

Wholesale Retail Code Change Proposal – Ref CPW139d

Modification proposal	Wholesale Retail Code Change Proposal – Ref CPW139d – Bilateral Hub (Phase 10)
Decision	The Authority has decided to approve this Change Proposal
Publication date	31 October 2023
Implementation date	12 December 2023

We are approving this Change Proposal.

CPW139d will merge three (3) processes for reviewing unmetered or assessed charges and tariff changes into one single process and integrate this into the Bilateral Hub. The three processes that will be merged into a new H3 process are:

H3 – Review of charges at unmeasured¹ or assessed supply points².

H4 – Wholesaler notice of change in tariff applied to a service component.

H5 – Retailer application for change in tariff applied to a service component.

Merging these processes and integrating them into the Bilateral Hub will allow more accurate monitoring of these activities, which is currently unavailable. Merging these processes into the Bilateral Hub will improve the consistency of advice to customers on the expected resolution times for these processes and will improve efficiency.

¹ Unmeasured charges are based on a fixed charge according to the rateable value of the property under the Valuation Act.

² Assessed charges are based on an estimation of what the customer would have been charged if a meter was installed. These are only offered following an unsuccessful attempt to install a meter at the property and are calculated by the wholesaler in compliance with Ofwat's charging rules.

Background

[CPW070/CPM043](#) (an Authority timetabled change proposal) created the programme governance under which work to address issues that had been identified relating to bilateral transactions (i.e., transactions between Wholesalers and Retailers). The first phases of the Bilateral Transactions programme, integrating several processes into the Bilateral Hub, were delivered under this change proposal, and concluded in November 2022. [MOSL's 2023-26 Business Plan](#) includes a subsequent programme of work which aims to continue to standardise, combine, streamline, or retire residual processes set out in the [Operational Terms](#) before bringing them into the Bilateral Hub which is aimed at improving the efficiency of interactions between Wholesalers and Retailers for the benefit of customers.

CPW139 and CPM051 establishes this programme of work, which represents Phase Seven of the Bilateral Transactions Programme. CPW139 and CPM051 will be delivered through a series of implementations in the same way that previous Bilateral-related change proposals were implemented under the Ofwat-led programme via CPW070 (a, b, c, etc.). CPW139d consists of merging and streamlining the H3, H4 and H5 processes and integrating them into the Bilateral Hub.

The issue

The issue as set out in the [FRR](#) (Final Recommendation Report) is that to realise the complete set of benefits of the Bilateral Transactions programme³, all of the operational processes need to have either been migrated into the Bilateral hub or retired.

A service component is an element of the water or sewerage services provided by the Wholesaler to a supply point as defined in [schedule 1 part 1 of the Wholesale Retail Code](#). E.g. metered potable water. Each supply point requires at least one service component to be considered live within the market and can have multiple service components registered to it. The [operational terms](#), set out the way in which Wholesalers and Retailers can review or request changes to unmeasured or assessed charges for supply points or change the tariff applied to a service component. The relevant processes are detailed below:

³ The original business case for the Bilateral Transactions Programme identifies the key market improvement, performance improvement, cost saving, and resource efficiency benefits associated with the programme.

H3 – Review of charges at Unmeasured or Assessed Supply Points. H3 concerns two types of charges. Unmeasured charges are fixed by the rateable value of the premises to which they apply. Assessed charges are variable in the absence of a water meter and are set dependant on the amount the property is likely to have used. Wholesalers can trigger the process to confirm that the assessment criteria remain unchanged, or Retailers can trigger the process should it wish to change the charging method from unmeasured to assessed (if there has been a change of circumstance, activity, or tenancy). In the case of the Wholesaler triggering the process, the Retailer has twenty Business Days to provide up to date consumption data. If the Retailer triggers the process, they use the H/03 form to provide consumption data. In both cases the Wholesalers can query the data provided by the Retailer within ten Business Days of receipt. Retailers then have the following twenty business days to provide evidence to support a reassessment. Following the completion of the re-assessment, the Wholesaler has a further two working days to update CMOS. In total, when triggered by the Wholesaler, the process could take up to sixty-two business days and fifty-two business days when triggered by the Retailer.

H4 – Wholesaler notice of change in Tariff applied to a Service Component. The Wholesaler initiates the H4 process and must notify the Retailer of a change in tariff at least twenty business days prior to the tariff coming into effect. The process allows the Retailer ten business days to challenge the change and the Wholesaler must consider the challenge and either accept or reject it. If the tariff is changed, CMOS must be updated within a further two business days.

