

## Wholesale Retail Code Change Proposal – CPW120

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| <b>Modification proposal</b> | Wholesale Retail Code Change Proposal – CPW120 - Final Meter Read where no visual read is available |
| <b>Decision</b>              | The Authority has decided to approve this Change Proposal with modifications                        |
| <b>Publication date</b>      | 04 August 2022  |
| <b>Implementation date</b>   | 12 May 2023   |

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

We consider that this Change Proposal will address a current gap in the market processes and as a result will deliver greater transparency and improved outcomes for customers. It will do this by adding clarity and consistency regarding the process that Wholesalers must go through when entering Estimated Final Reads where a Visual Final Read cannot be obtained, which in turn will improve the overall quality of data in the market and lead to customers receiving more accurate bills or being alerted to the fact that their bill has been issued based on an estimation. The change proposal should also provide greater granularity of market data, which will potentially allow for further changes or interventions to be identified for the benefit of customers.

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

To ensure the smooth implementation of this solution, we support the development of robust guidance by MOSL clarifying:

- that Estimated Final Reads should only be used as a last resort
- information regarding the use of each reason code
- action to be taken by Wholesalers prior to estimating Final Reads
- the requirement to evidence why a visual read was unobtainable.

We acknowledge that the long-term ambition of the change is to address some of the issues that are preventing Trading Parties from obtaining visual reads, enabling better data quality in the market and delivering improved outcomes for customers. Trading Parties should be striving to obtain actual reads wherever possible or working

collaboratively to address the root cause where this is not possible. The change will allow MOSL to gather better data and enable them to determine how best to use this data to further incentivise improved Trading Party performance if there remain issues with obtaining Visual Final Reads. In addition, the current reform of the Market Performance Framework (MPF) provides an opportunity to strengthen incentives on Trading Parties to update the Central Market Operating System (CMOS) with accurate data in a timely manner.

We support there being a post-implementation review of this change and note that its findings could identify the need for further changes and improvements to market processes.

## Background

CPW120 was originally raised by Thames Water on in April 2021. Thames Water subsequently decided to withdraw this change prior to it going out for consultation as, due to the original proposed solution being a simple clarification to the code through cross-referencing, it did not consider that the change warranted industry time and resource. However, the Market Operator (MOSL) considered that the issue identified by Thames Water should be investigated further and therefore adopted CPW120<sup>1</sup>.

The original Thames Water solution was a simple code change which would allow Wholesalers to submit Estimated Final Reads as Visual Final Reads, under certain circumstances, where Wholesalers are removing a meter from the market<sup>2</sup>. No change to CMOS was envisaged. When the Change Proposal was adopted by MOSL, the solution was further developed and amended to include a change to CMOS to provide clarity that an estimated read has been used and the reason why. This also links into the work being done by the Metering Committee as part of the Strategic Metering Review, and dovetails with CPW130 (Transfer Reads Estimated Reason Codes), another change proposal which is seeking to address issues arising from situations where Retailers are unable to obtain actual meter reads.

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<sup>1</sup> The policy and process for withdrawal and adoption of change proposals is published on the MOSL website: [Withdrawal Policy](#)

<sup>2</sup> A meter may be removed as part of a meter exchange or when the site becomes deregistered from the market.

## The issue

Wholesalers are required to enter a Visual Final Read into CMOS when removing a meter from the market. However, in some cases, a Visual Final Read cannot be obtained as the meter is either broken, missing, or inaccessible. The market codes are silent on what should be done in such scenarios.

Wholesalers are currently adopting different approaches when it is not possible to obtain a Visual Final Read, which may include entering the last available read or submitting an Estimated Read. This inconsistency could lead to poorer outcomes for customers and protracted disputes. The Retailer is unable to identify the Meter Read type as Estimated in CMOS, and it will not therefore be flagged as such on the customer's bill. In addition, MOSL does not currently have visibility of how often, and the reasons why, Visual Final Reads cannot be obtained.

## The Change Proposal

CPW120 proposes to allow Wholesalers to enter Estimated meter reads as Final Reads in CMOS where a Visual Final Read is not available. If a Wholesaler uses an Estimated Meter Read as a Final Read in CMOS, the Wholesaler is required to input the appropriate reason code via the D3028 (Estimated Read Reason Code) as part of the transaction to add or change a meter read. Eleven specific Reason Codes have been identified for use.

The reason codes have been taken from the Retailer Wholesaler Group's Standard Skip Code and process list which has been developed as part of the Strategic Metering Review. MOSL has confirmed that a guidance document will be created to help Wholesalers understand which reason codes to use when submitting Estimated Final Reads.

