

## Wholesale Retail Code Change Proposal – Ref CPW085

<b>Modification proposal</b>	Wholesale Retail Code Change Proposal – CPW085 – Premises vacant transaction link to Discharge Point Identifier (DPID)
<b>Decision</b>	The Authority has decided to approve this Change Proposal with modifications
<b>Publication date</b>	1 June 2022
<b>Implementation date</b>	2 December 2022

### **We are approving this Change Proposal with modifications to the legal text.**

We consider that this change will contribute to improvements in the quality of market data and will clarify the processes to be followed when changing a site's status to vacant, which will help to reduce inefficiency in the market. We also consider that implementing the change should improve the overall customer experience by:

- Improving communications between Wholesalers, Retailers and Customers
- Ensuring that customers receive timely and accurate bills
- Mitigating the risk of customers receiving “bill shocks”.

### **Key messages for stakeholders to note:**

To ensure the smooth implementation of this solution, we encourage:

- All Trading Parties to work together constructively in the interests of customers to support the process, planned by MOSL and CGI, to correct market data before the change is implemented. We trust that parties will seek to reach agreement in a timely way and avoid resorting to a lengthy dispute process which could worsen the outcomes for customers.
- Retailers and Wholesalers to work together during this pre-implementation phase to ensure that business customers are appropriately engaged, and that appropriate steps are taken to help customers manage the payment of any backdated charges that may arise (including, for example, by offering payment plans).

We understand that a post implementation review of this change is planned for 12 months following implementation. This review provides an opportunity to potentially consider:

- any customer-facing issues arising, particularly any instances where a Discharge Point Identifier (DPID) has been incorrectly terminated because customer consent has not been obtained;
- any issues encountered by Trading Parties in agreeing the “best available date”;
- any difficulties encountered by Trading Parties in determining the occupancy status of sites;
- How many sites that are currently marked as “vacant” but have an active DPID become “occupied” (and are therefore brought back into charging), how many sites remain “vacant” but with the DPID removed; and how many disputes arose in relation to this exercise;
- whether there is a need to strengthen or consider introducing further performance measures; and
- if there are other related matters that may require further investigation and/or assessment in the future, or any lessons learned that could be helpful when addressing other issues relating to vacancy in the market (for example, the suitability of the vacancy criteria and guidance).

## Background

This change was first raised in July 2019. It seeks to address the problem that there are a number of sites within the market that whilst registered as Vacant, maintain a live Trade Effluent (TE) Service Component and as such should be registered as Occupied.

The detailed background to this change, and the issue it is intended to address, were set out in our previous [decision of 10 December 2020](#). In that document, we explained that we were unable to make a decision on the change proposal as there was a lack of clarity about the process for agreeing the termination of a Trade Effluent (TE) consent between the Wholesaler and the Retailer and what actions would be carried out within the 10 Business Day SLA that was originally proposed.

The proposer subsequently refined and amended the detail of this process and new, clearer provisions have now been proposed. The documentation for this change can be found [here](#).

## The Change Proposal

CPW085 seeks to introduce:

- a validation rule into the Central Market Operating System (CMOS) which would prohibit Retailers from changing the occupancy status of a premises to vacant if there are DPIDs that have not been terminated and do not have a NULL tariff on the premises.
- a rule which would prevent Wholesalers from creating a new DPID when the Occupancy Status of a premises is 'Vacant Premises' so that a DPID would not overlap with a vacancy.
- a validation rule that would also apply whenever a Wholesaler submits a transaction that attempts to pair a Sewerage Services Supply Point to a Water Services Supply Point. This rule is intended to ensure that the Sewerage Supply Point Identifier (SPID) is not active during a period when the Water SPID is Vacant.

The [Final Recommendation Report](#) (FRR) also states that:

*“where there is a request to terminate a TE consent the Wholesaler must notify the Retailer and NHH customer, within 10 business days of the request of its decision whether to proceed with the termination. This notification must also include the reasons behind the decision.”*

If the Wholesaler agrees to the request, it must advise the Retailer and Customer within 10 business days and must submit the relevant updates to CMOS within 2 business days following the decision being made. If the Wholesaler does not agree to the termination, it must provide its response and rationale within 10 business days.

A TE Guidance document has also been developed with the purpose of clarifying the occupancy status of a premises which is discharging TE.