H5 – Retailer application for change in Tariff applied to a Service Component. The H5 process is the Retailer-led version of the H4 process to apply for a change in tariff for a service component. The process requires a H/04 form to be submitted by the Retailer. The Wholesaler must respond to the Retailer within five business days if they require more information or if a site visit is required. Within twenty business days of completion of the inspection or provision of the required information, the Wholesaler must inform the Retailer of its intention to approve the change or not. If the tariff is changed, CMOS must be updated within two days. The twenty-business day Service Level Agreement (SLA) only starts when the Retailer provides the required information and therefore could exceed the twenty days.

The Change Proposal⁴

This change was proposed by MOSL and concerns the process for reviewing charges at unmeasured or assessed supply points and the processes for charges and tariff changes to service components. The main changes and the rationale for merging the H3, H4 and H5 processes are listed below with further detail being contained within the [Final Recommendation Report](#) (FRR).

- **Merging processes:** A solution to merge the above three processes is considered the most effective due to the similarities in the processes. By merging the processes, it will introduce more accurate monitoring and tracking via the Bilateral Hub which is currently unavailable. Customers will receive more consistent advice from Retails on expected resolution times and standardised outcomes.
- **Non-OPS SLA's:** The current processes are not subject to OPS (Operational Performance Standard charges). All three have different SLAs dependent on which party triggers the process and whether it relates to changes to unmeasured or assessed charges or to the tariff applied to a service component. The current maximum unreported SLAs are:

Process	Wholesaler raised SLA (Business Days)	Retailer raised SLA (Business Days)
H3	62	52
H4	22	N/A
H5	N/A	27

The merged process will align the three processes into one, with an overall maximum SLA of twenty-five business days. The new process will allow the Wholesaler up to ten business days to defer the request if the Retailer challenges the outcome. If the Retailer fails to provide supporting evidence or take no further action within the ten business days, this will be taken as automatic acceptance in the Bilateral Hub. The Wholesaler is not required to propose an outcome if the Retailer raises the request, and all the provided information is correct. In this instance, they can proceed directly to making the

⁴ The proposal and accompanying documentation are available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

necessary amendments and closing the request.(avoiding the additional ten business days). Aligning these SLAs reduces all of the current timeframes which can take from between seventeen to twenty-seven business days longer than those proposed as part of this change.

- **Removal of review of unmeasured charges:** Merging the processes will also result in the removal of the option to review unmeasured charges (currently within H3). During the development of the change, the Operational Advisory Group (OAG) and Tariff simplification sub-group confirmed that it would be unlikely that unmeasured charges would be changed as they are based on the rateable value of the premises, which is not subject to change. The OAG also suggested that any rateable value errors should be rectified through the Error Rectification and Retrospective amendment contained within CSD 0105.
- **B1 and B2 process links:** A clarification has been added to OSD 0709 (Bilateral Processes Part H: Allowances, Volumetric Adjustments, assessment requests and applications) where the new H3 process also applies. Where a B1 (Installation of a meter performed by the Wholesaler) or B2 (Installation of a meter performed by an accredited entity) processes ends with an impractical or unfeasible outcome, assessed charges should be offered to the customer to replace unmeasured charges when the meter installation has failed. This will encourage Wholesalers to be more proactive in resolving these issues for the customer. Functionality is to be added to the Bilateral Hub to request information between Trading Parties and to book a site visit for reasons not currently covered by other processes (current process F3). This will ensure a clear and trackable path following a failed meter installation attempt. Until this is in place, the Wholesaler should request the necessary information from the Retailer who has twenty business days to provide it. Where a site visit is required the current F3 process is to be utilised.

Industry engagement and assessment

The recommendation reports presented as part of CPW139 and CPM051 do not feature a traditional consultation. Instead, the Operational Advisory Group (OAG) and Code Advisory Group (CAG) were directly involved in the assessment of CPW139d, each consisting of subject matter experts from Retailers, Wholesalers, MOSL, and where appropriate, third-party integrators.

Views of the Customer Representative

The Consumer Council for Water provided the following view on the change:

“We support the proposal to merge the H3, H4, & H5 processes, along with the transition to the Bilateral Hub. It is important that bilateral processes continue to be moved into the Hub so they can be subject to standardisation and centralised monitoring, which should improve trading party accountability, and lead to improved customer outcomes. As all the stated processes relate to the review of customer charges and tariffs, it makes sense that these are streamlined in order to make it easier for such monitoring to take place.

It is vital that customers are charged accurately for their services, and that any related queries and amendments are responded to, and completed, as soon as possible. An SLA that tracks requests from initiation, to when CMOS is updated, may improve customer outcomes as it is more aligned to the entire customer journey. However, while the Hub will allow processes to be better tracked, trading parties still need to be adequately incentivised to respond to requests, and carry out any assessments, within the required SLA. If performance monitoring identifies significant failures in this area, we would urge MOSL to consider introducing an OPS for this process to try and better incentivise parties to meet the SLA.