## Industry consultation and assessment

There have been two consultations on this Change Proposal. The first took place between 23 September 2021 and 14 October 2021 and received a total of 20 responses (nine Wholesalers, ten Retailers, and the Consumer Council for Water (CCW)). The second took place between 17 January 2022 and 4 February 2022. This was a joint consultation with CPW130 (Transfer Reads Estimated Reason Codes), and the aim of this was to seek feedback on the amended solution for CPW120 which draws from the same list of reason codes included as part of the proposed solution for CPW130. A total of 16 responses (ten Wholesalers, five Retailers, and CCW) were received to this second consultation.

This section outlines the key points raised during the consultation process and the responses provided by the Proposer – MOSL. The Final Recommendation report (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 first consultation sought views and evidence on the scale of the problem. In response, five Wholesalers estimated that they are unable to obtain a Visual Final Read in 2% to 30% of cases (an average of 13% across all the final reads these Wholesalers submitted). Other Wholesalers could not quantify the position, but all felt that there were instances where obtaining a Visual Final Read was not possible. The consultation responses confirmed that Wholesalers have adopted a range of different approaches when they have been unable to take a Visual Final read. In addition, a lack of an agreed market process has led to at least one dispute between two Trading Parties.

A quarter of respondents disagreed with the proposed solution that Wholesalers should be able to enter estimated final reads. Concern was expressed by several respondents that there is no prescribed methodology for calculating reads, and that estimates may be incorrect. One respondent thought that allowing the use of estimates could lead to poor Wholesaler behaviour, diluting the requirement to obtain a Visual Final Read, and increasing market tensions between Wholesalers and Retailers.

Some respondents questioned whether the change was necessary. Two Retailers were concerned that they might receive more customer queries and incur additional cost as a result of this change, whereas others thought it would mean spending less time and effort raising queries with Wholesalers to understand the basis for the final bill. Other respondents cited benefits that the solution could deliver, including improved efficiency, transparency and time saving.

**View of the Customer Representative** – the Consumer Council for Water (CCW) was supportive of the proposal and agreed there is currently a gap in the market codes in this area, which could be leading to inconsistent approaches by Wholesalers when taking a final meter read. CCW thought it sensible to outline a consistent approach that must be taken where Visual Final Reads cannot be obtained, so that Trading Parties are clear on their obligations under the codes. CCW noted that estimated reads are already being entered into CMOS as visual reads in the absence of an actual visual read being available. This is misleading for customers who are then unaware that this is not the true status of the consumption that their bill is based on. CCW flagged that transparency around data and customer billing are key to maintaining and improving customer confidence in the market and their suppliers.

CCW also noted that implementing this change may allow MOSL to keep better track of whether or not Wholesalers have taken the remedial action required to resolve the

fundamental problem that prevented a Visual Final Read being taken (e.g., if the meter is broken, ensuring a repair is completed in line with the relevant Operational process).

CCW made the point that using an estimated read should be a last resort, and they would expect Wholesalers to evidence and take steps to address the issue that prevented them from taking a Visual Final Read.

## Code Change Committee recommendation

The Code Change Committee (CCC) considered this Change Proposal at its meeting on 29 March 2022, and recommended, by unanimous decision, that the Authority approve this proposal. The CCC recognised that there are instances where a Visual Final Read cannot be obtained when a meter is removed and therefore the Final Read entered in CMOS needs to be estimated. In addition, the CCC agreed with the Proposer’s views set out in the [FRR](#) on how this Change Proposal furthers the Principles and Objectives of the WRC. The recommended date of implementation is 12 May 2023.

## 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, subject to 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 discussed these amendments with MOSL for additional assurance, and they have raised no objections. Our amendments are summarised below:

| Section                  | Amendments  | Rationale   |
|--------------------------|---|---|
| CSD0202<br>Section 2.3.4 | Replace “Estimated – Final Reads reading” with “Estimated Final Read” | <i>'Estimated – Final Reads reading' is not a defined term, rather a paragraph heading in the proposed CSD0202. It is clearer to use defined terms in this section.</i> |
| CSD0202                  | Amend this entire section to read:                                    | <i>Section 3.3.3, as currently drafted, is incorrect in its assertion that 'The only permitted Meter Read</i>   |

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| Section 3.3.3 | 'The Meter Read Method for a Final Read should be "Visual". Where a "Visual" Final Read is not obtainable (for the reasons set out in section 2.3.4), the Meter Read Method may be "Estimated".' | <i>Method for a Final Read is "Visual" given that this code modification allows Estimated Reads to be taken in certain circumstances</i> |
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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** as it will protect and promote the interests of existing and future Non-Household customers by providing a more consistent and transparent billing process, making it clear when and why an Estimated Final Read has been used.