As there are already a number of Discharge Points in CMOS that have active periods overlapping with a vacant Occupancy Status, the change proposal outlines a plan for these to be removed before the change is implemented. It is proposed that MOSL's IT service consulting firm (CGI) will identify all such cases and provide a report to MOSL. MOSL will then communicate with Trading Parties who will be required to make

corrections to their data before implementation of this Change Proposal. Section 3.1 of the FRR specifies that this will require relevant Retailers and Wholesalers to agree as to whether the vacant Occupancy Status or the active Discharge Point is correct and amend the data using a relevant transaction.

The Change Proposal would be brought into effect by amending:

- the Code Subsidiary Documents 0104, 0206 and 0301, and
- WRC Schedule 1 Part 3 Operational Terms and Annex G: Process G6 Termination of TE Consent.

## Industry consultation and assessment

There have been two industry consultations in respect of this change proposal. The responses to the first consultation were summarised in our decision of 10 December 2020 in relation to the initial FRR. A second consultation was undertaken in February 2021, in light of changes made to the proposed solution for CPW085. These changes include amendments to the process for requesting and agreeing termination of TE consent and the removal of the DPID where this is agreed.

This section outlines the key points raised during the second consultation and the responses provided by the Proposer – the Trade Effluent Issues Committee (TEIC). The FRR includes the verbatim consultation responses and provides a more detailed summary of these – this report can be found on MOSL’s website [here](#).

The second consultation received 13 responses – these were from eight Wholesalers and five Retailers.

**Do you think vacancy pertaining to DPIDs is a market issue?** The majority of respondents agreed that this is a market-wide issue. Two respondents (one Wholesaler and one Retailer) disagreed. Although they recognised that there is an issue, they did not consider it to be market wide.

**Do you agree with the proposed solution and draft legal text?** Ten respondents agreed (eight wholesalers and two retailers), and two Retailers disagreed. One Retailer disagreed on the basis that the legal responsibility of the Trade Effluent consent does not lie with the Retailer. They were concerned that Retailers would not be able to submit an application to terminate a DPID without a customer signature, and this might not be obtainable (a change has now been made to the process to address this point). This Retailer also said that being unable to set a premises as vacant, when it meets the requirements, was unfair as the Retailer will incur charges they cannot recover. They considered that the Wholesaler led termination, under process G/06, should be utilised instead. This Retailer did however support the introduction of an SLA

to resolve termination requests. The other Retailer who disagreed stated that this is a behavioural issue and that the communication issues between Trading Parties should be addressed before cost is incurred for a system solution.

**Impacts and benefits of the change on your company** – The majority of respondents considered that this change would improve data accuracy, regulatory reporting, and communication between stakeholders. One Retailer thought that it would improve their long unread meter position. However, other Retailers were concerned that it could lead to Retailers being unable to recover Wholesale charges from a customer who is no longer occupying the premises.

**The impacts and benefits of the change on NHH customers** – Generally, respondents highlighted that this change should mean fewer retrospective amendments to customers' bills and improved charging accuracy.

**Views on any circumstance in which a premises could be classed as vacant but require a DPID** – Several respondents highlighted circumstances in which they considered a site could be vacant but still require an active DPID. The proposer responded to each of these scenarios in the FRR.

Several respondents suggested the following **alternative solutions**:

- Instead of the proposed solution, there could be a **non-CMOS solution involving a pre-investigation process**. In this solution, a Retailer would submit a form to the Wholesaler advising them that they are going to set the site's status to Vacant. This would then prompt the Wholesaler to investigate whether the site was truly vacant, and the TE consent still required. Once this investigation is complete, the Retailer could submit the vacancy status update. This proposal was raised during the development of the change proposal, and the FRR states that if a new form is being introduced, it would be sensible for it to be incorporated within the Bilaterals Hub. However, work would not begin on this until the Bilaterals project is complete. Additionally, this would still not prevent a Retailer setting a site to Vacant incorrectly as there would be no CMOS validation.
- Introducing a **specific performance measure for Retailers for live DPIDs against vacant SPIDs**. The respondent suggested that, given the environmental impact, the penalty fine should reflect the seriousness and additional impacts of underperformance. The proposer commented that if this change is approved, then there will be no requirement for a performance measure. The proposer stated that as an alternative solution, this would not solve the problem as leaving the issue for Trading Parties to talk and 'figure it out' hasn't worked, so a system limitation is needed so Trading Parties are pushed to work together better.

- The **Wholesaler-led termination process under the G6 process should be used instead**. The proposer commented that this process is currently used where the Wholesaler has been notified that a site is Vacant - and will continue to be used as such - and stated that the amendments in this change are for when the Retailer has been notified.
- A respondent suggested that this is **a behavioural issue that should be resolved bilaterally between Wholesalers and Retailers**. The proposer commented that is an issue that has been ongoing since market opening which shows that the current arrangements for resolving these issues has not worked.