With regards to the proposed change to the H3 process, we agree that it is unlikely that a review of unmeasured charges would result in anything changing. However, while the calculation of the charge is not subject to change, a review could identify a problem with how it has been applied (e.g; a business premises may have had the wrong Rateable Value assigned to it). Therefore, if the option to challenge unmeasured charges is removed from the new merged process, it needs to be very clear to trading parties that the error rectification process under CSD0105 is the most appropriate to use instead. We do not want to see charging errors remaining unresolved due to a lack of clarity.”

Code Change Committee (CCC) discussion and recommendation

The CCC considered this Change Proposal at its meeting on 13 September 2023. It recommended unanimously that the Authority approve this proposal. The proposed implementation date set out in the [Code Change Committee's Final Recommendation Report](#) is 12 December 2023.

This recommendation has been made based on the rationale set out by the proposer in its contribution to the following principles and objectives:

- **Primary Principle:** The merging of the H3, H4 and H5 processes will protect and promote the interests of existing and future Non-Household Customers by incorporating the processes into the Bilateral hub, improving the resolution of requests, improving the accuracy of market data and as a result facilitating more accurate customer billing.

- **Seamless Non-Household Customer experience:** CPW139d improves consistency across processes with their inclusion in the Bilateral Hub supporting Retailers to provide a seamless Non-Household Customer experience across Wholesale areas.
- **Simple, cost effective and secure:** CPW139d incorporates more processes into the Bilateral Hub, meaning that Trading Parties can continue to reduce reliance on multiple systems.
- **Transparency and clarity:** The inclusion of the new H3 process into the Bilateral Hub is accompanied by clear and transparent code drafting, making new arrangements and standards complete, concise, structured, unambiguous, and readily accessible to both existing and prospective trading parties. The Bilateral Hub will also allow performance that is currently unreported to be monitored in a more robust manner.
- **Efficiency:** CPW139d continues the work of the Bilateral Transaction Programme which will increase efficiency by streamlining processes into one platform and will utilise links to other central systems. This will reduce the complexity of utilising multiple systems reducing the likelihood of manual errors and improving data quality.
- **Non-discrimination:** The Bilateral Hub is intended to be universally beneficial to Trading Parties. Merging relatively well-used processes such as H3, H4 and H5 in the Bilateral Hub may also remove barriers to Retailers operating across multiple Wholesaler areas by only having to use one system for Requests.
- **Operational Terms Objectives:** CPW139d will facilitate the performance of Trading Parties by improving the efficiency of H3, H4 and H5 processes including the implementation of centrally reported end to end SLA's.

Our decision and reasons for our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the CCC Final Recommendation Report and have decided to approve the proposal. We have concluded that the implementation of CPW139d 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 agree that this proposal will further the **Primary Principle** as it will improve current and future customers' experience of the market through reducing the risk of unsatisfactory outcomes because of multiple and varied operational processes. By merging and incorporating the processes into the Bilateral Hub, customer journeys will be more consistent and improved monitoring will help deliver better customer outcomes and experience.

We support the introduction of the end-to-end SLA for the new H3 process that will represent an improvement on the current SLA's. The inclusion of this process in the Bilateral Hub will allow for tracking of these SLAs and reporting of performance that is currently unavailable.

We are encouraged that OAG has also provided assurance that merging the three processes under one should have no adverse impacts on customer outcomes and is therefore considered the most efficient and effective approach. Inclusion of these processes and bringing them into the Bilateral Hub will further the **Transparency and clarity** principle allowing better reporting and giving greater visibility of market performance in this area.

We agree that this proposal will support a **Seamless Non-Household Customer experience** by bringing the processes together under a central system (the Bilateral Hub), which also supports the **Efficiency** principle.

We acknowledge and support the removal of the option to review unmeasured charges within the H3 process. The FRR sets out a logical and sensible approach that any rateable value errors are to be rectified through the Error Rectification and Retrospective amendment contained within CSD 0105. However, we also acknowledge CCW's assertion that there has to be clarity that this is the path for rectification to ensure charging errors are resolved and we encourage MOSL to communicate this effectively.

The proposal is **Simple, cost-effective, and secure** by incorporating multiple processes into the Bilateral Hub, reducing reliance on multiple systems for service requests. The proposal supports the principal of **Non-discrimination** as all Trading Parties will benefit from the integration of the H3, H4 and H5 merged processes into the Bilateral Hub. The proposal will further the **Operational Terms Objectives** as it will support the performance of Trading Parties by standardising and improving the efficiency of these merged processes.

Decision notice

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

Dan Mason
Director, Business Retail Market