**Seamless Non-Household Customer experience** - we agree that a consistent application of reason codes and a standard process adopted across Wholesalers where Visual Final Reads cannot be obtained will help deliver a seamless experience for the benefit of Non-Household customers.

**Transparency and clarity** – we agree that this change will provide greater transparency for customer billing by introducing a consistent method of dealing with the inability to gain a Visual Final Read and enable this to be notified clearly to the Retailer by the Wholesaler. We note the point made by CCW in its consultation response that “In a large number of cases, it is likely that estimated reads are already being entered into CMOS as visual reads in the absence of an actual visual being available. This is misleading for customers who are then unaware that this is not the true status of the consumption that their bill is based on. Transparency around data and customer billing are key to maintaining and improving customer confidence in the market and their suppliers”. In addition, this change might facilitate the identification of further market process improvements by enabling MOSL to gather data and insight into the use of estimated reads.

**Market Terms objectives** - CPW120 should facilitate more efficient interactions between the Wholesaler and Retailer and will increase the accuracy of data within CMOS. We acknowledge the long-term ambition of the change is to address some of the issues that are preventing Trading Parties from obtaining Visual Final Reads. Parties

should be making an effort to obtain actual reads or working collaboratively to address the root cause where this is not possible. The change will allow MOSL to gather better data and assist them in determining if and how it should intervene.

Ideally, all meter reads that are entered into CMOS would be based on actual consumption. However, we recognise that there are some circumstances which prevent this from being possible and that estimated reads may be necessary, although we agree with CCW that this should only be used as a last resort. We therefore support MOSL's proposal to gather monthly data on the total number of Estimated Final Reads submitted per month, per Wholesaler, along with the reason codes used, and to make this publicly available on the MOSL website. In addition, data and insights should also be available through the Bi-laterals Hub. The post-implementation review will be able to use these data sets to understand why Visual Final Reads cannot be obtained and whether further action can be taken to reduce the number of Estimated reads in the market and deliver further improvements for customers.

Poor quality customer, consumption and asset data can significantly undermine the customer experience. Our customer research shows that customers want timely and accurate bills, and this is simply not possible if the quality of market data is poor or if metering assets are not accessible / in good working order. We therefore highlight the importance of Trading Parties updating CMOS with accurate data to improve the level of data quality in the market. We also note that the current reform of the Market Performance Framework (MPF) provides an opportunity to strengthen incentives on Trading Parties to update CMOS with accurate data in a timely manner.

In our recently published consultation on our methodology for how we will carry out the 2024 price review (PR24), we indicated that we are currently minded to introduce a new common performance commitment for the English water companies (BR-MeX) to improve company performance in relation to the wholesale services they provide to Retailers and business customers. Better quality data and insight will facilitate more meaningful BR-MeX feedback and more targeted interventions to fix the root cause of problems.

We note that some respondents to the consultation questioned whether this change was really necessary, and whether it might lead to more customer queries. The CCC considered whether a code change was necessary or if the issue could be resolved through guidance but concluded that the change was needed and would deliver the best resolution to the issues identified. We have reflected on the points raised and consider that this change provides a way to facilitate a consistent approach by Wholesalers, improving transparency for customers and enabling better market data to be gathered.

We acknowledge that several parties raised concerns about the use of estimated reads. As stated above, we agree that estimated reads should only be used as a last resort. However, we note that MOSL has confirmed that guidance will be produced to outline action to be taken by Wholesalers prior to estimating Final Reads and the requirement to evidence why a visual read was unobtainable. We support the development of robust guidance, making it clear that Estimated Final Reads should only be used as a last resort, along with additional information regarding when to use each reason code. If evidence emerges to show that Visual Final Reads are not being taken when they could have been, then we would encourage MOSL to explore the possibilities for incentivising correct behaviour, for example through MPF reform.

We support the plan to carry out a Post Implementation Review for this change. We note that its findings could identify:

- A need for a consistent process and method across the market for calculating and submitting estimated reads under different scenarios
- That incentives need to be strengthened or introduced to encourage Trading Parties to obtain visual reads and address asset data issues.

## **Decision notice**

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

**Dan Mason**  
**Head of Market Governance & Design**