**Costs and benefits** – most respondents thought that there would be minimal implementation costs arising from making system and minor process changes, and that the benefits associated with this change would outweigh these costs. One Retailer flagged the potential for incurring Wholesale charges which they could not recoup. One respondent did not think there would be any benefit to Retailers from this change. They did, however, note potential benefits for customers.

**Does the change better facilitate the Objectives and Principles of the WRC?** – most respondents thought that this change would bring increased transparency, efficiency and a seamless customer experience. One commented that it would add resilience and is simple, cost effective and secure. One respondent noted a risk of negative impact against the "Simplicity and cost-effectiveness principle" and considered that the solution could add new challenges against the principle of "Transparency and clarity".

Two Retailers did not think the Principles and Objectives would be better facilitated by this solution. One of these Retailers stated their preference for the Wholesaler led termination process, whilst the other did not consider the change to be proportionate and cost effective.

**Proposed implementation date of 2 December 2022** – most respondents agreed with the date proposed, with one Retailer seeking an earlier implementation date for the G6 process changes. One Retailer disagreed on the grounds that they do not support the change and do not consider it to be cost effective.

**Other comments** – two respondents suggested that further work is needed on the criteria for a site to be marked as Vacant. The Proposer noted that the case for updating the vacancy code criteria is an issue that has been raised before. They acknowledged there is some ambiguity and inconsistency regarding the application of Vacant status across the market. However, the Proposer considered that the review of the Vacant criteria to be out of scope of this proposal and should be considered separate to this change. Another respondent said that they would like to see more focus and guidance on processes for when a new TE Occupier enters a site. The Proposer agreed that this an issue, however they believe this sits outside the scope of

this change, has been an issue since market opening, and should be considered separately.

**View of the Customer Representative** – CCWater was supportive of the proposal and observed that incorrect billing and charging inaccuracies are a significant source of customer complaints. CCWater noted, however, that for the solution to work effectively it would require good communication between Trading Parties and customers. CCWater supported the development of robust guidance for expected Trading Party behaviours in this regard. CCWater also argued that guidance should be developed to effectively support Trading Parties in making corrections to data (where required) prior to the implementation of the solution.

## Code Change Committee recommendation

The Code Change Committee considered this Change Proposal at its meeting on 29 March 2022. It recommended, by unanimous decision, that the Authority approve this Change Proposal. This recommendation was made on the basis that the change will facilitate the primary principle and several of the objectives of the Wholesale Retail Code, as it will increase the accuracy of data and the introduction of SLAs will result in more accurate customer billing and timely action. The recommended date of implementation is 2 December 2022.

The Committee has outlined its intention to carry out a Post Implementation Review for this change. This review will look at the number of disputes where Trading Parties are unable to agree on the “best available date”, the number of vacant sites with active DPIDs, whether the SLAs introduced by this change are being met and if there has been an improvement in regulatory reporting.

## Our decision and reasons for our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the Code Change Committee’s FRR and have decided to **approve the proposal, with modifications** to the legal text. These modifications are consistent with the intention of the proposed modification and seek to correct errors in the initial legal drafting included in the FRR. We have also run these amendments past the Market Operator for additional assurance, who raised no objections. Our amendments are summarised below:

Section	Amendments	Rationale
CSD 0206: "Trade Effluent Processes"  Section 2.1.1(c)	a Supply Point for the Eligible Premises <del>must</del> does not have a status of Vacant Premises.	This increases the transparency and clarity of the legal drafting and is more accurate.
Operational Terms: "Annex G-Process diagrams for part G (Trade Effluent)"  Process G2; Step 8	(aa) Within 2 BD of grant of Trade Effluent Consent or, if later, <del>with</del> within 5 BD of Registration of supply point or change to <del>Vacant Occupant Status</del> Occupancy Status of Occupied	Our understanding is that this part of the process deals with the next steps resulting from a Wholesaler decision that a new DPID can be created or a previous DPID re-activated. It is possible to read the process diagram as implying that Occupancy Status has been or should be changed to Vacant, which we don't think would be correct here. We also note a typo in the amended wording: "with" should be "within".

