduce the required meter reading timeframes for low consumption meters. Consultation responses highlighted a number of concerns with the proposal to reduce meter reading timeframes for low consumption meters, in particular impacts on billing accuracy for customers. This element of the solution was therefore removed from the Change Proposal. Subsequent to removal of this element of the proposal, the issue it was seeking to address does not appear to have been effectively redefined. The final recommendation report details that the

revised proposal is seeking to amend the definition of Monthly Read Meter so that a greater proportion of consumption in the market would have monthly Meter Reads. However, the report does not provide information or evidence as to why this is considered to be necessary, nor does it sufficiently analyse the impacts that this change would have. As a result, we cannot be confident that this Change Proposal would further the interests of customers.

It is not apparent from the final recommendation report that the definition of Monthly Read Meter, in and of itself, is contributing to insufficient Meter Read submission (for meters with high consumption levels) which is consequentially resulting in negative outcomes for customers and the market. The Meter Read frequencies which have been set for Monthly Read Meters and Twice-yearly Read Meters are minimum frequencies, Retailers are not prohibited from entering additional Meter Reads into CMOS. Entry of additional Meter Reads can improve settlement accuracy and accordingly, reduce the likelihood that Unplanned Settlement Runs are requested. Therefore, there are existing incentives for Retailers to submit additional Meter Reads for high consumption meters that are categorised as Twice-yearly Read Meters.

Whilst increased numbers of Meter Read submissions can deliver benefits for customers and the market, it is not evident that this Change Proposal would achieve significant increases in the number of Meter Reads submitted. Particularly as it would only likely increase Meter Read frequencies for a small proportion of meters in the market (0.8%) and therefore, only potentially deliver tangible benefits for a small number of customers. The associated costs of implementation need to be assessed against the likely benefits that the Change Proposal would deliver. In this instance, it is not evident that a sufficient assessment has been completed. Nor is it apparent that the benefits which could be achieved from implementation would outweigh the associated costs – notably the increased costs for Retailers where Twice-yearly Read Meters become Monthly Read Meters).

Customers are able to provide Meter Reads to Retailers to assist with billing accuracy if they are concerned that meter reading frequencies might result in inaccurate billing. Customers can discuss their Meter Read requirements with their Retailer who can tailor their service offerings for them – these differentiations in service offerings have the potential to promote competition which could result in beneficial outcomes for customers. It should be noted that there are also existing back-stop protections in the [Customer Protection Code of Practice](#) to ensure that customers receive at least one accurate bill each year based on a Meter Read where the supply is metered. In addition, [CPW109: changing the constraints on customer reads](#) was implemented on 9 July 2021, this removed the restrictions on entry of customer reads into CMOS. Implementation of CPW109 has the potential to increase the number of Meter Reads submitted to CMOS and therefore, settlement accuracy. CPW109 has only recently been

implemented and, following a period of embedding, the impacts of approval on the level of quality Meter Read submission into CMOS will become apparent.

In relation to the proposal that the ownership for Data Item D3011 is transferred from the Wholesaler to the Retailer, as the proposed amendments to the definition of Monthly Read Meter are not being approved, we do not consider this amendment would be appropriate. We also acknowledge the comments from the Panel Members who consider that the data ownership should not be changed as Wholesalers have experience setting frequencies in the market.

Given the above and based on the information and evidence provided in the final recommendation report, we do not consider that the Change Proposal will further the primary principle of the WRC. It is not apparent that the proposal has been developed and will operate in a manner that best seeks to protect and promote the interests of, and participation by, existing and future customers.

Whilst we are rejecting this Change Proposal, we recognise there may be circumstances where the current Meter Read frequencies may not be appropriate. However, any proposal to amend minimum meter read frequencies needs to be supported by a clear rationale and supporting evidence on expected costs and benefits.

We note that a Wholesaler respondent to the consultation considers that the issues regarding Meter Reads are related to the number of accurate Meter Reads that are obtained and entered into CMOS within the current frequencies, rather than the current frequencies themselves. We note that reform of the Market Performance Framework provides an opportunity to strengthen incentives on Trading Parties to take action to facilitate more accurate consumption data being entered into CMOS.

Decision notice

In accordance with paragraph 6.3.7 of the Market Arrangements Code, the Authority rejects this Change Proposal.

Georgina Mills
Director, Business Retail Market