### Suggested changes to Guidance documents to be taken forward by the Market Operator

In addition to the above changes, we recommend that the Market Operator further investigates the draft Trade Effluent Vacancy Guidance. In particular, the purpose statement says: *"to outline when a premises in the market, which is discharging Trade Effluent, should be marked in the Central Systems (CMOS) as a Vacant Premises"*. Whilst we acknowledge that guidance is not legally binding on Trading Parties, it does have an important role in assisting market participants in understanding and complying with obligations set out in the Code. In this regard, the current purpose statement could be misleading as the purpose of CPW085 is that premises discharging Trade Effluent should **not** be marked in CMOS as a Vacant Premises.



We have concluded that the implementation of the modified Change Proposal will better facilitate the principles and objectives of the Wholesale Retail Code, detailed in Schedule 1 Part 1 Objectives, Principles and Definitions, and is consistent with our statutory duties.

We consider that the Change Proposal furthers the **primary principle** of the WRC as it is in the interest of existing and future customers to improve the overall customer experience through improved communication between Wholesalers, Retailers and Customers, ensuring that billing is timely and accurate, and reducing the risk of unexpected “bill shocks”.

As part of the change development, work was done in 2021 to assess the number of sites with vacant status which also had an active DPID. This analysis showed that there was very little change in the number of sites affected (365 sites initially rising to a peak of 382 sites during the analysis period). We recognise that there are negative customer impacts that can arise where occupied premises are marked as vacant and are not being billed. We consider, therefore, that this change should ensure that data is properly aligned and better managed, enabling Retailers to bill their customers in a timely way for costs that are right and properly theirs to pay. This furthers the Supporting Principle of **Seamless Non-Household Customer Experience**.

We are aware that the process for resolving issues and disputes between Retailers and Wholesalers can be protracted and inefficient. There are no timescales currently within which decisions on TE consent termination should be made and no validation within systems to ensure that data is aligned. This change introduces an SLA for Wholesalers to respond to Retailer requests for DPID termination and removal of the DPID from CMOS, where appropriate. It also introduces system validation so that any data inconsistencies are flagged up immediately and can be resolved in a timely way. As a result, this change furthers the Supporting Principle of **Simple, cost effective and secure**.

We consider that this change will counter the trend in inconsistent data, improve the customer experience and contribute to reducing one of the primary market frictions of data quality. We also welcome Change Proposals that seek to reduce unnecessary costs and remove inefficiencies from the market arrangements that can benefit current and future customers and advance the Supporting Principle of **Efficiency**.

We acknowledge that some parties raised concerns relating to specific aspects of the proposal, specifically that:

- The criteria for setting occupancy/vacancy status for a site is unclear and open to interpretation.

- Trading parties may struggle to agree the date to be used for change to site status/DPID termination.
- Retailers will be exposed to risk of incurring wholesale charges which they cannot recoup.

We consider that the above concerns can mainly be addressed through good communication between Trading Parties and customers. We are pleased to see that a guidance document has been drafted to assist parties in making decisions on TE Consent, and also that the Operational Terms are being amended to refer specifically to “customer site activity”.

We acknowledge that under the proposed new process, there may be circumstances where Retailers may be exposed to the risk of incurring Wholesale charges while a termination request is being considered. However, we expect that the proposed SLA timescales should mean that this period of risk, where it occurs, will be short in duration and expect any charging inaccuracies should be resolved in a timely way through the settlement process. Proper application of the vacancy criteria should enable both Retailers and Wholesalers to agree if a site is vacant and DPID termination is appropriate or if it is occupied with an active DPID.

We note that one of the alternative solutions suggested during the change development process was a pre-investigation process initiated by submission of a form to the Wholesaler by the Retailer. We understand that the intention is to include the G6 process in the Bilaterals work programme later this year, which will present an opportunity to consider this option further and bring forward improvements to this part of the process.

We support the plan to carry out a Post Implementation Review (PIR) for this change. The PIR could potentially look at:

- if there have been any customer-facing issues, particularly any instances where a DPID has been incorrectly terminated because customer consent has not been obtained;
- any issues arising in agreeing the “best available date” to be used in this process;
- any difficulty in determining the occupancy status of sites; and
- How many sites that are currently marked as “vacant” but have an active DPID become “occupied” (and are therefore brought back into charging), how many sites remain “vacant” but with the DPID removed; and how many disputes arose in relation to this exercise.

The PIR could also potentially consider if further or strengthened performance measures are needed to address issues (for example, non-compliance with SLAs), and if there are other matters that may require further investigation and assessment in the future (for example, the vacancy criteria and guidance).

## **Decision notice**

In accordance with paragraph 6.3.7 of the Market Arrangements Code, the Authority approves this Change Proposal with the amendments as detailed above.

**Georgina Mills**  
**Director, Business Retail Market**